New Issue

Investment Rating:
Moody's Investment Service...Aa1

Final Official Statement Dated July 9, 2012

*Subject to compliance by the City with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. See "**TAX EXEMPTION**" herein for a more complete discussion. The Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "**QUALIFIED TAX-EXEMPT OBLIGATIONS**" herein.*

CITY OF BATAVIA

Kane and DuPage Counties, Illinois

$7,150,000 General Obligation Refunding Bonds, Series 2012A

Dated Date of Delivery **Book-Entry** **Bank-Qualified** **Due Serially January 1, 2013-2026**

The $7,150,000 General Obligation Refunding Bonds, Series 2012A (the "Bonds"), are being issued by the City of Batavia, Kane and DuPage Counties, Illinois (the "City"). Interest on the Bonds is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2013. Interest is calculated based on a 360-day year of twelve 30-day months. The Bonds will be issued using a book-entry system. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity will be registered in the name of Cede & Co., as nominee for DTC and no physical delivery of Bonds will be made to purchasers. The Bonds will mature on January 1 in the following years and amounts.

AMOUNTS , MATURITIES, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS

Principal Amount	Due Jan. 1	Interest Rate	Yield or Price	CUSIP Number	Principal Amount	Due Jan. 1	Interest Rate	Yield or Price	CUSIP Number
$ 10,000	2013	2.000%	0.850%	070372LT2	$575,000	2020	3.000%	1.950%	070372MA2
40,000	2014	2.000%	0.850%	070372LU9	600,000	2021	3.000%	2.100%*	070372MB0
485,000	2015	2.000%	0.950%	070372LV7	620,000	2022	3.000%	2.250%*	070372MC8
500,000	2016	4.000%	1.050%	070372LW5	640,000	2023	3.000%	2.350%*	070372MD6
525,000	2017	3.000%	1.250%	070372LX3	660,000	2024	3.000%	2.500%*	070372ME4
540,000	2018	3.000%	1.500%	070372LY1	690,000	2025	3.000%	2.650%*	070372MF1
560,000	2019	3.000%	1.700%	070372LZ8	705,000	2026	3.000%	2.750%*	070372MG9

**These maturities are priced to par call on January 1, 2020.*

OPTIONAL REDEMPTION

Bonds due January 1, 2013-2020, inclusive, are non-callable. Bonds due January 1, 2021-2026, inclusive, are callable in whole or in part on any date on or after January 1, 2020, at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the City within any maturity by lot. See **"OPTIONAL REDEMPTION"** herein.

PURPOSE, LEGALITY AND SECURITY

Bond proceeds will be used to advance refund a portion of the City's General Obligation Bonds (Alternate Revenue Source), Series 2006, and to pay the cost of issuance on the Bonds. See **"PLAN OF FINANCING"** herein.

In the opinion of Chapman and Cutler LLP, Bond Counsel, Chicago, Illinois, the Bonds will constitute valid and legally binding obligations of the City payable both as to principal and interest from ad valorem taxes levied against all taxable property therein without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel, and certain other conditions. It is expected that the Bonds will be made available for delivery on or about July 24, 2012.

BAIRD

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds other than as contained in the Official Statement or the Final Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE RESPECTIVE DATES THEREOF.

References herein to laws, rules, regulations, ordinances, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Official Statement or the Final Official Statement they will be furnished on request. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

BOND ISSUE SUMMARY

This Bond Issue Summary is expressly qualified by the entire Final Official Statement, which is provided for the convenience of potential investors and which should be reviewed in its entirety by potential investors.

Issuer:	City of Batavia, Kane and DuPage Counties, Illinois.
Issue:	$7,150,000 General Obligation Refunding Bonds, Series 2012A.
Dated Date:	Date of delivery.
Interest Due:	Each January 1 and July 1, commencing January 1, 2013.
Principal Due:	Serially each January 1, commencing January 1, 2013, through January 1, 2026, as detailed on the front page of this Final Official Statement.
Optional Redemption:	Bonds maturing on or after January 1, 2021, are callable at the option of the City on any date on or after January 1, 2020, at a price of par plus accrued interest. See **"OPTIONAL REDEMPTION"** herein.
Authorization:	The City is a home rule unit under the Illinois Constitution and as such has no debt limitation and is not required to seek referendum approval to issue the Bonds.
Security:	The Bonds will constitute valid and legally binding obligations of the City payable both as to principal and interest from ad valorem taxes levied against all taxable property therein without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.
Rating:	The Bonds have been rated "Aa1" by Moody's Investors Service.
Purpose:	The Bond proceeds will be used to advance refund a portion of the City's General Obligation Bonds (Alternate Revenue Source), Series 2006, and to pay the cost of issuance on the Bonds. See **"PLAN OF FINANCING"** herein.
Tax Exemption:	Chapman and Cutler LLP, Chicago, Illinois, will provide an opinion as to the tax exemption of the interest on the Bonds as discussed under **"TAX EXEMPTION"** in this Final Official Statement. Interest on the Bonds is not exempt from present State of Illinois income taxes.
Bank Qualification:	The City intends to designate the Bonds as "qualified tax-exempt obligations" pursuant to the small issuer exception provided by Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Registrar/Paying Agent/ Escrow Agent:	U.S. Bank, National Association, Chicago, Illinois.
Verification Agent	Grant Thornton LLP, Minneapolis, Minnesota.
Delivery:	The Bonds are expected to be delivered on or about July 24, 2012.
Book-Entry Form:	The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Bonds. See **APPENDIX B** herein.
Financial Advisor:	Speer Financial, Inc., Chicago, Illinois.
Underwriter:	Robert W. Baird & Co., Inc., Naperville, Illinois.

CITY OF BATAVIA
Kane and DuPage Counties, Illinois

Jeffrey D. Schielke
Mayor

Aldermen

David Brown
Dan Chanzit
Lisa Clark
Victor Dietz
Eldon P. Frydendall
Janet Jungles
Robert F. Liva
Michael F. O'Brien
Garran DeWain Sparks
Susan Stark
Dawn Tenuta
Lucy Thelin-Atac
James T. Volk
Alan Wolff

Officials

William R. McGrath
City Administrator

Heidi Wetzel
City Clerk

Kevin G. Drendel, Esq.
City Attorney

Peggy Colby
Finance Director

Gerald R. Miller
Treasurer

THE CITY

Settled in the early 1830's, the City of Batavia (the "City") is located 35 miles due west of downtown Chicago along the banks of the Fox River. The City was incorporated as a village in 1856 and as a city in 1891. Population at the 2010 Census was 26,045. The current land area of the City is 9.64 square miles. The City operates under an aldermanic form of government with 14 aldermen, two from each ward, elected for overlapping four-year terms. The Mayor is elected on an at-large basis. The City is nicknamed 'The Windmill City', as a result of its industrial role at the turn of the century as the windmill manufacturing capital of the world. Many antique and replicated windmills may be seen throughout the City.

In November 2007, *Business Week* named Batavia as one of the "50 best places to raise kids". Batavia was ranked as 21st nationally on the list of communities from across the country. The magazine ranked communities by reviewing a variety of factors and the top picks were said to offer the right mix of safety, community, and education.

City Services

The City employs a total of 156 full time employees with a full range of city services. Forty full-time sworn officers staff the police department. The fire department consists of 22 full-time firefighters augmented by 40 paid-on-call firefighters. The City has earned a "class three" fire insurance rating due to the quality of the fire department and its water supply and distribution system. The City has an east side and west side fire station to ensure prompt response times. Additionally, the City recently completed the reconstruction of the two stations, which will provide for the community for many years to come.

Utilities owned by the City include a water supply and distribution system, a sewage collection and treatment system, and an electric transmission and distribution system with power supplied through bilateral contracts and short term market purchases. Beginning in 2012, the City will receive about 77% of its energy needs and 44% of its capacity needs through fractional ownership in a mine and coal plant in Southern Illinois. The City owned electric utility has been an asset to residents and businesses by offering lower electric rates within the municipal borders.

Community Services

The Batavia Park District (the "Park District") serves an area of approximately 17 square miles primarily in eastern Kane County encompassing about 350 acres of park land. Over 1,000 recreation programs are offered annually and include league sports, special events, swimming, dance, exercise, art, cultural, children and senior citizen programs. The Park District recreational facilities include outdoor tennis courts, ball fields, basketball courts, jogging trails, neighborhood and community parks, an outdoor ice skating rink, an outdoor skate park, and numerous playing fields. Major facilities include Quarry Park, which first opened in the 1920's as an outdoor swimming quarry and now provides a sand bottom swimming area with concrete sides and a diving area. The Eastside Community Center houses preschool and leisure education classes and serves as the Park District's administrative headquarters. A joint venture with the Batavia Historical Society is the Depot Museum, which is a restored 1855 railroad depot that houses displays of Batavia history. The Fox River Trail is an extensive bicycle trail, which follows the Fox River and winds through the City.

The Batavia Public Library District (the "Library"), located in downtown Batavia, is an independent unit of government, governed by a seven-member board of directors, elected at large. The library dedicated in January 2002, is a 54,000 square foot building. Serving approximately 18,000 registered patrons, the Library houses over 160,000 items including books, audio books, compact disks, magazines, videos and DVD's. In addition, the Library offers residents the use of computers with Internet access, copiers, adult and youth programming, meeting room space for community groups, quiet reading areas and outdoor seating.

The 87-acre campus of Delnor Community Health System, constructed in 1991 in nearby Geneva, is a state of the art hospital with a Level II trauma center, cancer care center, maternity center health & wellness, mammography, and 24-hour emergency room. It has approximately 160 beds and employs more than 1,500 health care professionals. The hospital's medical staff is composed of more than 300 general physicians and specialists. Delnor was recently designated a "Magnet" hospital by the American Nurses Association for meeting stringent standards for nursing practices and providing quality patient care.

The Kane County Events Center, located in Geneva, was constructed in 1991 and is operated by the Kane County Forest Preserve. The primary tenant is the Kane County Cougars, a minor league baseball team that is affiliated with the Oakland Athletics. The Cougars' season runs from April through September with 70 home games. The price of tickets ranges from approximately $8.00 to $14.00. The stadium seats 7,400 but the average attendance is 7,900 per game as lawn seating is available. Between inning entertainment and frequent fireworks shows make this a popular family outing. Thirty full-time employees work year round for the Cougars with total employment of 500 over the summer.

Education

The Batavia Community Unit School District 101 (the "District") was formed in 1911. The District provides educational programs for grades pre-kindergarten through 12 and operates six elementary schools, one middle school and one high school. The current enrollment of the district is about 6,200 students.

Enrollment has grown in the last several years, and as a result a $61 million expansion to the high school was started in 2008 to offer additional class rooms and amenities for co-curricular activities. The District employs a total of approximately 650 full and part-time personnel including 358 full-time teachers. Public School District Number 304 covers a small portion of the City. The City also includes a Montessori School and two private schools offering education grades K-8.

One of the strengths of the City is found in the community commitment to its institutions and its quality of life. The District is ranked as one of the most educationally advanced systems in the State of Illinois. Additionally, the school district is supported by parents in the community through the formation of the Batavia Foundation for Educational Excellence, which provides enrichment programs to students of the District.

Economic Development

The City has experienced expansive economic growth over the last 15 years. The rise in development began on Randall Road, which is now a major retail corridor and travel route between neighboring communities. When a Jewel Food store and a Target store first came to the City, Randall Road was at the edge of the City and was surrounded by mostly undeveloped land. Since that time, Randall Road has become the shopping destination for Batavians and surrounding communities, with shopping developing to both the north and south. Goodrich Randall 15 Theatre is home to the only IMAX theatre in the far western suburbs, located in the middle of Batavia's stretch of Randall Road. Wal-Mart currently has plans for the expansion on their current store to expand this already prosperous retail site to include a full grocery section.

City Council continues to put a concentrated effort on revitalizing the downtown. With two active TIF districts, redevelopment has begun in numerous forms through façade improvement grants and downtown improvement grants and redevelopment agreements encouraging private/public partnerships and investment. In addition to façade and structural grant investments, larger projects have begun to take shape with plans underway for streetscape improvements in various downtown neighborhoods. The projects will include infrastructure improvements along with above ground amenities such as light fixtures and street furniture.

Work recently finished on the $10 million Wilson Street Bridge reconstruction project. The project received funding from the Illinois Transportation Enhancement Program, Highway Bridge Rehabilitation or Replacement Program, the City of Batavia, as well as federal funding through Former Representative Dennis Hastert's Office and received the "Project of the Year, Transportation, $5 Million - $25 Million" award by the Fox Valley and Chicago Chapters of the American Public Works Association. As a testament to the City Council's commitment to the growing artist community, the bridge will showcase four unique pieces of artwork depicting, nature, history, science and art. The first sculpture, "Nature Sounds of Harmony" was installed in 2009. The second sculpture will be commissioned in 2012.

Other redevelopment opportunities include the former Baptist Church site in the downtown and the adjoining block. The City owns much of this block and is working on presenting options for development uses for this site. Outside of the downtown, demolition and abatement has been completed for the Siemens-Furnas Controls (formerly Furnas Electric Company) site, priming this 18-acre property for redevelopment.

The City's main industrial park is home to numerous manufacturers. There are approximately 80 acres that remain available in the industrial park. One of the newest additions to the industrial park, Superior Health Linens, relocated their linen cleaning business from Wisconsin to Batavia noting the City's electric utility, transit location and access to labor as key factors in their selection.

Rubicon Technology, Inc., a leading provider of sapphire substrates and products to the LED industries, marked the first anniversary of the company's next-generation sapphire crystal growth facility, located in Batavia, on December 6, 2011. The 135,000 sq. ft. facility is used for the production of sapphire crystals which are further processed into sapphire ingots and large diameter sapphire wafers used in products such as LED-based lighting and products. The company came to Batavia, in part, because of its highly reliable electric service. The City also worked with the company to form its first market based electric rate.

Although new construction has slowed with the economy, areas are still available for new residential developments with a projected population of 32,000. In addition, the City supports community festivals and events such as the Batavia Triathlon and Art in Your Eye Fine Arts Festival.

Transportation

The City has become a desirable community for families because of the schools and ease of work commute. The major highway serving the City is the East-West Tollway which runs about 2.5 miles to the south and is a four to six lane controlled access highway. Fabyan Parkway connects Roosevelt Road, an east-west route that originates in Chicago, with the City and Route 31. Route 31 runs north and south on the west side of the Fox River and is an important connector of the East-West Tollway with the Northwest Tollway near Elgin. Passenger train service to Chicago is available approximately one-half mile north off of Route 31. Rail freight service is available on both the Chicago and Northwestern and the Burlington Northern Railroads and is approximately one hour from downtown Chicago. Partially as a result of these transportation links, the mix of industries within the City has, in recent years, tended toward non-manufacturing activities such as warehousing and distribution.

SOCIOECONOMIC INFORMATION

Population

The City has more than doubled in population since 1980.

Year	Population(1)
1950	5,838
1960	7,496
1970	9,060
1980	12,574
1990	17,076
1993	20,236
2000	23,866
Special Census 2003	24,978
2010	26,045

Note: (1) Source: U.S. Bureau of the Census.

Listed below are major employers located in the City and in the surrounding area. Additional employment opportunities are available in the metropolitan Chicago area.

Major City Employers*(1)*

Name	Product/Service	Approximate Employment
Fermi Research Alliance	High Energy Physics Research Laboratory	1,900
Suncast Corporation	Plastic Lawn and Garden Products	800
AGCO Corporation, Parts Division	Farm Equipment Parts Distributor	365
VWR International, Inc.	Scientific Supplies and Equipment Distribution	225
Aldi, Inc.	Grocery Warehouse and Corporate Office	200
Waste Management, Inc.	Garbage Disposal Service	200
Power Packaging, Inc.	Contract Packaging and Assembling	197
Carlisle Food Service Products, Inc.	Plastic Products	190
DuKane Contract Services, Inc.	Building Maintenance Services	160
Sealy Mattress Company, Inc.	Foam and Innerspring Bedding	160
First Student, Inc.	School Bus Charter	155
Flinn Scientific, Inc.	Laboratory Chemicals for Educational Purposes	150

Note: (1) Source: 2012 Illinois Manufacturers Directory, 2012 Illinois Services Directory and a selective telephone survey.

Major Area Employers*(1)*

Location	Name	Product/Service	Approximate Employment
Elgin	Elgin Unit School District Number 46	Public School District	5,000
Naperville	Alcatel-Lucent	Telecommunications Research and Development	3,400
Naperville	Edward Hospital	General Hospital	3,000
Aurora	Caterpillar Inc.	Loaders and Tractors	2,500
Naperville	School District Number 203	Public School District	2,400
Naperville	Nicor Gas	Gas Utility Company	2,264
Elgin	Sherman Hospital	General Hospital	2,200
Aurora	Rush-Copley Medical Center	Hospital and Medical Center	2,000
Naperville	School District Number 204	Public School District	2,000
Geneva	Delnor Hospital	General Hospital	1,650
Naperville	BP	Chemical and Petrochemical Research and Testing Laboratory	1,600
Naperville	OfficeMax, Inc.	Wholesale Office Equipment and Supplies Corporate Headquarters	1,500
Aurora	Provena Mercy Medical Center	Medical and Psychiatric Hospital	1,300
Elgin	Provena St. Joseph Hospital	General Hospital	1,300
Naperville	Tellabs	Bandwidth Management Solutions Company Headquarters	1,250
Aurora	Dreyer Medical Clinic	Medical Services	1,200
Elgin	John B. Sanfilippo & Son, Inc.	Snack Foods Corporate Headquarters	1,200
Naperville	Nalco Company	Chemicals and Allied Products Corporate Headquarters	1,200

Note: (1) Source: 2012 Illinois Manufacturers Directory, 2012 Illinois Services Directory and a selective telephone survey.

The following tables show employment by industry and by occupation for the City, Kane County (the "County") and the State of Illinois (the "State") as reported by the U.S. Census Bureau 2006-2010 American Community Survey 5-year estimated values.

Employment By Industry*(1)*

	The City		Kane County		State of Illinois	
Classification	Number	Percent	Number	Percent	Number	Percent
Agriculture, Forestry, Fishing and Hunting, and Mining	62	0.5%	1,305	0.5%	65,279	1.1%
Construction	699	5.4%	18,036	7.4%	361,528	6.0%
Manufacturing	1,566	12.1%	42,683	17.5%	789,606	13.0%
Wholesale Trade	717	5.5%	10,823	4.4%	207,774	3.4%
Retail Trade	1,497	11.5%	28,315	11.6%	657,040	10.8%
Transportation and Warehousing, and Utilities	672	5.2%	12,635	5.2%	356,345	5.9%
Information	428	3.3%	6,133	2.5%	140,821	2.3%
Finance and Insurance, and Real Estate and Rental and Leasing	916	7.1%	17,934	7.4%	475,856	7.8%
Professional, Scientific, and Management, Administrative, and Waste Management Services	1,970	15.2%	29,386	12.1%	657,479	10.8%
Educational Services and Health Care and Social Assistance	2,662	20.5%	43,293	17.8%	1,312,067	21.6%
Arts, Entertainment and Recreation and Accommodation and Food Services	887	6.8%	17,861	7.3%	518,641	8.6%
Other Services, Except Public Administration	552	4.2%	10,104	4.1%	288,895	4.8%
Public Administration	364	2.8%	5,338	2.2%	231,517	3.8%
Total	12,992	100.0%	243,846	100.0%	6,062,848	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2006 to 2010.

Employment By Occupation*(1)*

	The City		Kane County		State of Illinois	
Classification	Number	Percent	Number	Percent	Number	Percent
Management, Business, Science and Arts	6,402	49.3%	83,469	34.2%	2,159,236	35.6%
Service	1,304	10.0%	33,970	13.9%	989,889	16.3%
Sales and Office	3,437	26.5%	65,169	26.7%	1,566,966	25.8%
Natural Resources, Construction, and Maintenance	638	4.9%	21,116	8.7%	490,469	8.1%
Production, Transportation, and Material Moving	1,211	9.3%	40,122	16.5%	856,288	14.1%
Total	12,992	100.0%	243,846	100.0%	6,062,848	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2006 to 2010.

Annual Average Unemployment Rates*(1)*

Calendar Year	The City	Kane County	State of Illinois
2003	4.9%	6.7%	6.7%
2004	4.5%	6.1%	6.2%
2005	4.5%	5.8%	5.8%
2006	3.2%	4.2%	4.6%
2007	3.7%	4.8%	5.0%
2008	5.0%	6.2%	6.4%
2009	8.5%	10.2%	10.0%
2010	8.4%	10.3%	10.3%
2011	8.4%	9.9%	8.9%
2012(2)	7.6%	9.0%	8.6%

Notes: (1) Source: Illinois Department of Employment Security.
(2) Preliminary rates for the month of April 2012.

Building Permits

City Building Permits*(1)*
(Excludes the Value of Land)

Calendar Year	Single-Family Units	Single-Family Value	Multi-Family Number	Multi-Family Value	Miscellaneous Value	Total Value
2002....	174	$40,217,611	50	$7,294,000	$25,290,728	$72,802,339
2003....	140	36,765,369	47	5,989,000	23,320,658	66,075,027
2004....	109	31,244,071	36	4,874,500	36,766,900	72,885,471
2005....	103	55,180,364	0	0	20,883,678	76,064,042
2006....	51	37,282,627	0	0	40,419,209	77,701,836
2007....	25	36,900,047	0	0	24,762,960	61,663,007
2008....	12	8,159,288	0	0	16,848,350	25,007,638
2009....	3	4,405,600	0	0	12,668,879	17,074,479
2010....	6	2,389,000	0	0	53,755,721	56,144,721
2011....	7	1,857,950	0	0	30,589,743	32,447,693

Note: (1) 2002 LaSalle Bank FSB Survey of Building/Bell Federal Savings, 2003-2011 the City.

Housing

The U.S. Census Bureau 5-year estimated values reported that the median value of the City's owner-occupied homes was $308,600. This compares to $245,000 for the County and $202,500 for the State. The following table represents the five year average market value of specified owner-occupied units for the City, the County and the State at the time of the 2006-2010 American Community Survey.

Specified Owner-Occupied Units*(1)*

Value	The City Number	The City Percent	Kane County Number	Kane County Percent	State of Illinois Number	State of Illinois Percent
Under $50,000.....	83	1.1%	2,069	1.58%	216,017	6.5%
$50,000 to $99,999.....	57	0.8%	3,760	2.87%	450,834	13.7%
$100,000 to $149,999.....	116	1.5%	11,281	8.60%	455,940	13.8%
$150,000 to $199,999.....	751	9.9%	26,717	20.37%	505,936	15.3%
$200,000 to $299,999.....	2,610	34.4%	40,334	30.74%	723,366	21.9%
$300,000 to $499,999.....	2,957	39.0%	35,539	27.09%	643,537	19.5%
$500,000 to $999,999.....	910	12.0%	10,169	7.75%	250,844	7.6%
$1,000,000 or more.....	93	1.2%	1,320	1.01%	54,217	1.6%
Total.....	7,577	100.0%	131,189	100.0%	3,300,691	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2006 to 2010.

Mortgage Status*(1)*

Value	The City Number	The City Percent	Kane County Number	Kane County Percent	State of Illinois Number	State of Illinois Percent
Housing Units with a Mortgage.....	6,263	82.7%	104,689	79.8%	2,296,372	69.6%
Housing Units without a Mortgage.....	1,314	17.3%	26,500	20.2%	1,004,319	30.4%
Total.....	7,577	100.0%	131,189	100.0%	3,300,691	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2006 to 2010.

Income

The U.S. Census Bureau 5-year estimated values reported that the City had a median family income of $101,358. This compares to $77,998 for the County and $68,236 for the State. The following table represents the distribution of family incomes for the City, the County and the State at the time of the 2006-2010 American Community Survey.

Family Income*(1)*

	The City		Kane County		State of Illinois	
Income	Number	Percent	Number	Percent	Number	Percent
Under $10,000	334	4.6%	3,651	2.9%	131,278	4.2%
$10,000 to $14,999	157	2.2%	2,198	1.7%	87,888	2.8%
$15,000 to $24,999	294	4.1%	6,837	5.4%	228,903	7.2%
$25,000 to $34,999	171	2.4%	8,767	6.9%	264,029	8.4%
$35,000 to $49,999	446	6.2%	15,852	12.4%	401,825	12.7%
$50,000 to $74,999	923	12.8%	23,629	18.5%	622,596	19.7%
$75,000 to $99,999	1,148	15.9%	20,604	16.2%	492,434	15.6%
$100,000 to $149,999	1,811	25.1%	25,505	20.0%	538,135	17.0%
$150,000 to $199,999	1,032	14.3%	11,217	8.8%	199,365	6.3%
$200,000 or more	893	12.4%	9,188	7.2%	195,094	6.2%
Total	7,209	100.0%	127,448	100.0%	3,161,547	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2006 to 2010.

The U.S. Census Bureau 5-year estimated values reported that the City had a median household income of $87,777. This compares to $67,767 for the County and $55,735 for the State. The following table represents the distribution of household incomes for the City, the County and the State at the time of the 2006-2010 American Community Survey.

Household Income*(1)*

	The City		Kane County		State of Illinois	
Income	Number	Percent	Number	Percent	Number	Percent
Under $10,000	337	3.5%	6,033	3.6%	327,492	6.9%
$10,000 to $14,999	405	4.3%	5,217	3.1%	230,008	4.8%
$15,000 to $24,999	719	7.6%	13,056	7.7%	483,034	10.1%
$25,000 to $34,999	466	4.9%	13,877	8.2%	463,776	9.7%
$35,000 to $49,999	800	8.4%	22,500	13.3%	644,024	13.5%
$50,000 to $74,999	1,203	12.7%	31,753	18.8%	896,686	18.8%
$75,000 to $99,999	1,471	15.5%	25,301	15.0%	630,368	13.2%
$100,000 to $149,999	2,053	21.6%	29,111	17.2%	642,112	13.5%
$150,000 to $199,999	1,085	11.4%	12,025	7.1%	229,128	4.8%
$200,000 or more	968	10.2%	10,107	6.0%	223,323	4.7%
Total	9,507	100.0%	168,980	100.0%	4,769,951	100.0%

Note: (1) Source: U.S. Bureau of the Census, American Community Survey 5-year estimates 2006 to 2010.

Sales Tax Trend

The table below shows the distribution of the municipal portion of the Retailers' Occupation, Service Occupation and Use Tax ("Sales Tax") collected by the Illinois Department of Revenue from retailers within the City. The table indicates the level of retail activity in the City. In addition, the City passed a non-home rule sales tax of 0.50% effective January 1, 2006.

Retailers' Occupation, Service Occupation and Use Tax*(1)*

Calendar Year	State Sales Tax Distributions(2)	Annual Percent Change + (-)
2002	$4,629,639	3.20%(3)
2003	4,758,157	2.78%
2004	4,971,878	4.49%
2005	5,195,982	4.51%
2006	5,597,430	7.73%
2007	5,555,639	(.75%)
2008	5,159,608	(.13%)
2009	4,422,689	(4.28%)
2010	4,516,847	2.13%
2011	4,668,900	3.37%
Growth form 2002 to 2011		0.85%

Notes: (1) Source: The City.
(2) Tax distributions are based on records of the Illinois Department of Revenue relating to the 1% municipal portion of the Retailers' Occupation, Service Occupation and Use Tax, collected on behalf of the City, less a State administration fee. The municipal 1% includes tax receipts from the sale of food and drugs which are not taxed by the State.
(3) 2002 percent change based on 2001 sales tax receipts of $4,486,095.

PLAN OF FINANCING

Bond proceeds will be used to advance refund a portion of the City's General Obligation Bonds (Alternate Revenue Source), Series 2006, as listed below (the "Refunded Bonds"):

Outstanding General Obligation Bonds (Alternate Revenue Source), Series 2006

Refunded Maturities	Outstanding Amount	Amount Refunded	Redemption Price	Redemption Date
01/01/2013	$ 405,000	$ 0	N/A	N/A
01/01/2014	425,000	0	N/A	N/A
01/01/2015	445,000	445,000	100%	01/01/2014
01/01/2016	465,000	465,000	100%	01/01/2014
01/01/2017	490,000	490,000	100%	01/01/2014
01/01/2018	510,000	510,000	100%	01/01/2014
01/01/2019	535,000	535,000	100%	01/01/2014
01/01/2020	560,000	560,000	100%	01/01/2014
01/01/2021	590,000	590,000	100%	01/01/2014
01/01/2022	615,000	615,000	100%	01/01/2014
01/01/2023	645,000	645,000	100%	01/01/2014
01/01/2024	675,000	675,000	100%	01/01/2014
01/01/2025	710,000	710,000	100%	01/01/2014
01/01/2026	740,000	740,000	100%	01/01/2014
Total	$7,810,000	$6,980,000		

Bond proceeds will be used to purchase direct full faith and credit obligations of the United States of America (the "Government Securities"), the principal of which together with interest to be earned thereon will be sufficient (i) to pay when due the interest on the Refunded Bonds as stated above, and (ii) to pay principal of and call premium, if any, on the Refunded Bonds on their respective redemption dates. The remaining bond proceeds will be used to pay the costs of issuing the Bonds.

The Government Securities will be held in an escrow account created pursuant to an escrow agreement (the "Escrow Agreement"), between the City and U.S. Bank, National Association, Chicago, Illinois, as Escrow Agent (the "Escrow Agent").

The mathematical calculations: (a) of the adequacy of the deposit made pursuant to the Escrow Agreement to provide for the payment of certain interest, principal and call premiums on the Refunded Bonds, and (b) supporting the opinion of Bond Counsel that the interest of the Bonds is excludable from gross income of the owners thereof for federal income tax purposes will be verified by Grant Thornton, LLP, 500 U.S. Bank Plaza North, 200 South Sixth Street, Minneapolis, Minnesota, at the time of delivery of the Bonds. All moneys and Government Securities deposited for the payment of Refunded Bonds, including interest thereon, are required to be applied solely and irrevocably to the payment of the Refunded Bonds.

DEBT INFORMATION

After issuance of the Bonds and the refunding of the Refunded Bonds, the City will have $10,935,000 of general obligation bonds outstanding. The City has outstanding $25,985,000 principal amount of electric revenue bonds and $17,221,355 principal amount of IEPA water and sewer revenue bonds.

General Obligation Outstanding Debt Summary - By Issue

Issue	Amount
Series 2005	$ 95,000
Series 2006	7,810,000
Series 2009A	440,000
Series 2009B	890,000
Series 2012	1,530,000
The Bonds	7,150,000
Less: the Refunded Bonds	(6,980,000)
Total Outstanding Debt	$10,935,000

General Obligation Bonded Debt*(1)*
(Principal Only)

Calendar Year	Series 2005 General Obligation	Series 2006 General Obligation(ARS)	Series 2009A General Obligation(ARS)	Series 2009B General Obligation	Series 2012 General Obligation Refunding	The Bonds	Less: The Refunded Bonds	Total Outstanding Debt	Cumulative Principal Retired Amount	Cumulative Principal Retired Percent
2012	$ 0	$ 0	$215,000	$285,000	$ 0	$ 0	$ 0	$ 500,000	$ 500,000	4.57%
2013	95,000	405,000	225,000	295,000	25,000	10,000	0	1,055,000	1,555,000	14.22%
2014	0	425,000	0	310,000	115,000	40,000	0	890,000	2,445,000	22.36%
2015	0	445,000	0	0	115,000	485,000	(445,000)	600,000	3,045,000	27.85%
2016	0	465,000	0	0	120,000	500,000	(465,000)	620,000	3,665,000	33.52%
2017	0	490,000	0	0	120,000	525,000	(490,000)	645,000	4,310,000	39.41%
2018	0	510,000	0	0	120,000	540,000	(510,000)	660,000	4,970,000	45.45%
2019	0	535,000	0	0	125,000	560,000	(535,000)	685,000	5,655,000	51.71%
2020	0	560,000	0	0	125,000	575,000	(560,000)	700,000	6,355,000	58.12%
2021	0	590,000	0	0	130,000	600,000	(590,000)	730,000	7,085,000	64.79%
2022	0	615,000	0	0	130,000	620,000	(615,000)	750,000	7,835,000	71.65%
2023	0	645,000	0	0	135,000	640,000	(645,000)	775,000	8,610,000	78.74%
2024	0	675,000	0	0	135,000	660,000	(675,000)	795,000	9,405,000	86.01%
2025	0	710,000	0	0	135,000	690,000	(710,000)	825,000	10,230,000	93.55%
2026	0	740,000	0	0	0	705,000	(740,000)	705,000	10,935,000	100.00%
Total .	$95,000	$7,810,000	$440,000	$890,000	$1,530,000	$7,150,000	$(6,980,000)	$10,935,000		

Note: (1) Source: the City.

Detailed Overlapping Bonded Debt*(1)*
(As of May 10, 2012)

	Outstanding Debt	Applicable to the City Percent(2)	Applicable to the City Amount
Schools:			
Unit School District Number 101	$ 99,400,000	79.60%	$79,122,400
Unit School District Number 304	148,672,655	7.65%	11,373,458
Community College District Number 516	72,162,893	10.97%	7,916,269
Total Schools			$98,412,127
Other:			
Kane County(3)	$ 61,030,000	7.38%	$ 4,504,014
Kane County Forest Preserve District	233,685,866	7.38%	17,246,017
Batavia Park District	5,575,000	78.76%	4,390,870
Batavia Library 1998 Bond District	3,200,000	83.45%	2,670,400
Batavia Library 1999 Bond District	1,075,000	83.45%	897,088
Geneva Park District	23,264,255	14.19%	3,301,198
Total Other			$ 33,009,586
Total Schools and Other Overlapping Bonded Debt			$131,421,714

Notes: (1) Source: Kane County Clerk.
(2) Percentages are based on 2011 EAV, the most current available.
(3) Includes the principal portion of applicable Public Building Commission Certificates and excludes the debt certificates.

Statement of Bonded Indebtedness*(1)*

	Amount Applicable	Ratio To Equalized Assessed	Ratio To Estimated Actual	Per Capita (2010 Census 26,045)
City EAV of Taxable Property, 2011	$ 997,366,424	100.00%	33.33%	$ 38,293.97
Estimated Actual Value, 2011	$2,992,099,272	300.00%	100.00%	$114,881.91
Total Direct Bonded Debt	$ 10,935,000	1.10%	0.37%	$ 419.85
Overlapping Bonded Debt:(2)				
Schools	$ 98,412,127	9.87%	3.29%	$ 3,778.54
Other	33,009,586	3.31%	1.10%	1,267.41
Total Overlapping Bonded Debt	$ 131,421,713	13.18%	4.39%	$ 5,045.95
Total Direct and Overlapping Bonded Debt	$ 142,356,713	14.27%	4.76%	$ 5,465.80

Notes: (1) Source: Kane County Clerk.
(2) As of May 10, 2012.

PROPERTY ASSESSMENT AND TAX INFORMATION

For the 2011 levy year, the City's EAV was comprised of 73% residential, 16% industrial, 12% commercial, and less than 1% farm and railroad property valuations.

City Equalized Assessed Valuation*(1)(2)*

	Levy Years				
Property Class	2007	2008	2009	2010	2011
Residential	$ 778,454,777	$ 805,260,627	$ 798,427,508	$ 764,707,767	$724,630,079
Farm	6,074,204	5,356,121	4,763,870	269,482	270,540
Commercial	126,010,423	131,481,073	126,663,434	124,426,791	116,998,784
Industrial	155,805,878	164,271,286	161,149,228	164,235,277	155,294,204
Railroad	94,872	109,180	132,011	145,143	172,817
Total	$1,066,440,154	$1,106,478,287	$1,091,136,051	$1,053,784,460	$997,366,424
Percent Change +(-)	6.43%(3)	3.75%	(1.39%)	(3.42%)	(5.35%)

Notes: (1) Source: Kane County Clerk.
(2) A small portion of the City is located in DuPage County, although all of the City's EAV is located in Kane County.
(3) The 2007 percent change is based on a 2006 EAV of $1,002,049,687.

Representative Tax Rates*(1)*
(Per $100 EAV)

	Levy Years				
	2007	2008	2009	2010	2011
City Rates:					
General Corporate	$0.1947	$0.1780	$0.1785	$0.1890	$0.2433
Bond and Interest(2)	0.0457	0.0448	0.0444	0.0460	0.0490
Police Pension	0.0859	0.0849	0.1093	0.1156	0.1272
Fire Pension	0.0480	0.0532	0.0634	0.0662	0.0669
IMRF	0.0299	0.0291	0.0293	0.0308	0.0326
Fire Protection	0.0808	0.0875	0.0821	0.0699	0.0818
Police Protection	0.0507	0.0558	0.0524	0.0749	0.0712
Street and Bridge	0.0059	0.0159	0.0000	0.0000	0.0000
Prior Year Adjustment	0.0000	0.0000	0.0000	0.0000	0.0000
Total City Rates	$0.5418	$0.5490	$0.5595	$0.5925	$0.6720
Kane County	0.3322	0.3336	0.3398	0.3730	0.3990
Kane County Forest Preserve District	0.1974	0.1932	0.1997	0.2201	0.2609
Batavia Township	0.0770	0.0772	0.0782	0.0828	0.0886
Batavia Township Road District	0.0386	0.0387	0.0393	0.0418	0.0447
Batavia Park District	0.4389	0.4425	0.4521	0.4529	0.4875
Batavia Library District	0.2803	0.2833	0.2882	0.3069	0.3289
Batavia Library 1998 Bond District	0.0349	0.0124	0.0125	0.0089	0.0137
Batavia Library 1999 Bond District	0.0289	0.0487	0.0498	0.0421	0.0459
Unit School District Number 101	4.6989	4.6986	4.6986	4.9034	5.7833
Community College District Number 516	0.3950	0.3995	0.4043	0.4070	0.4710
Total Rates(3)	$7.0640	$7.0769	$7.1219	$7.4312	$8.5956

Notes: (1) Source: Kane County Clerk.
(2) Partially abated from user fees and other revenue.
(3) Representative tax rates for other government units are from Batavia Township tax code 05, which represents 63% of the City's 2011 EAV.

City Tax Extensions and Collections*(1)*
(Includes Road and Bridge Levy)

Levy Year	Coll. Year	Taxes Extended(2)	Current Collections Amount(3)	Current Collections Percent	Total Collections Amount(4)	Total Collections Percent
2006	2007	$5,624,245	$5,618,660	99.90%	$5,628,682	100.08%
2007	2008	5,826,847	5,822,847	99.93%	5,827,348	100.01%
2008	2009	6,108,008	6,099,114	99.85%	6,099,935	99.87%
2009	2010	6,104,983	6,133,998	100.47%	6,134,333	100.48%
2010	2011	6,243,388	6,258,330	100.24%	6,260,662	100.28%
2011	2012	6,702,671	----In Collection----		----In Collection----	

Notes: (1) Source: Kane County Treasurer.
(2) Tax extensions have been adjusted for abatements.
(3) Current collections include taxes paid under protest.
(4) Total collections include penalties, back taxes, etc.

Major City Taxpayers*(1)*

Taxpayer Name	Business/Service	2011 EAV(2)
Aldi, Inc.	Food Store Chain	$10,567,034
Kir Batavia 051, LLC	Real Estate	9,404,483
Partylite Worldwide, Inc	Candles	5,991,865
Liberty Property LP	Industrial Properties	5,747,133
Vista Investments, Inc.	Real Estate	5,318,613
Wal-Mart Real Estate Business Trust	Discount Store	4,999,305
Menard Inc.	Home Improvement Store	4,446,817
Batavia Acquisition Corporation	Real Estate	4,410,917
MB Fabyan Randall Plaza Batavia LLC	Shopping Center	4,093,970
Holmstad, Inc.	Retirement Community	4,025,275
Total		$59,005,412
Ten Largest Taxpayers as Percent of City's 2011 EAV ($997,366,424)		5.92%

Notes: (1) Source: Kane County Clerk.
(2) Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers listed contain multiple parcels and it is possible that some parcels and their valuations have been overlooked. The 2011 EAV is the most current available.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

Tax Levy and Collection Procedures

Local assessment officers determine the assessed valuation of taxable real property and railroad property not held or used for railroad operations. The Illinois Department of Revenue (the "Department") assesses certain other types of taxable property, including railroad property held or used for railroad operations. Local assessment officers' valuation determinations are subject to review at the county level and then, in general, to equalization by the Department. Such equalization is achieved by applying to each county's assessments a multiplier determined by the Department. The purpose of equalization is to provide a common basis of assessments among counties by adjusting assessments toward the statutory standard of 33-1/3% of fair cash value. Farmland is assessed according to a statutory formula which takes into account factors such as productivity and crop mix. Taxes are extended against the assessed values after equalization.

Property tax levies of each taxing body are filed in the office of the county clerk of each county in which territory of that taxing body is located. The county clerk computes the rates and amount of taxes applicable to taxable property subject to the tax levies of each taxing body and determines the dollar amount of taxes attributable to each respective parcel of taxable property. The county clerk then supplies to the appropriate collecting officials within the county the information needed to bill the taxes attributable to the various parcels therein. After the taxes have been collected, the collecting officials distribute to the various taxing bodies their respective shares of the taxes collected. Taxes levied in one calendar year are due and payable in two installments during the next calendar year. Taxes that are not paid when due, or that are not paid by mail and postmarked on or before the due date, are subject to a penalty of 1-1/2% per month until paid. Unpaid property taxes, together with penalties, interest and costs, constitute a lien against the property subject to the tax.

Exemptions

An annual General Homestead Exemption (the "General Homestead Exemption") provides that the Equalized Assessed Valuation ("EAV") of certain property owned and used for residential purposes ("Residential Property") may be reduced by the amount of any increase over the 1977 EAV, up to a maximum reduction of $3,500 for assessment years prior to assessment year 2004 in counties with less than 3,000,000 inhabitants, and a maximum reduction of $5,000 for assessment year 2004 through 2007 in all counties. Additionally, the maximum reduction is $5,500 for assessment year 2008 and the maximum reduction is $6,000 for assessment year 2009 and thereafter in all counties.

The Homestead Improvement Exemption applies to Residential Properties that have been improved or rebuilt in the 2 years following a catastrophic event. The exemption is limited to $45,000 through December 31, 2003, and $75,000 per year beginning January 1, 2004 and thereafter, to the extent the assessed value is attributable solely to such improvements or rebuilding.

Additional exemptions exist for senior citizens. The Senior Citizens Homestead Exemption ("Senior Citizens Homestead Exemption") operates annually to reduce the EAV on a senior citizen's home for assessment years prior to 2004 by $2,000 in counties with less than 3,000,000 inhabitants. For assessment years 2004 and 2005, the maximum reduction is $3,000 in all counties. For assessment years 2006 and 2007, the maximum reduction is $3,500 in all counties. In addition, for assessment year 2008 and thereafter, the maximum reduction is $4,000 for all counties. Furthermore, beginning with assessment year 2003, for taxes payable in 2004, property that is first occupied as a residence after January 1 of any assessment year by a person who is eligible for the Senior Citizens Homestead Exemption must be granted a pro rata exemption for the assessment year based on the number of days during the assessment year that the property is occupied as a residence by a person eligible for the exemption.

A Senior Citizens Assessment Freeze Homestead Exemption ("Senior Citizens Assessment Freeze Homestead Exemption") freezes property tax assessments for homeowners, who are 65 and older and receive a household income not in excess of the maximum income limitation. The maximum income limitation is $35,000 for years prior to 1999, $40,000 for assessment years 1999 through 2003, $45,000 for assessment years 2004 and 2005, $50,000 from assessment years 2006 and 2007 and for assessments year 2008 and after, the maximum income limitation is $55,000. In general, the Senior Citizens Assessment Freeze Homestead Exemption limits the annual real property tax bill of such property by granting to qualifying senior citizens an exemption as to a portion of the valuation of their property. In counties with a population of 3,000,000 or more, the exemption for all assessment years is equal to the EAV of the residence in the assessment year for which application is made less the base amount. Furthermore, for those counties with a population of less than 3,000,000, the Senior Citizens Assessment Freeze Homestead Exemption is as follows: through assessment year 2005 and for assessment year 2007 and later, the exempt amount is the difference between (i) the current EAV of their residence and (ii) the base amount, which is the EAV of a senior citizen's residence for the year prior to the year in which he or she first qualifies and applies for the Exemption (plus the EAV of improvements since such year). For assessment year 2006, the amount of the Senior Citizens Assessment Freeze Homestead Exemption phases out as the amount of household income increases. The amount of the Senior Citizens Assessment Freeze Homestead Exemption is calculated by using the same formula as above, and then multiplying the resulting value by a ratio that varies according to household income.

Another exemption available to disabled veterans operates annually to exempt up to $70,000 of the Assessed Valuation of property owned and used exclusively by such veterans or their spouses for residential purposes. Also, certain property is exempt from taxation on the basis of ownership and/or use, such as public parks, not-for-profit schools and public schools, churches, and not-for-profit hospitals and public hospitals. However, individuals claiming exemption under the Disabled Persons' Homestead Exemption ("Disabled Persons' Homestead Exemption") or the Disabled Veterans Standard Homestead Exemption ("Disabled Veterans Standard Homestead Exemption") cannot claim the aforementioned exemption.

Furthermore, beginning with assessment year 2007, the Disabled Persons' Homestead Exemption provides an annual homestead exemption in the amount of $2,000 for property that is owned and occupied by certain persons with a disability. However, individuals claiming exemption as a disabled veteran or claiming exemption under the Disabled Veterans Standard Homestead Exemption cannot claim the aforementioned exemption.

In addition, the Disabled Veterans Standard Homestead Exemption provides disabled veterans an annual homestead exemption starting with assessment year 2007 and thereafter. Specifically, (i) those veterans with a service-connected disability of 75% are granted an exemption of $5,000 and (ii) those veterans with a service-connected disability of less than 75%, but at least 50% are granted an exemption of $2,500. Furthermore, the veteran's surviving spouse is entitled to the benefit of the exemption, provided that the spouse has legal or beneficial title of the homestead, resides permanently on the homestead and does not remarry. Moreover, if the property is sold by the surviving spouse, then an exemption amount not to exceed the amount specified by the current property tax roll may be transferred to the spouse's new residence, provided that it is the spouse's primary residence and the spouse does not remarry. However, individuals claiming exemption as a disabled veteran or claiming exemption under the Disabled Persons' Homestead Exemption cannot claim the aforementioned exemption.

Beginning with assessment year 2007, the Returning Veterans' Homestead Exemption ("Returning Veterans' Homestead Exemption") is available for property owned and occupied as the principal residence of a veteran in the assessment year the veteran returns from an armed conflict while on active duty in the United States armed forces. This provision grants a homestead exemption of $5,000, which is applicable in all counties. In order to apply for the Returning Veterans' Homestead Exemption, the individual must pay real estate taxes on the property, own the property or have either a legal or an equitable interest in the property, "or a leasehold interest of land on which a single family residence is located, which is occupied as a principle residence of a veteran returning from an armed conflict involving the armed forces of the United States who has an ownership interest therein, legal, equitable or as a lessee, and on which the veteran is liable for the payment of property taxes." Those individuals eligible for the Returning Veterans' Homestead Exemption may claim the Returning Veterans' Homestead Exemption, in addition to other homestead exemptions, unless otherwise noted.

Property Tax Extension Limitation Law

The Property Tax Extension Limitation Law (the "Limitation Law") limits the amount of the annual increase in property taxes to be extended for certain Illinois non-home rule units of government. In general, the Limitation Law restricts the amount of such increases to the lesser of 5% or the percentage increase in the Consumer Price Index during the calendar year preceding the levy year. Currently, the Limitation Law applies only to and is a limitation upon all non-home rule taxing bodies in Cook County, the five collar counties (DuPage, Kane, Lake, McHenry and Will) and several downstate counties.

Home rule units, including the City, are exempt from the limitations contained in the Limitation Law. If the Limitation Law were to apply in the future to the City, the limitations set forth therein will not apply to any taxes levied by the City to pay the principal of and interest on the Bonds.

Truth in Taxation Law

Legislation known as the Truth in Taxation Law (the "Law") limits the aggregate amount of certain taxes which can be levied by, and extended for, a taxing district to 105% of the amount of taxes extended in the preceding year unless specified notice, hearing and certification requirements are met by the taxing body. The express purpose of the Law is to require published disclosure of, and hearing upon, an intention to adopt a levy in excess of the specified levels.

FINANCIAL INFORMATION

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expended, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

All Governmental Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. The City's share of State-assessed income taxes, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

(1) The Budget Officer submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget included proposed expenditures and the means of financing them.
(2) Budget hearings are conducted.
(3) The budget is legally enacted through passage of a resolution.
(4) The budget may be amended by the City Council.
(5) Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

No Consent or Updated Information Requested of the Auditor

The tables and excerpts (collectively, the "Excerpted Financial Information") contained in this **"FINANCIAL INFORMATION"** section and in **APPENDIX A** are from the audited financial statements of the City, including the audited financial statements for the fiscal year ended December 31, 2011 (the "2011 Audit"). The 2011 Audit has been prepared by Lauterbach & Amen, LLP, Certified Public Accountants, Warrenville, Illinois, (the "Auditor"), and approved by formal action of the City Council. The City has not requested the Auditor to update information contained in the Excerpted Financial Information; nor has the City requested that the Auditor consent to the use of the Excerpted Financial Information in this Final Official Statement. Other than as expressly set forth in this Final Official Statement, the financial information contained in the Excerpted Financial Information has not been updated since the date of the 2011 Audit. The inclusion of the Excerpted Financial Information in this Final Official Statement in and of itself is not intended to demonstrate the fiscal condition of the City since the date of the 2011 Audit. Questions or inquiries relating to financial information of the City since the date of the 2011 Audit should be directed to the City.

Summary Information

The following information has been obtained from audited figures of the City but do not purport to be complete financial reports, copies of which are available upon request. See **APPENDIX A**.

Statement of Net Assets
Governmental Activities

	Audited as of December 31				
	2007	2008	2009	2010	2011
ASSETS:					
Current Assets:					
Cash and Investments	$16,052,846	$15,886,430	$16,729,773	$ 19,013,518	$ 20,667,009
Receivables, Net of Allowances:					
Property Taxes	5,789,770	6,081,347	6,083,224	6,220,171	6,674,849
Other Taxes	2,250,842	1,997,258	2,128,449	2,467,003	2,386,688
Accounts	420,978	187,749	365,229	393,764	260,708
Accrued Interest	71,323	24,045	2,131	5,791	3,854
Due From Other Governments	481,733	495,006	258,485	255,569	402,862
Inventories and Prepaid Expenses	190,559	234,412	221,255	180,533	178,617
Total Current Assets	$25,258,051	$24,906,247	$25,788,546	$ 28,536,349	$ 30,574,587
Capital Assets:					
Cost	$93,933,336	$95,233,748	$95,409,624	$ 98,213,871	$108,444,359
Accumulated Depreciation	(20,941,369)	(21,953,174)	(23,396,338)	(24,866,160)	(26,340,358)
Total Noncurrent Assets	$72,991,967	$73,280,574	$72,013,286	$ 73,347,711	$ 82,104,001
Total Assets	$98,250,018	$98,186,821	$97,801,832	$101,884,060	$112,678,588
LIABILITIES:					
Current Liabilities:					
Accounts Payable	$ 879,859	$ 475,267	$ 231,921	$ 292,268	$ 791,073
Accrued Payroll	360,524	513,620	548,616	576,929	657,835
Claims Payable	732,559	1,171,798	803,286	753,581	777,240
Deposits Payable	158,837	153,946	147,475	173,364	163,446
Accrued Interest Payable	265,817	255,009	241,708	230,011	218,355
Deferred Revenue	5,826,641	6,100,083	6,101,341	6,235,521	6,676,348
Current Portion Long-Term Debt	701,350	1,099,875	1,157,225	965,000	1,174,530
Total Current Liabilities	$ 8,925,587	$ 9,769,598	$ 9,231,572	$ 9,226,674	$ 10,458,827
Noncurrent Liabilities:					
Net Pension Obligation Payable	$ 369,439	$ 375,424	$ 388,814	$ 454,738	$ 386,872
Net Other Postemployment Benefit Payable	0	32,720	65,339	96,303	106,025
Compensated Absences Payable	0	0	0	0	698,120
Alternate Revenue Bonds Payable	10,555,000	9,555,000	8,850,000	8,250,000	7,630,000
General Obligation Bonds Payable	3,692,100	3,257,225	2,795,000	2,430,000	2,050,000
Unamortized Bond Premium	0	0	0	0	0
Total Noncurrent Liabilities	$14,616,539	$13,220,369	$12,099,153	$ 11,231,041	$ 10,871,017
Total Liabilities	$23,542,126	$22,989,967	$21,330,725	$ 20,457,715	$ 21,329,844
NET ASSETS:					
Invested in Capital Assets-Net of Related Debt	$58,043,517	$59,368,474	$59,211,061	$ 61,702,711	$ 71,424,001
Restricted-Special Revenues	1,377,485	1,603,635	1,899,500	2,498,220	258,458
Restricted-Tax Increment Financing/Debt Service	731,317	725,773	1,168,984	1,640,397	4,109,933
Restricted-Capital Projects	1,915,394	1,446,175	1,654,563	2,188,377	2,216,178
Restricted-Perpetual Care Cemetery	120,580	123,240	125,959	123,386	119,155
Unrestricted	12,519,599	11,929,557	12,411,040	13,273,254	13,221,019
Total Net Assets	$74,707,892	$75,196,854	$76,471,107	$ 81,426,345	$ 91,348,744

Statement of Activities
Governmental Activities

	Audited for the Fiscal Year Ending December 31				
	2007	2008	2009	2010	2011
NET EXPENSES/REVENUES:					
General Government	$ (2,402,054)	$ (4,382,018)	$ (2,107,514)	$ (2,301,815)	$ (3,248,220)
Public Safety	(11,755,980)	(11,715,835)	(11,833,894)	(12,172,991)	(12,062,965)
Highways and Streets	(4,308,156)	(5,251,715)	(5,047,103)	(1,558,121)	4,035,484
Interest on Long-Term Debt	(684,256)	(645,989)	(616,057)	(527,177)	(486,149)
Total Net Expenses/Revenues	$(19,150,446)	$(21,995,557)	$(19,604,568)	$(16,560,104)	$(11,761,850)
GENERAL REVENUES:					
Property Taxes	$ 6,470,013	$ 6,767,017	$ 7,116,278	$ 7,221,619	$ 7,330,398
Sales Taxes	7,636,826	7,087,893	6,035,687	6,223,857	6,441,947
Utility Taxes	3,081,641	3,300,786	3,134,179	3,157,029	3,096,521
Income Taxes	2,590,454	2,759,628	2,363,790	2,307,602	2,408,189
Replacement Taxes	221,048	215,708	186,191	196,214	174,711
Other Intergovernmental	455,311	89,736	164,237	213,396	123,602
Interest Income	1,042,689	427,370	127,908	59,145	35,239
Miscellaneous	2,186,492	1,815,544	1,729,656	2,115,818	2,073,642
Internal Activity-Transfers	20,501	20,837	20,895	20,662	0
Total General Revenues	$23,704,975	$22,484,519	$20,878,821	$21,515,342	$21,684,249
Change in Net Assets	$ 4,554,529	$ 488,962	$ 1,274,253	$ 4,955,238	$ 9,922,399
Net Assets, Beginning	$70,153,363	$74,707,892	$75,196,854	$76,471,107	$81,426,345
Net Assets, Ending	$74,707,892	$75,196,854	$76,471,107	$81,426,345	$91,348,744

General Fund
Balance Sheet

	Audited As of December 31				
	2007	2008	2009	2010	2011
ASSETS:					
Cash and Investments	$12,516,737	$13,263,710	$13,518,773	$14,794,267	$16,092,283
Taxes Receivable	5,302,470	5,586,054	5,598,487	5,735,367	6,185,950
Other Receivables	2,734,407	2,207,178	2,495,059	2,863,200	2,650,502
Prepaid Expense	154,201	217,222	194,526	152,854	155,523
Inventory	36,358	17,190	26,729	27,679	23,094
Due From Other Funds	0	0	0	0	2,764
Due From Other Governments	258,743	261,361	251,970	254,409	400,098
Total Assets	$21,002,916	$21,552,715	$22,085,544	$23,827,776	$25,510,214
LIABILITIES AND RETAINED EARNINGS:					
Liabilities:					
Accounts Payable	$ 131,431	$ 167,225	$ 204,870	$ 250,670	$ 205,104
Accrued Payroll	360,524	513,620	548,616	576,929	657,835
Claims Payable	732,559	1,171,798	803,286	753,581	777,240
Deferred Revenue	5,339,341	5,604,790	5,616,604	5,750,717	6,187,449
Due to Other Funds	0	0	0	0	306,804
Deposit Payable	158,837	153,946	147,475	173,364	163,446
Total Liabilities	$ 6,722,692	$ 7,611,379	$ 7,320,851	$ 7,505,261	$ 8,297,878
Fund Balance:					
Reserved	$ 1,568,044	$ 1,838,047	$ 2,120,755	$ 2,678,753	$ 2,653,253
Unreserved	12,712,180	12,103,289	12,643,938	13,643,762	14,559,083
Total Fund Balance	$14,280,224	$13,941,336	$14,764,693	$16,322,515	$17,212,336
Total Liabilities and Retained Earnings	$21,002,916	$21,552,715	$22,085,544	$23,827,776	$25,510,214

General Fund
Revenues and Expenditures

	Audited Fiscal Year Ending December 31				
	2007	2008	2009	2010	2011
REVENUES:					
Taxes	$15,867,064	$15,737,163	$14,786,755	$15,038,576	$15,319,570
Licenses and Permits	380,021	263,420	196,493	445,039	246,606
Intergovernmental	4,293,295	4,052,094	3,642,849	3,787,823	3,759,896
Charges for Services	3,604,155	3,456,799	3,633,813	3,487,515	2,854,678
Fines and Forfeits	221,761	171,223	226,208	252,426	203,415
Interest	645,648	368,560	107,564	48,708	30,165
Miscellaneous	2,099,492	1,814,588	1,728,623	2,108,666	2,064,665
Total Revenues	$27,111,436	$25,863,847	$24,322,305	$25,168,753	$24,478,995
EXPENDITURES:					
General Government	$ 6,364,376	$ 8,026,700	$ 5,843,071	$ 6,152,236	$ 5,473,040
Public Safety	12,053,587	11,949,809	12,112,891	12,423,114	12,334,555
Highways and Streets	4,447,607	4,621,617	4,073,379	3,614,205	4,292,210
Debt Service:					
Principal Retirement	135,000	110,000	120,000	125,000	0
Interest and Finance Charges	26,375	18,580	13,900	7,870	0
Total Expenditures	$23,026,945	$24,726,706	$22,163,241	$22,322,425	$22,099,805
Excess (Deficiency) of Revenues Before Other Financing Sources (Uses)	$ 4,084,491	$ 1,137,141	$ 2,159,064	$ 2,846,328	$ 2,379,190
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	$ 0	$ 0	$ 0	$ 0	$ 0
Operating Transfers Out	(2,255,377)	(1,462,328)	(1,335,707)	(1,288,506)	(1,489,369)
Total Other	$(2,255,377)	$(1,462,328)	$(1,335,707)	$(1,288,506)	$(1,489,369)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$ 1,829,114	$ (325,187)	$ 823,357	$ 1,557,822	$ 889,821
Fund Balances:					
Beginning Fund Balance	$12,451,110	$14,266,523(1)	$13,941,336	$14,764,693	$16,322,515
Ending Fund Balance	$14,280,224	$13,941,336	$14,764,693	$16,322,515	$17,212,336

Note: (1) As restated.

General Fund
2012 Budget and Interim Information

	2012 Budget	Interim Five Months Ending 5/31/2012
REVENUES:		
Property and Municipal Taxes/Intergovernmental	$21,399,787	$6,728,345 (1)
Contributions	4,059,231	1,370,290
Licenses and Permits	0	0
Charges for Services	754,500	136,737
Fines and Forfeitures	233,600	113,329
Miscellaneous Revenues	308,875	119,732
Interfund Allocations	2,139,602	897,334
Total Revenues	$28,895,595	$9,365,767
EXPENDITURES:		
Legislative/Administration	$ 1,171,428	$ 460,156
Human Resources	246,644	119,652
Community Development	924,474	372,680
Public Works	213,348	78,593
Engineering	628,823	248,340
Building and Grounds	412,270	139,003
Finance and Accounting	583,041	222,395
Information Systems	693,979	315,882
Utility Billing	311,056	97,351
Worker's Compensation Plan	612,500	185,610
Economic Development	82,927	31,254
Subsidized Transportation	0	0
Police Department	8,175,450	2,611,844
Fire Department	4,958,701	1,500,592
E.S.D.A.	18,090	10,493
Health Benefit Plan	3,657,728	1,368,539
Street and Sanitation	3,281,745	1,126,409
Street Improvements/Construction	1,622,975	11,300
Interfund Allocations	2,452,684	1,252,927
General Obligation Debt Service	0	0
Total Expenditures	$30,047,863	$10,153,020
Surplus/(Deficit)	$(1,152,268)	$ (787,253)

Note: (1) Property taxes for the City have not been distributed yet as of 5/31/2012.

EMPLOYEE RETIREMENT BENEFITS OBLIGATIONS

For detailed information relating to the City's pension plans, see the notes and the Required Supplementary Information to the City's audited financial statements for the fiscal year ended December 31, 2011, which have been attached hereto as **APPENDIX A**. A summary of the plans' descriptions and funding progress provided below.

Illinois Municipal Retirement Fund

Plan Description

The City provides for retirement and disability benefits for regular employees through participation in the Illinois Municipal Retirement Fund ("IMRF"), an agent multiple-employer plan. The IMRF provides defined benefit pension coverage to eligible employees where the 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 online at www.imrf.org.

All employees, other than those covered by the Police Pension Plan or Firefighters' Pension Plan, hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011 are eligible for Tier 1 benefits while employees hired on or after January 1, 2011 are eligible for Tier 2 benefits as more fully described in **APPENDIX A**. IMRF also provides death and disability benefits which are established by state statute. Participating members are required to contribute 4.5% of their salary to IMRF and the City is required to contribute the remaining amounts necessary to fund the IMRF as specified by statute. The employer contribution for the calendar year ended December 31, 2011 was 11.96% of covered payroll.

Funding Progress

The following table summarizes the funding status of the IMRF for the last five years for which actuarial reports have been prepared.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a % of Covered Payroll
12/31/2007.....	$17,123,018	$19,813,409	86.42%	$2,690,391	$7,767,570	34.64%
12/31/2008.....	14,641,376	20,412,379	71.73%	5,771,003	7,849,222	73.52%
12/31/2009.....	14,053,484	19,078,528	73.66%	5,025,044	7,666,327	65.55%
12/31/2010.....	13,509,606	19,610,717	68.89%	6,101,111	7,166,783	85.13%
12/31/2011.....	14,712,249	21,476,629	68.50%	6,764,380	7,071,937	95.65%

Source: The City's Audited Financial Statements for fiscal year ended December 31, 2011.

The following table summarizes the annual funding of the IMRF:

Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percent Contributed	Net Pension Obligation (Asset)
2007.....	$789,185	$789,185	100.00%	$ 0
2008.....	765,299	765,299	100.00%	0
2009.....	802,664	802,664	100.00%	0
2010.....	825,613	890,831	92.68%	65,218
2011.....	914,496	849,278	107.68%	0

Source: The City's Audited Financial Statements for fiscal year ended December 31, 2011.

For more information, See **APPENDIX A** herein.

Police Pension Fund

Plan Description

The Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. Employees are required by state statute to contribute 9.91% of their base salary to the Police Pension Plan. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. The City has until the year 2040 to 90% fund the past service cost for the Police Pension Plan. For the year ended December 31, 2011, the City's contribution was 33.61% of covered payroll.

At the fiscal year ended December 31, 2011, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	21
Current Employees:	
Active vested and non-vested plan members	41
Total:	62

Funding Progress

The following chart summarizes the funding status of the plan for the last five years for which actuarial reports have been prepared.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a % of Covered Payroll
12/31/2006	$15,879,599	$24,967,981	63.60%	$ 9,088,382	$3,107,967	292.42%
12/31/2007	17,522,683	26,670,944	65.70%	9,148,261	3,270,023	279.76%
12/31/2008	15,803,262	28,791,948	54.89%	12,988,686	3,557,722	365.08%
12/31/2009	18,360,332	31,122,221	58.99%	12,761,889	3,672,631	347.49%
12/31/2010	20,694,374	33,982,872	60.90%	13,288,498	3,549,116	374.42%

Source: The City's Audited Financial Statements for fiscal year ended December 31, 2011.

The following chart summarizes the annual funding and net pension obligations of the pension plan:

Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percent Contributed	Net Pension Obligation (Asset)
2007	$ 844,258	$ 851,853	99.02%	$304,104
2008	913,896	916,399	99.11%	311,699
2009	949,429	949,557	98.93%	321,596
2010	1,192,835	1,208,090	98.74%	336,851
2011	1,218,262	1,232,546	98.84%	351,135

Source: The City's Audited Financial Statements for fiscal year ended December 31, 2011.

For more information, See **APPENDIX A** herein.

Firefighters' Pension Fund

Plan Description

The Firefighters' Pension Plan is a single-employer defined benefit pension plan that covers all sworn fire personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. Employees are required by state statute to contribute 9.455% of their base salary to the Firefighters' Pension Plan. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. The City has until the year 2040 to 90% fund the past service cost for the Firefighters' Pension Plan. For the year ended December 31, 2011, the City's contribution was 39.44% of covered payroll.

At the fiscal year ended December 31, 2011, the Firefighters' Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	12
Current Employees:	
Active vested and non-vested plan members	22
Total:	34

Funding Progress

The following chart summarizes the funding status of the plan for the last five years for which actuarial reports have been prepared.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a % of Covered Payroll
12/31/2006	$6,724,772	$10,418,335	64.55%	$3,693,563	$1,597,810	231.16%
12/31/2007	7,460,092	11,803,316	63.20%	4,343,224	1,766,514	245.86%
12/31/2008	6,868,129	12,903,438	53.23%	6,035,309	1,872,055	322.39%
12/31/2009	8,005,355	14,063,735	56.92%	6,058,380	1,845,520	328.27%
12/31/2010	9,109,979	14,725,503	61.90%	5,615,524	1,753,824	320.19%

Source: The City's Audited Financial Statements for fiscal year ended December 31, 2011.

The following chart summarizes the annual funding and net pension obligations of the pension plan:

Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percent Contributed	Net Pension Obligation (Asset)
2007	$429,456	$408,623	105.10%	$65,335
2008	429,415	427,805	100.38%	63,725
2009	510,369	513,858	99.32%	67,218
2010	691,688	677,139	102.15%	52,669
2011	697,577	680,645	102.49%	35,737

Source: The City's Audited Financial Statements for fiscal year ended December 31, 2011.

For more information, See **APPENDIX A** herein.

Other Post-Employment Benefits

Plan Description

The City provides "other post-employment benefits" ("OPEB") to employees who have terminated their employment with the City and have satisfied specific eligibility standards through a single-employer defined benefit plan. Membership of the plan consisted of 19 retirees receiving benefits and 150 active plan members at December 31, 2011, the date of the latest actuarial valuation.

OPEB calculations are required to be updated every two years and prepared in accordance with Statement No. 45 of the Governmental Accounting Standards Board ("GASB 45") regarding retiree health and life insurance benefits, and related standards. The City is required to expense the estimated yearly cost of providing post-employment retirement benefits and such annual accrual expense is referred to as the "annual required contribution". An actuarial valuation for the City was completed December 31, 2011. As shown in the City's Audited Financial Statements during the fiscal year ended December 31, 2011 ("Fiscal Year 2011"), the City's annual required contribution was $182,848 and the City's annual OPEB cost was $185,255. For Fiscal Year 2011, the City contributed $175,533 to the plan – including $4,815 for interest on net OPEB obligation and a $(2,408) adjustment to the annual required contribution - which was 94.75% of the annual required contribution. The City's Net OPEB obligation at the beginning of Fiscal Year 2011 was $86,303 and the City's Net OPEB obligation at the end of Fiscal Year 2011 was $106,025.

The plan's ratio of actuarial value of assets to actuarial accrued liability for benefits (the "Funded Ratio") as of the most recent actuarial valuation date, December 31, 2010, was 0%. As of that date, the actuarial accrued liability was $3,716,305, and the actuarial value of assets was $0 resulting in an unfunded actuarial accrued liability ("UAAL") of $3,716,305. The Funded Ratio was 0% as of December 31, 2010.

Funding Progress

The following table summarizes the funding status of the OPEB for the last years for which actuarial reports have prepared. The City implemented GASB Statement No. 45 for the fiscal year ended December 31, 2008. Information for prior years is not available. The City is required to have the actuarial valuation performed biennially.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a % of Covered Payroll
12/31/2008.....	$ 0	$3,369,585	0.00%	$3,369,585	$15,096,700	22.32%
12/31/2010.....	0	3,716,305	0.00%	3,716,305	14,496,829	25.64%

Source: The City's Audited Financial Statements for fiscal year ended December 31, 2011.

The following chart summarizes the annual funding of the OPEB:

Calendar Year	Employer Contributions	Annual Required Contribution (ARC)	Percent Contributed	Net Pension Obligation (Asset)
2008.....	$121,555	$154,275	78.79%	$ 32,720
2009.....	121,555	154,174	78.84%	65,339
2010.....	121,555	152,519	79.70%	96,303
2011.....	175,533	185,255	94.75%	106,025

Source: The City's Audited Financial Statements for fiscal year ended December 31, 2011.

For more information, See **APPENDIX A** herein.

REGISTRATION, TRANSFER AND EXCHANGE

See also **APPENDIX B** for information on registration, transfer and exchange of book-entry bonds. The Bonds will be initially issued as book-entry bonds.

The City shall cause books (the "Bond Register") for the registration and for the transfer of the Bonds to be kept at the principal office maintained for the purpose by the Bond Registrar in Chicago, Illinois. The City will authorize to be prepared, and the Bond Registrar shall keep custody of, multiple bond blanks executed by the City for use in the transfer and exchange of Bonds.

Any Bond may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in the Bond Ordinance adopted by the corporate authorities of the City on June 18, 2012, as supplemented by a Bond Order (together, the "Bond Ordinance"). Upon surrender for transfer or exchange of any Bond at the principal office maintained for the purpose by the Bond Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by the registered owner or such owner's attorney duly authorized in writing, the City shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the registered owner, transferee or transferees (as the case may be) a new fully registered Bond or Bonds of the same maturity and interest rate of authorized denominations, for a like aggregate principal amount.

The execution by the City of any fully registered Bond shall constitute full and due authorization of such Bond, and the Bond Registrar shall thereby be authorized to authenticate, date and deliver such Bond, provided, however, the principal amount of outstanding Bonds of each maturity authenticated by the Bond Registrar shall not exceed the authorized principal amount of Bonds for such maturity less Bonds previously paid.

The Bond Registrar shall not be required to transfer or exchange any Bond following the close of business on the 15th day of the month next preceding any interest payment date on such Bond, nor to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed, nor during a period of fifteen days next preceding mailing of a notice of redemption of any Bonds.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of or interest on any Bonds shall be made only to or upon the order of the registered owner thereof or such owner's legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

No service charge shall be made for any transfer or exchange of Bonds, but the City or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a bond surrendered for redemption.

TAX EXEMPTION

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the City's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the City with respect to certain material facts within the City's knowledge and upon the mathematical computation of the yield on the Bonds and the yield on certain investments by Grant Thornton LLP, Minneapolis, Minnesota, Certified Public Accountants. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would generally include certain tax-exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

If the Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the City complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Based upon the stated position of the Illinois Department of Revenue under Illinois income tax law, accreted original issue discount on such OID Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the City as the taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Subject to the City's compliance with certain covenants, in the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" under the small issuer exception provided under Section 265(b)(3) of the Code, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

CONTINUING DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934. No person, other than the City, has undertaken, or is otherwise expected, to provide continuing disclosure with respect to the Bonds. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below under **"THE UNDERTAKING."**

The City has represented that it has not failed to comply in all material respects with each and every undertaking previously entered into by it pursuant to the Rule. A failure by the City to comply with the Undertaking will not constitute a default under the Ordinance and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See **"THE UNDERTAKING - Consequences of Failure of the City to Provide Information."** The City must report any failure to comply with the Undertaking in accordance with the Rule. Any broker, dealer or municipal securities dealer must consider such report before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Bond Counsel expresses no opinion as to whether the Undertaking complies with the requirements of Section (b)(5) of the Rule.

THE UNDERTAKING

The following is a brief summary of certain provisions of the Undertaking of the City and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the City.

Annual Financial Information Disclosure

The City covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements, if any (as described below) to the MSRB in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information within 210 days after the last day of the City's fiscal year (currently December 31). If Audited Financial Statements are not available when the Annual Financial Information is filed, the City will file unaudited financial statements. The City will submit Audited Financial Statements to the MSRB's Electronic Municipal Market Access ("EMMA") system within 30 days after availability to the City. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

"Annual Financial Information" means:

1. The table under the heading of "**Retailers' Occupation, Service Occupation and Use Tax"** within this Final Official Statement;
2. All of the tables under the heading "**PROPERTY ASSESSMENT AND TAX INFORMATION"** within this Final Official Statement;
3. All of the tables under the heading "**DEBT INFORMATION"** within this Final Official Statement; and
4. All of the tables under the heading "**FINANCIAL INFORMATION"** within this Final Official Statement.

"Audited Financial Statements" means financial statements of the City as audited annually by independent certified public accountants. Audited Financial Statements are expected to continue to be prepared according to Generally Accepted Accounting Principles as applicable to governmental units (i.e., as subject to the pronouncements of the Governmental Accounting Standards Board and subject to any express requirements of State law).

Reportable Events Disclosure

The City covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to the MSRB in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. The "Events" are:

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the City *
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Consequences of Failure of the City to Provide Information

The City shall give notice in a timely manner to the MSRB of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due under the Undertaking.

In the event of a failure of the City to comply with any provision of the Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under the Undertaking. A default under the Undertaking shall not be deemed a default under the Bond Ordinance, and the sole remedy under the Undertaking in the event of any failure of the City to comply with the Undertaking shall be an action to compel performance.

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Amendment; Waiver

Notwithstanding any other provision of the Undertaking, the City by resolution or ordinance authorizing such amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) (i) The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including, without limitation, pursuant to a "no-action" letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the City, or type of business conducted; or

(ii) The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by parties unaffiliated with the City (such as Bond Counsel).

In the event that the Commission or the MSRB or other regulatory authority approves or requires Annual Financial Information or notices of a Reportable Event to be filed with a central post office, governmental agency or similar entity other than the MSRB or in lieu of the MSRB, the City shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending the Undertaking.

Termination of Undertaking

The Undertaking shall be terminated if the City shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Bond Ordinance. The City shall give notice to the MSRB in a timely manner if this paragraph is applicable.

Additional Information

Nothing in the Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event, in addition to that which is required by the Undertaking. If the City chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by the Undertaking, the City shall have no obligation under the Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event.

Dissemination of Information; Dissemination Agent

When filings are required to be made with the MSRB in accordance with the Undertaking, such filings are required to be made through its EMMA system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

OPTIONAL REDEMPTION

Bonds due January 1, 2013-2020, inclusive, are non-callable. Bonds due January 1, 2021-2026, inclusive, are callable in whole or in part on any date on or after January 1, 2020, at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the City and within any maturity by lot.

The Bond Registrar will give notice of redemption, identifying the Bonds (or portions thereof) to be redeemed, by mailing a copy of the redemption notice by first class mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to the registered owner of each Bond (or portion thereof) to be redeemed at the address shown on the registration books maintained by the Bond Registrar. Unless moneys sufficient to pay the redemption price of the Bonds to be redeemed are received by the Bond Registrar prior to the giving of such notice of redemption, such notice may, at the option of the City, state that said redemption will be conditional upon the receipt of such moneys by the Bond Registrar on or prior to the date fixed for redemption. If such moneys are not received, such notice will be of no force and effect, the City will not redeem such Bonds, and the Bond Registrar will give notice, in the same manner in which the notice of redemption has been given, that such moneys were not so received and that such Bonds will not be redeemed. Otherwise, prior to any redemption date, the City will deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on the date.

Subject to the provisions for a conditional redemption described above, notice of redemption having been given as described above and in the Bond Ordinance, the Bonds or portions of Bonds so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds will be paid by the Bond Registrar at the redemption price.

LITIGATION

There is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the City taken with respect to the issuance or sale thereof.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, as Bond Counsel (the "Bond Counsel"), who has been retained by, and acts as, Bond Counsel to the City. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Final Official Statement or other offering material relating to the Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Final Official Statement, except that in its capacity as Bond Counsel, Chapman and Cutler LLP has, at the request of the City, reviewed only those portions of this Final Official Statement involving the description of the Bonds, the security for the Bonds (excluding forecasts, projections, estimates or any other financial or economic information in connection therewith), the description of the federal tax exemption of interest on the Bonds and the "bank-qualified" status of the Bonds. This review was undertaken solely at the request and for the benefit of the City and did not include any obligation to establish or confirm factual matters set forth herein.

FINAL OFFICIAL STATEMENT AUTHORIZATION

This Final Official Statement has been authorized for distribution to prospective purchasers of the Bonds. All statements, information, and statistics herein are believed to be correct but are not guaranteed by the consultants or by the City, and all expressions of opinion, whether or not so stated, are intended only as such.

INVESTMENT RATING

The Bonds have been rated "Aa1" by Moody's Investors Service. The City has supplied certain information and material concerning the Bonds and the City to the rating service shown on the cover page as part of its application for an investment rating on the Bonds. Generally, such rating service bases its rating on such information and material, and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by such rating service if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the secondary market price of the Bonds. An explanation of the significance of the investment rating may be obtained from the rating agency: Moody's Investors Service, 99 Church Street, New York, New York 10007, telephone 212-553-0300. The City will provide appropriate periodic credit information to the rating service to maintain a rating on the Bonds.

DEFEASANCE

The Bonds are subject to legal defeasance by the irrevocable deposit of full faith and credit obligations of the United States of America, obligations the timely payment of which are guaranteed by the United States Treasury, or certificates of participation in a trust comprised solely of full faith and credit obligations of the United States of America (collectively, the "Government Obligations") with a bank or trust company acting as escrow agent. Any such deposit must be of sufficient amount that the receipts from the Government Obligations plus any cash on deposit will be sufficient to pay debt service on the Bonds when due or as called for redemption.

UNDERWRITING

Robert W. Baird & Co., Inc., Naperville, Illinois (the "Underwriter") has agreed to purchase all but not less than all of the Bonds at a price of $7,466,907.65 (reflecting the par amount of $7,150,000, plus a premium of $377,124.65, less an Underwriter's Discount of $60,217.00). It is anticipated that delivery of the Bonds will occur on the date shown on the cover page hereof. The Bonds may be offered and sold to certain dealers (including the Underwriter or other dealers depositing Bonds into investment trusts) at prices or yields other than such public offering prices or yields shown in this Final Official Statement, and such public offering prices or yields may be changed, from time to time, by the Underwriter.

FINANCIAL ADVISOR

The City has engaged Speer Financial, Inc. as financial advisor (the "Financial Advisor") in connection with the issuance and sale of the Bonds. The Financial Advisor is a Registered Municipal Advisor in accordance with the rules of the Municipal Securities Rulemaking Board (the "MSRB"). The Financial Advisor will not participate in the underwriting of the Bonds. The financial information included in the Final Official Statement has been compiled by the Financial Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. The Financial Advisor is not a firm of certified public accountants and does not serve in that capacity or provide accounting services in connection with the Bonds. The Financial Advisor is not obligated to undertake any independent verification of or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Final Official Statement, nor is the Financial Advisor obligated by the City's continuing disclosure undertaking.

CERTIFICATION

We have examined this Final Official Statement dated July 9, 2012, for the $7,150,000 General Obligation Refunding Bonds, Series 2012A, believe it to be true and correct and will provide to the purchaser of the Bonds at the time of delivery a certificate confirming to the purchaser that to the best of our knowledge and belief information in the Official Statement was at the time of acceptance of the bid for the Bonds and, including any addenda thereto, was at the time of delivery of the Bonds true and correct in all material respects and does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

/s/ **PEGGY COLBY**
Finance Director
CITY OF BATAVIA
Kane and DuPage Counties, Illinois

/s/ **JEFFREY D. SCHIELKE**
Mayor
CITY OF BATAVIA
Kane and DuPage Counties, Illinois

APPENDIX A

CITY OF BATAVIA
KANE AND DUPAGE COUNTIES, ILLINOIS

EXCERPTS OF FISCAL YEAR 2011 AUDITED FINANCIAL STATEMENTS

CITY OF BATAVIA, ILLINOIS

Statement of Net Assets
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Investments	$ 20,667,009	16,368,204	37,035,213
Receivables - Net of Allowances			
Property Taxes	6,674,849	-	6,674,849
Other Taxes	2,386,688	-	2,386,688
Accounts	260,708	6,194,688	6,455,396
Accrued Interest	3,854	26,762	30,616
Due from Other Governments	402,862	-	402,862
Inventories and Prepaids	178,617	2,073,235	2,251,852
Restricted Cash and Investments	-	7,979,060	7,979,060
Total Current Assets	30,574,587	32,641,949	63,216,536
Capital Assets			
Nondepreciable	19,748,645	3,998,622	23,747,267
Depreciable	88,695,714	149,601,956	238,297,670
Accumulated Depreciation	(26,340,358)	(47,999,480)	(74,339,838)
Total Noncurrent Assets	82,104,001	105,601,098	187,705,099
Total Assets	112,678,588	138,243,047	250,921,635

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts Payable	791,073	2,556,347	3,347,420
Accrued Payroll	657,835	178,132	835,967
Claims Payable	777,240	-	777,240
Deposits Payable	163,446	173,920	337,366
Accrued Interest Payable	218,355	-	218,355
Unearned Revenue	6,676,348	-	6,676,348
Current Portion Long-Term Debt	1,174,530	78,743	1,253,273
Restricted Liabilities			
Accrued Interest Payable	-	582,781	582,781
Current Portion Long-Term Debt	-	1,949,608	1,949,608
Total Current Liabilities	10,458,827	5,519,531	15,978,358
Noncurrent Liabilities			
Net Pension Obligation Payable	386,872	-	386,872
Net Other Postemployment Benefit Payable	106,025	-	106,025
Compansated Absenses Payable	698,120	314,971	1,013,091
Revenue Bonds Payable	-	41,397,464	41,397,464
Alternate Revenue Bonds Payable	7,630,000	778,800	8,408,800
General Obligation Bonds Payable	2,050,000	-	2,050,000
Total Noncurrent Liabilities	10,871,017	42,491,235	53,362,252
Total Liabilities	21,329,844	48,010,766	69,340,610
NET ASSETS			
Invested in Capital Assets - Net of Related Debt	71,424,001	61,475,226	132,899,227
Restricted - Nonexpendable			
Special Revenues			
General Government			
Community Development	258,458	-	258,458
Highways and Streets			
Motor Fuel Tax	2,216,178	-	2,216,178
Tax Increment Financing/Debt Service	1,774,600	7,605,719	9,380,319
Perpetual Care Cemetery	119,155	-	119,155
Unrestricted	15,556,352	21,151,336	36,707,688
Total Net Assets	91,348,744	90,232,281	181,581,025

CITY OF BATAVIA, ILLINOIS

Statement of Activities
Year Ended December 31, 2011

		Program Revenues			Net Expense/Revenue		
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	$ 6,374,558	3,126,338	-	-	(3,248,220)	-	(3,248,220)
Public Safety	12,510,380	203,415	244,000	-	(12,062,965)	-	(12,062,965)
Highways and Streets	6,282,067	-	-	10,317,551	4,035,484	-	4,035,484
Interest on Long-Term Debt	486,149	-	-	-	(486,149)	-	(486,149)
Total Governmental Activities	25,653,154	3,329,753	244,000	10,317,551	(11,761,850)	-	(11,761,850)
Business-Type Activities							
Waterworks	4,110,503	4,230,203	-	-	-	119,700	119,700
Sewerage	3,926,312	3,812,444	10,425	-	-	(103,443)	(103,443)
Electric	35,934,858	38,665,547	-	-	-	2,730,689	2,730,689
Total Business-Type Activities	43,971,673	46,708,194	10,425	-	-	2,746,946	2,746,946
	69,624,827	50,037,947	254,425	10,317,551	(11,761,850)	2,746,946	(9,014,904)
General Revenues							
Taxes - Property Tax					7,330,398	-	7,330,398
Taxes - Sales Tax					6,441,947	-	6,441,947
Taxes - Utility Tax					3,096,521	-	3,096,521
Intergovernmental - Income Tax					2,408,189	-	2,408,189
Intergovernmental - Replacement Tax					174,711	-	174,711
Intergovernmental - Other					123,602	-	123,602
Interest Income					35,239	108,489	143,728
Miscellaneous					2,073,642	-	2,073,642
					21,684,249	108,489	21,792,738
Change in Net Assets					9,922,399	2,855,435	12,777,834
Net Assets - Beginning					81,426,345	87,376,846	168,803,191
Net Assets - Ending					91,348,744	90,232,281	181,581,025

CITY OF BATAVIA, ILLINOIS

Balance Sheet - Governmental Funds
December 31, 2011

	General	Debt Service	Infrastructure Capital Projects	Capital Projects	Nonmajor Perpetual Care Cemetery	Total Governmental Funds
ASSETS						
Cash and Investments	$ 16,092,283	1,992,207	1,171,884	1,291,480	119,155	20,667,009
Receivables - Net of Allowances						
Property Taxes	6,185,950	488,899	-	-	-	6,674,849
Other Taxes	2,386,688	-	-	-	-	2,386,688
Accounts	259,960	748	-	-	-	260,708
Accrued Interest	3,854	-	-	-	-	3,854
Due from Other Funds	2,764	-	306,804	-	-	309,568
Due from Other Governments	400,098	-	2,764	-	-	402,862
Prepaids	155,523	-	-	-	-	155,523
Inventories	23,094	-	-	-	-	23,094
Total Assets	25,510,214	2,481,854	1,481,452	1,291,480	119,155	30,884,155
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	205,104	-	585,969	-	-	791,073
Accrued Payroll	657,835	-	-	-	-	657,835
Claims Payable	777,240	-	-	-	-	777,240
Deposits Payable	163,446	-	-	-	-	163,446
Accrued Interest Payable	-	216,078	-	-	-	216,078
Due to Other Funds	306,804	-	2,764	-	-	309,568
Unearned/Deferred Revenues	6,187,449	488,899	-	-	-	6,676,348
Total Liabilities	8,297,878	704,977	588,733	-	-	9,591,588
Fund Balances						
Nonspendable	178,617	-	-	-	-	178,617
Restricted	2,474,636	1,776,877	-	-	119,155	4,370,668
Assigned	-	-	892,719	1,291,480	-	2,184,199
Unassigned	14,559,083	-	-	-	-	14,559,083
Total Fund Balances	17,212,336	1,776,877	892,719	1,291,480	119,155	21,292,567
Total Liabilities and Fund Balances	25,510,214	2,481,854	1,481,452	1,291,480	119,155	30,884,155

CITY OF BATAVIA, ILLINOIS

Reconciliation of Total Governmental Fund Balance to the Statement of Net Assets - Governmental Activities

December 31, 2011

Total Governmental Fund Balances	$ 21,292,567
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.	82,104,001
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Net Pension Obligation Payable	(386,872)
Net Other Postemployment Benefit Payable	(106,025)
Compensated Absences	(872,650)
General Obligation Bonds Payable	(2,430,000)
Alternate Revenue Bonds Payable	(8,250,000)
Accrued Interest Payable	(2,277)
Net Assets of Governmental Activities	91,348,744

CITY OF BATAVIA, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2011

See Following Page

CITY OF BATAVIA, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2011

	General	Debt Service	Infrastructure Capital Projects	Capital Projects	Nonmajor Perpetual Care Cemetery	Total Governmental Funds
Revenues						
Taxes	$ 15,319,570	1,222,889	326,407	-	-	16,868,866
Intergovernmental	3,759,896	-	36,683	-	-	3,796,579
Licenses and Permits	246,606	-	-	-	-	246,606
Charges for Services	2,854,678	-	-	19,554	5,500	2,879,732
Fines and Forfeits	203,415	-	-	-	-	203,415
Interest	30,165	2,110	1,317	1,378	269	35,239
Miscellaneous	2,064,665	-	-	-	-	2,073,642
Total Revenues	24,478,995	1,233,976	364,407	20,932	5,769	26,104,079
Expenditures						
Current						
General Government	5,473,040	-	-	-	10,000	5,483,040
Public Safety	12,334,555	-	-	-	-	12,334,555
Highways and Streets	4,292,210	-	-	-	-	4,292,210
Capital Outlay	-	-	1,527,510	-	-	1,527,510
Debt Service						
Principal Retirement	-	965,000	-	-	-	965,000
Interest and Fiscal Charges	-	486,945	-	-	-	486,945
Total Expenditures	22,099,805	1,451,945	1,527,510	-	10,000	25,089,260
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,379,190	(217,969)	(1,163,103)	20,932	(4,231)	1,014,819
Other Financing Sources (Uses)						
Transfers In	-	971,945	937,993	200,000	-	2,109,938
Transfers Out	(1,489,369)	(620,569)	-	-	-	(2,109,938)
	(1,489,369)	351,376	937,993	200,000	-	-
Net Change in Fund Balances	889,821	133,407	(225,110)	220,932	(4,231)	1,014,819
Fund Balances - Beginning	16,322,515	1,643,470	1,117,829	1,070,548	123,386	20,277,748
Fund Balances - Ending	17,212,336	1,776,877	892,719	1,291,480	119,155	21,292,567

CITY OF BATAVIA, ILLINOIS

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Activities

Year Ended December 31, 2011

Net Change in Fund Balances - Total Governmental Funds	$ 1,014,819
Amounts reported for governmental activities in the Statement of Activities 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 and reported as depreciation expense.	
Capital Outlays	10,249,862
Depreciation Expense	(1,491,248)
The net effect of various transactions Involving capital assets is to decrease net assets.	
Disposals - Cost	(19,374)
Disposals - Accumulated Depreciation	17,050
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of the governmental funds.	
Decrease in Net Pension Obligation	67,866
Increase in Net Other Postemployment Benefit Obligation	(9,722)
Increase in Compensated Absences	(872,650)
Retirement of Debt	965,000
Changes to accrued interest on long-term debt in the Statement of Activities does not require the use of current Financial resources and, therefore, are not reported as expenditures in the governmental funds.	796
Changes in Net Assets of Governmental Activities	9,922,399

CITY OF BATAVIA, ILLINOIS

Statement of Net Assets - Proprietary Funds
December 31, 2011

See Following Page

CITY OF BATAVIA, ILLINOIS

Statement of Net Assets - Proprietary Funds
December 31, 2011

	Business-Type Activities - Enterprise Funds			
	Waterworks	Sewerage	Electric	Total
ASSETS				
Current Assets				
Cash and Investments	$ 3,369,680	1,872,497	11,126,027	16,368,204
Receivables - Net of Allowances				
Accounts	500,291	539,408	5,154,989	6,194,688
Accrued Interest	5,725	3,288	17,749	26,762
Prepaids	19,997	19,997	64,995	104,989
Inventories	-	-	1,968,246	1,968,246
Restricted Cash and Investments	-	854,722	7,124,338	7,979,060
Total Current Assets	3,895,693	3,289,912	25,456,344	32,641,949
Noncurrent Assets				
Capital Assets				
Nondepreciable	922,700	825,329	2,250,593	3,998,622
Depreciable	35,595,031	42,983,600	71,023,325	149,601,956
Accumulated Depreciation	(9,989,282)	(16,479,280)	(21,530,918)	(47,999,480)
Total Noncurrent Assets	26,528,449	27,329,649	51,743,000	105,601,098
Total Assets	30,424,142	30,619,561	77,199,344	138,243,047

	Business-Type Activities - Enterprise Funds			
	Waterworks	Sewerage	Electric	Total
LIABILITIES				
Current Liabilities				
Accounts Payable	65,002	254,705	2,236,640	2,556,347
Accrued Payroll	45,278	34,055	98,799	178,132
Deposits Payable	13,961	46,893	113,066	173,920
Compensated Absences Payable	29,738	13,425	35,580	78,743
Restricted Liabilities				
Accrued Interest Payable	-	28,566	554,215	582,781
Revenue Bonds Payable	676,293	958,315	315,000	1,949,608
Total Current Liabilities	830,272	1,335,959	3,353,300	5,519,531
Noncurrent Liabilities				
Compensated Absences Payable	118,950	53,701	142,320	314,971
Revenue Bonds Payable	10,135,630	6,370,634	25,670,000	42,176,264
Total Noncurrent Liabilities	10,254,580	6,424,335	25,812,320	42,491,235
Total Liabilities	11,084,852	7,760,294	29,165,620	48,010,766
NET ASSETS				
Invested in Capital Assets - Net of Related Debt	15,716,526	20,000,700	25,758,000	61,475,226
Restricted - Debt Service	-	600,000	7,005,719	7,605,719
Unrestricted	3,622,764	2,258,567	15,270,005	21,151,336
Total Net Assets	19,339,290	22,859,267	48,033,724	90,232,281

CITY OF BATAVIA, ILLINOIS

Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds
Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds			
	Waterworks	Sewerage	Electric	Totals
Operating Revenues				
Charges for Services	$ 4,230,203	3,812,444	38,665,547	46,708,194
Operating Expenses				
Administration	649,300	585,220	2,254,275	3,488,795
Operations	2,170,850	1,802,212	30,218,408	34,191,470
Depreciation	1,001,129	1,334,850	2,291,154	4,627,133
Total Operating Expenses	3,821,279	3,722,282	34,763,837	42,307,398
Operating Income	408,924	90,162	3,901,710	4,400,796
Nonoperating Revenues (Expenses)				
Connection Fees	-	10,425	-	10,425
Interest Income	9,922	6,158	92,410	108,490
Disposal of Capital Assets	(6,531)	-	(62,217)	(68,748)
Interest and Fiscal Charges	(282,693)	(204,030)	(1,108,805)	(1,595,528)
	(279,302)	(187,447)	(1,078,612)	(1,545,361)
Change in Net Assets	129,622	(97,285)	2,823,098	2,855,435
Net Assets - Beginning	19,209,668	22,956,552	45,210,626	87,376,846
Net Assets - Ending	19,339,290	22,859,267	48,033,724	90,232,281

CITY OF BATAVIA, ILLINOIS

Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds			
	Water	Sewerage	Electric	Totals
Cash Flows from Operating Activities				
Receipts from Customers and Users	$ 4,221,897	3,836,236	39,732,255	47,790,388
Payments to Employees	(718,885)	(639,451)	(2,008,878)	(3,367,214)
Payments to Suppliers	(1,931,916)	(1,445,887)	(30,599,286)	(33,977,089)
	1,571,096	1,750,898	7,124,091	10,446,085
Cash Flows from Noncapital Financing Activities				
Connection Fees	-	10,425	-	10,425
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(54,328)	(736,263)	(1,934,087)	(2,724,678)
Disposal of Capital Assets	-	-	-	-
Interest and Fiscal Charges	(282,693)	(204,030)	(1,108,805)	(1,595,528)
Payment of Bond Principal	(992,472)	(1,173,829)	(305,000)	(2,471,301)
Proceeds of Bonds	-	951,083	-	951,083
	(1,329,493)	(1,163,039)	(3,347,892)	(5,840,424)
Cash Flows from Investing Activities				
Interest Received	9,922	6,158	92,410	108,490
Net Change in Cash and Cash Equivalents	251,525	604,442	3,868,609	4,724,576
Cash and Cash Equivalents - Beginning of Year	3,118,155	2,122,777	14,381,756	19,622,688
Cash and Cash Equivalents - End of Year	3,369,680	2,727,219	18,250,365	24,347,264
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities.				
Operating Income (Loss)	408,924	90,162	3,901,710	4,400,796
Adjustments to Reconcile Operating Income to Net Income to Net Cash Provided by (Used in) Operating Activities.				
Depreciation Expense	1,001,129	1,334,850	2,291,154	4,627,133
(Increase) Decrease in Current Assets	(8,306)	23,792	1,066,708	1,082,194
Increase (Decrease) in Current Liabilities	169,349	302,094	(135,481)	335,962
Net Cash Provided by Operating Activities	1,571,096	1,750,898	7,124,091	10,446,085

CITY OF BATAVIA, ILLINOIS

Statement of Net Assets- Fiduciary Funds
December 31, 2011

	Pension Trust	Agency
ASSETS		
Cash and Cash Equivalents	$ 15,467	83,974
Investments		
U.S. Government and Agency Obligations	11,784,180	-
Insurance Company Contracts	3,341,131	-
Municipal Bonds	128,952	-
Corporate Bonds	1,347,456	-
Equities	11,851,546	-
Money Market Mutual Funds	2,480,284	-
Receivables		
Accrued Interest	77,322	-
Prepaids	7,877	-
Total Assets	31,034,215	83,974
LIABILITIES		
Accounts Payable	2,276	-
Deposits Payable	-	83,974
Total Liabilities	2,276	83,974
NET ASSETS		
Held in Trust for Pension Benefits	31,031,939	-

CITY OF BATAVIA, ILLINOIS

Statement of Changes in Net Assets - Fiduciary Funds
Year Ended December 31, 2011

	Pension Trust
Additions	
Contributions - Employer	$ 1,915,839
Contributions - Plan Members	608,254
Total Contributions	2,524,093
Investment Income	
Interest Earned	873,280
Net Change in Fair Value	(381,287)
	491,993
Less Investment Expenses	(180,354)
Net Investment Income	311,639
Total Additions	2,835,732
Deductions	
Administration	82,403
Benefits and Refunds	1,525,743
Total Deductions	1,608,146
Change in Net Assets	1,227,586
Net Plan Assets Held in Trust for Pension Benefits	
Beginning	29,804,353
Ending	31,031,939

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Batavia, Illinois (City) was incorporated under a charter granted by the Illinois State Legislature in 1896. The City is a non-home rule community that operates under the management form of municipal government as provided in Chapter 65, Article 5 of the Illinois Compiled Statutes. The City's major operations include police and fire protection, water, sewer and electric service, planning and zoning, and general administrative services.

The government-wide financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB Pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant of the City's accounting policies established in GAAP and used by the City are described below.

REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government:	City of Batavia

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14," and includes all component units that have a significant operational or financial relationship with the City. Based upon the criteria set forth in the GASB Statement No. 39, there are no component units included in the reporting entity.

Police Pension Employees Retirement System

The City's sworn police employees participate in the Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the City's Mayor, one elected pension beneficiary and two elected police employees constitute the pension board. The participants are required to contribute a percentage of salary as established by state statute and the City is obligated to fund all remaining PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the City is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it is legally separate from the City, the PPERS is reported as if it were part of the primary City because its sole purpose is to provide retirement benefits for the City's police employees. The PPERS is reported as a fiduciary fund, and specifically a pension trust fund, due to the fiduciary responsibility exercised over the PPERS.

CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

REPORTING ENTITY – Continued

Firefighters' Pension Employees Retirement System

The City's sworn firefighters participate in the Firefighters' Pension Employees Retirement System (FPERS). FPERS functions for the benefit of these employees and is governed by a nine-member pension board. The City's Mayor, Treasurer, Clerk, Attorney and Fire Chief, one elected pension beneficiary, and three elected fire employees constitute the pension board. The City and FPERS participants are obligated to fund all FPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the City is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it is legally separate from the City, the FPERS is reported as if it were part of the primary City because its sole purpose is to provide retirement benefits for the City's sworn firefighters. The FPERS is reported as a fiduciary fund, and specifically a pension trust fund, due to the fiduciary responsibility exercised over the FPERS.

BASIS OF PRESENTATION

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 funds). Both the government–wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire safety, highway and street maintenance and reconstruction, building code enforcement, public improvements, economic development, planning and zoning, and general administrative services are classified as governmental activities. The City's waterworks, sewerage, and electric services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are: (a) presented on a consolidated basis by column, and (b) 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 and business-type activities (general government, public safety, highways and streets, etc). The functions are supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges for services, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include 1) changes to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales and use taxes, certain intergovernmental revenues, permits and charges for services, etc). The City does not allocate indirect costs. An administrative service fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Government-Wide Statements – Continued

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.

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 comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. 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 City electively added funds, as major funds, which either have debt outstanding or a specific community focus. The nonmajor funds are combined in a column in the fund financial statements. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

> Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
>
> Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The various funds are reported by generic classification within the financial statements. The following fund types are used by the City:

Governmental Funds

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. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major fund.

Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. The Debt Service Fund is treated as a major fund and accounts for all future payments of interest and principal on the City's long-term general obligation debt.

CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Governmental Funds – Continued

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The City maintains two major capital projects funds, the Infrastructure Capital Projects Fund and the Capital Projects Fund. The Infrastructure Capital Projects Fund accounts for all resources used for construction and major improvements to the City's highways and streets and other general infrastructure. The Capital Projects Fund accounts for all resources used for the acquisition of capital assets by a governmental unit except those financed by Proprietary and Trust Funds.

Permanent funds are used to report resources that are legally restricted to he extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry. The City maintains one nonmajor permanent fund, the Perpetual Care Cemetery, which is used to account for perpetual care trust funds to be used for the perpetual care of the City's cemetery.

Proprietary Funds

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 required to account for operations for which a fee is charged to external users for goods or services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The City maintains three major enterprise funds. The Waterworks Fund, accounts for the provision of potable water to the residents of the City. The Sewerage Fund accounts for the provision of wastewater treatment services to the residents of the City. The Electric Fund accounts for the provision of electric utility services to the residents of the city.

Fiduciary Funds

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

Pension Trust Funds are used to account for assets held in a trustee capacity for pension benefit payments. The Police Pension Fund accounts for the accumulation of resources to be used for disability and retirement annuity payments to employees covered by the plan. The Firefighters' Pension Fund accounts for the accumulation of resources to be used for disability and retirement payments to employees covered by the plan.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Fiduciary Funds – Continued

Agency Funds are used to account for assets held by the City in a purely custodial capacity. The Special Service Areas Fund accounts for the collection of property taxes within special taxing districts and payments of related special service areas debt. The Escrow Deposit Fund accounts for refundable deposits held by the City to ensure the completion of public improvements by private developers.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension trust 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 City, these funds are not incorporated into the government-wide statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

All proprietary and pension trust funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary and pension trust fund equity is classified as net assets. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. The City recognizes property taxes when they become both measurable and available in accordance with GASB Codification Section P70. A sixty day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recognized when due.

In applying the susceptible to accrual concept under the modified accrual basis, those revenues susceptible to accrual are property taxes, sales and use taxes, franchise taxes, licenses, interest revenue, and charges for services. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

All proprietary, pension trust and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments

Cash and cash equivalents on the Statement of Net Assets are considered to be cash on hand, demand deposits, cash with fiscal agent. For the purpose of the proprietary funds "Statement of Cash Flows", cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and all highly liquid investments with an original maturity of three months or less.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued

Interfund Receivables, Payables and Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivables balances for governmental activities include property taxes, sales and use taxes, franchise taxes, and grants. Business-type activities report utility charges as their major receivables.

Prepaids/Inventories

Prepaids/inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type prepaids/inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements.

Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets

Capital assets purchased or acquired with an original cost of $10,000 to $200,000 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.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. Infrastructure such as streets, traffic signals and signs are capitalized. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities) the government chose to include all such items regardless of their acquisition date. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued

Capital Assets – Continued

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Buildings and Improvements	10 – 45 Years
Machinery & Equipment	3 – 30 Years
Infrastructure	40 – 50 Years

Compensated Absences

The City accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulation rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave that is estimated to be taken as "terminal leave" prior to retirement.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Unearned/Deferred Revenue

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and for the amounts that are earned but not yet received.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued

Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

> 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.
>
> 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 legislations.
>
> Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Budges are adopted on a basis consistent with generally accepted accounting principles. All departments of the City submit requests for their department to the City's Administrator 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 expenditures for the next fiscal year. The proposed budget is presented to the governing body for review. The governing body holds public hearings and may add to, subtract from, or change commitments/assignments, but may not change the form of the budget.

The administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the governing body. Expenditures may not legally exceed budgeted expenses at the fund level. During the year a few amendments were necessary.

CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds except the pension trust funds. Each fund type's portion of this pool is displayed on the financial statements as "cash and investments". In addition, investments are separately held by several of the City's funds. The deposits and investments of the pension trust funds are held separately from those of other funds.

Permitted Deposits and Investments - Statutes authorize the City to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds.

The deposits and investments of the Pension Funds are held separately from those of other City funds. Statutes authorize the Pension Funds to make deposits/invest in interest bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures, or similar obligations of agencies of the United States of America; savings accounts or certificates of deposit issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; State of Illinois Bonds; pooled accounts managed by the Illinois Public Treasurer, or by banks, their subsidiaries or holding companies, in accordance with the laws of the State of Illinois; bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois; direct obligations of the State of Israel; money market mutual funds managed by investment companies that are registered under the federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies, provided the portfolio is limited to specified restrictions; general accounts of life insurance companies and separate accounts of life insurance companies provided the investment in separate accounts does not exceed ten percent of the pension fund's net assets.

Illinois Funds is an investment pool managed by the Illinois Public Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. Although not registered with the SEC, Illinois Funds does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at the share price, the price for which the investment could be sold.

City – Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the City's deposits for governmental, business-type and agency activities totaled $26,743,540 and the bank balances totaled $26,227,586.

Investments. At year-end, the City has the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than One	One to Five	Six to Ten	More Than Ten
Illinois Funds	$ 16,654,707	16,654,707	-	-	-
Federal Home Loan Mortgage	1,700,000	-	1,700,000	-	-
	18,354,707	16,654,707	1,700,000	-	-

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

City – Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy attempts to limit the City's exposure to interest rate risk by matching its investments with anticipated cash flow requirements. The City will not directly invest in securities maturing more than five (5) years from the date of purchase. Reserve funds may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City helps limit its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. The City's investment policy also prescribes to the "prudent person" rule which states that, "investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as possible income to be derived." As of December 31, 2011, Standard and Poor's rated all of the City's U.S. Agency Obligations AAA. Also, the City's investment in Illinois Funds was rated AAAm by Standard and Poor's.

Custodial Credit Risk – Deposits. In the case of deposits, this 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 limits custodial credit risk for deposits by not maintaining funds in any institution not willing or capable of pledging required collateral for funds in excess of FDIC insurable limits. The amount of collateral provided shall not be less than 110 percent of the fair market value of the net amount of public funds secured. Pledged collateral will be held in safekeeping by an independent third party depository designated by the City and evidenced by a safekeeping agreement. At year-end, $2,068,194 of bank balances of deposits are not covered by third party collateral.

Custodial Credit – Investments. In the case of investments, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy attempts to limit the City's custodial credit risk for its investments by requiring that securities be held by a third party custodian designated by the City and evidenced by safekeeping receipts. At December 31, 2011, all U.S. Agency Securities are categorized as insured, registered, or held by the City or its agent in the City's name. The City's investment in the Illinois Funds is noncategorizable.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy states that in no case shall the following diversification limits be exceeded unless specifically authorized by the City Council:

a. No financial institution shall hold more than 50% of the City's investment portfolio, exclusive of U.S. Treasury securities in safekeeping.
b. Monies deposited at a financial institution shall not exceed 65% of the capital stock and surplus of that institution.
c. Commercial paper shall not exceed 30% of the City's investment portfolio.
d. Deposits in the Illinois Public Treasurer's Investment Pool shall not exceed 50% of the investment portfolio.

CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

City – Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

At December 31, 2011, all of the City's investments are in compliance with the guidelines outlined above in the City's investment policy. At year-end, the City's investment in Illinois Funds is over 5 percent of the total cash and investment portfolio.

Police Pension Fund – Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the Fund's deposits totaled $10,066 and the bank balances totaled $10,066.

Investments. At December 31, 2011, the Fund's investments are as follows:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than One	One to Five	Six to Ten	More Than Ten
U.S. Treasury Notes	$ 2,513,012	703,880	898,382	910,750	-
U.S. Treasury Bonds	883,004	-	-	-	883,004
Federal Home Loan Mortgage	1,511,368	130,254	167,254	-	1,213,860
Federal National Mortgage Assoc.	3,334,289	-	195,046	382,195	2,757,048
U.S. Government Backed Securities	1,347,456	-	-	-	1,347,456
Equities	3,116,221	3,116,221	-	-	-
Money Market Mutual Funds	2,296,557	2,296,557	-	-	-
	15,001,907	6,246,912	1,260,682	1,292,945	6,201,368

Interest Rate Risk. The Fund's formal investment policy attempts to limit exposure to interest rate risk by having the investment portfolio remain sufficiently liquid to enable the Fund to pay all necessary benefits and meet all operating requirements which might be reasonably anticipated.

Credit Risk. The Fund helps limit its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. The Fund's investment policy also prescribes to the "prudent person" rule which states that, "investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as possible income to be derived." As of December 31, 2011, Standard and Poor's rated all of the Fund's U.S. Agency Obligations AA+. Mutual funds have been rated 2-5 stars by Morningstar.

Custodial Credit Risk – Deposits. The Fund's investment policy does not limit custodial credit risk for deposits. At December 31, 2011, all deposits are covered by federal depository insurance, or by collateral held by the Pension Fund, or its agent, in the Pension Fund's name.

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Police Pension Fund – Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Custodial Credit – Investments. The Fund's investment policy attempts to limit the exposure to custodial credit risk for its investments by requiring that securities be held by a third party custodian designated by the Fund and evidenced by safekeeping receipts. At December 31, 2011, all U.S. Treasury Obligations and Agency Securities are categorized as insured, registered, or held by the Fund or its agent in the Fund's name.

Concentration of Credit Risk. The Fund's investment policy attempts to limit the exposure to concentration risk by prescribing to the following asset allocation policy:

	Minimum	Target	Maximum
Cash	1%	3%	10%
Fixed Income	42%	62%	100%
Lg. Cap. Domestic Equities	0%	25%	40%
Sm. Cap. Domestic Equities	0%	10%	10%
International Equities	0%	5%	10%

At December 31, 2011, all of the Fund's investments are in compliance with the guidelines outlined above in the Fund's investment policy. At year-end, the Fund has $1,070,173 invested in RMA Government Portfolio that is over 5 percent of net assets available for benefits.

Firefighters' Pension Fund – Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the Fund's deposits totaled $5,401 and the bank balances totaled $11,280.

Investments. At December 31, 2011, the Fund's investments are as follows:

		Investment Maturities (in Years)			
	Fair Value	Less Than One	One to Five	Six to Ten	More Than Ten
U.S. Treasury Notes	$ 1,393,482	-	855,248	538,234	-
Government National Mortgage Assoc.	100	-	-	-	100
Federal Farm Credit Bank	376,634	376,634	-	-	-
Federal Home Loan Mortgage	103,344	-	103,344	-	-
Federal Home Loan Bank	1,457,934	-	849,964	607,970	-
Federal National Mortgage Assoc.	211,013	-	211,013	-	-
Municipal Bonds	128,952	-	-	128,952	-
Insurance Company Contracts	3,341,131	-	-	-	3,341,131
Mutual Funds	2,547,993	-	-	-	2,547,993
Money Market Mutual Funds	183,727	183,727	-	-	-
	9,744,310	560,361	2,019,569	1,275,156	5,889,224

CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Firefighters' Pension Fund – Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Interest Rate Risk. The Fund's formal investment policy attempts to limit exposure to interest rate risk by having the investment portfolio remain sufficiently liquid to enable the Fund to pay all necessary benefits and meet all operating requirements which might be reasonably anticipated.

Credit Risk. The Fund helps limit its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. The Fund's investment policy also prescribes to the "prudent person" rule which states that, "investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as possible income to be derived." As of December 31, 2011, Standard and Poor's rated all of the Fund's U.S. Agency Obligations AA+. Mutual funds have been rated 2-5 stars by Morningstar.

Custodial Credit Risk – Deposits. The Fund's investment policy does not limit custodial credit risk for deposits. At December 31, 2011, all deposits are covered by federal depository insurance, or by collateral held by the Pension Fund, or its agent, in the Pension Fund's name.

Custodial Credit – Investments. The Fund's investment policy attempts to limit the exposure to custodial credit risk for its investments by requiring that securities be held by a third party custodian designated by the Fund and evidenced by safekeeping receipts. At December 31, 2011, all U.S. Treasury Obligations and Agency Securities are categorized as insured, registered, or held by the Fund or its agent in the Fund's name.

Concentration of Credit Risk. The Fund's investment policy attempts to limit the exposure to concentration risk by requiring that assets be diversified to control the risk of loss resulting from over-concentration in a specific maturity, a specific issuer, or a specific instrument. No more than 40% of the assets shall be concentrated in a single instrument or class of instruments other than U.S. Treasury Obligations.

At December 31, 2011, all of the Fund's investments are in compliance with the guidelines outlined above in the Fund's investment policy. At year-end, the Fund has the following investments, exclusive of U.S. Government Securities, over 5 percent of net assets available for benefits:

Aviva Annuity	$508,652
Keyport Life Annuity	652,001
Sun Life Annuity	637,347

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

PROPERTY TAXES

Property taxes for 2011 attach as an enforceable lien on January 1, 2011, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by Kane County and are issued on or about May 1, 2011, and are payable in two installments, on or about June 1, 2011, and September 1, 2011. The County collects such taxes and remits them periodically.

CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	$ 19,646,978	-	-	19,646,978
Construction in Progress	55,813	45,854	-	101,667
	19,702,791	45,854	-	19,748,645
Depreciable Capital Assets				
Structures and Improvements	18,380,206	-	-	18,380,206
Machinery and Equipment	5,178,973	-	-	5,178,973
Infrastructure	54,951,901	10,204,008	19,374	65,136,535
	78,511,080	10,204,008	19,374	88,695,714
Less Accumulated Depreciation				
Structures and Improvements	3,089,284	171,132	-	3,260,416
Machinery and Equipment	2,642,291	265,114	-	2,907,405
Infrastructure	19,134,585	1,055,002	17,050	20,172,537
	24,866,160	1,491,248	17,050	26,340,358
Total Net Depreciable Capital Assets	53,644,920	8,712,760	2,324	62,355,356
Total Net Capital Assets	73,347,711	8,758,614	2,324	82,104,001

Depreciation expense was charged to governmental activities as follows:

General Government	$ 74,364
Public Safety	178,473
Highways and Streets	1,238,411
	1,491,248

CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS – Continued

Business-Type Activities

Business-type capital asset activity for the year was as follows:

	Beginning Balances	Increases/ Transfers	Decreases/ Transfers	Ending Balances
Nondepreciable Capital Assets				
Land	$ 1,117,833	-	-	1,117,833
Construction in Progress	861,759	2,019,030	-	2,880,789
	1,979,592	2,019,030	-	3,998,622
Depreciable Capital Assets				
Buildings	7,841,445	177,260	-	8,018,705
Structures and Improvements	14,027,194	-	-	14,027,194
Wells and Well Equipment	3,634,937	-	-	3,634,937
Machinery and Equipment	1,658,815	210,541	44,952	1,824,404
Electric System	61,000,041	872,062	124,123	61,747,980
Water/Sewer System	60,348,736	-	-	60,348,736
	148,511,168	1,259,863	169,075	149,601,956
Less Accumulated Depreciation				
Buildings	528,987	192,433	-	721,420
Structures and Improvements	4,427,097	341,203	-	4,768,300
Wells and Well Equipment	920,136	90,873	-	1,011,009
Machinery and Equipment	956,011	93,962	38,421	1,011,552
Electric System	18,150,734	2,037,196	61,906	20,126,024
Water/Sewer System	18,489,709	1,871,466	-	20,361,175
	43,472,674	4,627,133	100,327	47,999,480
Total Net Depreciable Capital Assets	105,038,494	(3,367,270)	68,748	101,602,476
Total Net Capital Assets	107,018,086	(1,348,240)	68,748	105,601,098

Depreciation expense was charged to business-type activities as follows:

Waterworks	$ 1,001,129
Sewerage	1,334,850
Electric	2,291,154
	4,627,133

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Balances

The composition of interfund balances as of the date of this report, is as follows:

Receivable Fund	Payable Fund	Amount
General	Infrastructure Capital Projects	$ 2,764
Infrastructure Capital Projects	General	306,804
		309,568

Interfund balances are advances in anticipation of receipts.

Interfund Transfers

Interfund transfers for the year consisted of the following:

	Transfer Out		
	General	Debt Service	Totals
Transfer In			
Debt Service	$ 971,945	-	971,945
Capital Projects	200,000	-	200,000
Infrastructure Capital Projects	317,424	620,569	937,993
	1,489,369	620,569	2,109,938

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds issued for business-type activities are reported in the proprietary funds as they are expected to be repaid from propriety revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

Issue	Fund Debt Retired By	Balances January 1	Issuances	Retirements	Balances December 31
General Obligation Refunding Bond Series of 2002A due in annual installments of $53,550 to $332,775 plus interest at 2.0% to 3.65% through January 1, 2011	Waterworks	$ 332,775	-	332,775	-
General Obligation Bond Series of 2005 due in annual installments of $40,000 to $150,000 plus interest at 3.50% to 5.00% through January 1, 2025	Debt Service	1,630,000	-	90,000	1,540,000
General Obligation Refunding Bond Series of 2009B due in annual installments of $270,000 to $310,000 plus interest at 2.50% to 3.50% through December 15, 2014	Debt Service	1,165,000	-	275,000	890,000
		3,127,775	-	697,775	2,430,000

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Alternate Revenue Bonds

The City has also issued alternate revenue bonds where the City has pledged motor fuel tax and sales tax revenues for the payment of bond principal and interest. Alternate revenue bonds re direct obligations and pledge the full faith and credit of the City. Alternate revenue bonds currently outstanding are as follows:

Issue	Fund Debt Retired By	Balances January 1	Issuances	Retirements	Balances December 31
Alternate Revenue Bond Series of 2006 due in annual installments of $320,000 to $740,000 plus interest at 4.00% to 4.50% through January 1, 2026	Debt Service	$ 8,200,000	-	390,000	7,810,000
Alternate Revenue Bond Series of 2009A due in annual installments of $205,000 to $225,000 plus interest at 2.50% to 3.00% through December 1, 2013	Debt Service	650,000	-	210,000	440,000
Taxable General Obligation Alternate Revenue Bond Series of 2010 due in annual installments of $86,031 to $110,911 plus interest at 1.50% to 4.80% through December 15, 2020	Sewerage	-	951,083	86,252	864,831
		8,850,000	951,083	686,252	9,114,831

CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Revenue Bonds

The City also issues bonds for which the City pledges income derived from the acquired or constructed assets to pay debt service. A financial payment will not be established on the IEPA Revenue Bonds Series of 2004 through 2006 until construction is complete and final draws on the loan have been made. The final debt will be due semi-annually installments over a 20 year period plus interest. Revenue bonds currently outstanding are as follows:

Issue	Fund Debt Retired By	Balances January 1	Issuances	Retirements	Balances December 31
IEPA Sewer Revenue Bond Series of 1990 due in annual installments of $497,756 including interest at 3.745% through October 15, 2012	Sewerage	$ 719,521	-	475,218	244,303
IEPA Sewer Revenue Bond Series of 1999 due in annual installments of $67,044 including interest at 2.535% through May 1, 2020	Sewerage	554,408	-	53,325	501,083
IEPA Sewer Revenue Bond Series of 1999A due in annual installments of $714,655 including interest at 2.535% through November 1, 2020	Sewerage	6,277,766	-	559,034	5,718,732
IEPA Water Revenue Bond Series of 2004 due in annual installments of $179,890 including interest at 2.500% through November 1, 2024	Waterworks	4,811,239	-	290,949	4,520,290
IEPA Water Revenue Bond Series of 2004 due in annual installments of $210,122 including interest at 2.500% through November 1, 2024	Waterworks	2,469,201	-	149,320	2,319,881
IEPA Water Revenue Bond Series of 2005 due in annual installments of $32,675 including interest at 2.500% through November 1, 2024	Waterworks	383,975	-	23,220	360,755
IEPA Water Revenue Bond Series of 2006 due in annual installments of $191,127, including interest at 2.500% through September 26, 2026	Waterworks	2,507,708	-	129,237	2,378,471

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Revenue Bonds – Continued

Issue	Fund Debt Retired By	Balances January 1	Issuances	Retirements	Balances December 31
IEPA Water Revenue Bond Series of 2006 due in annual installments of $99,042, including interest at 2.500% through September 26, 2026	Waterworks	$ 1,299,497	-	66,971	1,232,526
Revenue Bond Series of 2006 due in annual installments of $285,000 to $1,630,000 plus interest at 3.5% to 4.5% through January 1, 2037	Electric	26,290,000	-	305,000	25,985,000
		45,313,315	-	2,052,274	43,261,041

Long-Term Liability Activity

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Net Pension Obligation	$ 454,738	-	67,866	386,872	-
Net Other Post-Employment Benefit Obligation	96,303	9,722	-	106,025	-
Compensated Absences	-	872,650		872,650	174,530
General Obligation Bonds	2,795,000	-	365,000	2,430,000	380,000
Alternate Revenue Bonds	8,850,000	-	600,000	8,250,000	620,000
	12,196,041	882,372	1,032,866	12,045,547	1,174,530
Business-Type Activities					
Compensated Absences	$ -	393,714	-	393,714	78,743
General Obligation Bonds	332,775	-	332,775	-	-
Alternate Revenue Bonds	-	951,083	86,252	864,831	86,031
Revenue Bonds	45,313,315	-	2,052,274	43,261,041	1,863,577
	45,646,090	1,344,797	2,471,301	44,519,586	2,028,351

CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Long-Term Liability Activity – Continued

Payments on the net pension obligation and net other post-employment benefit obligation are made by the General Fund. Compensated absences are generally liquidated by the General Fund for governmental activities and the Waterworks Fund, Sewerage Fund, and Electric Fund for business-type activities. Payments on the general obligation/alternate revenue bonds are made by the Debt Service, Sewerage, and Waterworks Funds. The Waterworks Fund and Sewerage Fund make payments on the revenue bonds.

Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, are as follows:

Fiscal Year Ending December 31	Governmental Activities: General Obligation Bonds		Alternate Revenue Bonds	
	Principal	Interest	Principal	Interest
2012	$ 380,000	105,928	620,000	349,594
2013	390,000	91,950	650,000	325,932
2014	410,000	78,350	445,000	301,118
2015	105,000	62,500	465,000	282,206
2016	110,000	57,250	490,000	262,444
2017	110,000	51,750	510,000	241,618
2018	115,000	46,250	535,000	219,944
2019	120,000	40,500	560,000	197,206
2020	125,000	34,500	590,000	173,406
2021	130,000	28,250	615,000	148,332
2022	140,000	21,750	645,000	122,194
2023	145,000	14,750	675,000	94,782
2024	150,000	7,500	710,000	65,250
2025	-	-	740,000	33,300
Total	2,430,000	641,228	8,250,000	2,817,326

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Debt Service Requirements to Maturity – Continued

Fiscal Year Ending Dec. 31	Business-Type Activities: Revenue Bonds Principal	Revenue Bonds Interest	Alternate Revenue Bonds Principal	Alternate Revenue Bonds Interest
2012	$ 1,863,577	1,583,001	86,031	30,204
2013	1,942,307	1,521,797	87,321	28,914
2014	2,001,178	1,459,987	89,198	27,036
2015	2,060,904	1,400,917	91,518	24,717
2016	2,121,511	1,339,992	94,355	21,880
2017	2,188,020	1,277,183	97,751	18,482
2018	2,250,457	1,212,273	101,662	14,572
2019	2,318,837	1,145,440	106,084	10,150
2020	2,343,770	1,076,458	110,911	5,324
2021	1,675,756	1,005,436	-	-
2022	1,732,032	937,011	-	-
2023	1,788,844	880,052	-	-
2024	1,846,202	820,441	-	-
2025	1,252,829	758,342	-	-
2026	1,304,817	698,059	-	-
2027	1,060,000	647,720	-	-
2028	1,105,000	597,318	-	-
2029	1,155,000	550,356	-	-
2030	1,205,000	499,826	-	-
2031	1,255,000	447,106	-	-
2032	1,310,000	392,200	-	-
2033	1,370,000	334,888	-	-
2034	1,430,000	274,950	-	-
2035	1,490,000	210,600	-	-
2036	1,560,000	143,550	-	-
2037	1,630,000	73,338	-	-
Total	43,261,041	21,288,241	864,831	181,279

CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Revenue Bond Disclosures

Sewerage Fund and Electric Fund – The revenue bond ordinance requires that all monies held in the Sewerage Fund and Electric Fund be segregated and restricted in separate special reserve accounts, in the priority indicated by the order of the following:

Accounts	Amounts	Nature of Authorized Expenditures
Operations and Maintenance	Sufficient amount to pay reasonable expenses	Expense of operating, maintaining and repairing the system
Bond and Interest	Amount sufficient to pay a portion of the current bond and interest	Paying principal and interest on the bonds
Bond Reserve	*Sewerage* $2,000 per month until the account aggregates $654,302 *Electric* Amount sufficient to provide account aggregate of $1,705,719	Paying principal and interest on the bonds if there is an insufficiency in bond and interest
Depreciation	*Sewerage* $5,000 per month until the account aggregates $350,000 *Electric* Initial deposit of $2,000,000 or $100,000 per month until the account aggregates $2,000,000	Paying principal and interest on the bonds if there is insufficient money in the bond and interest account or bond reserve account; cost of extraordinary repairs and replacements to the system
Surplus	The amount remaining after payment into the above four accounts	Improvement and extension of the waterworks and sewerage system, or any other lawful corporate purpose

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Revenue Bond Disclosures – Continued

Supplemental information required under bond ordinance provision, not subject to audit:

Sewerage	
Number of Water Customers	9,254
Number of Sewer Customers	9,137
Quantity of Sewerage Treated (in Millions of Gallons)	1,346.70
Quantity of Water Pumped (in Millions of Gallons)	1,139.50
Quantity of Water Billed (in Millions of Gallons)	903.60
Electric	
Number of Electric Customers by Class	
Residential	9,491
Commercial	1,310
Industrial	12
Kwh of Energy Purchased	462,899,179
Average cost per kwh	$ 0.078632

Legal Debt Margin

Chapter 65, Section 5/8-5-1 of the Illinois Compiled Statutes provides, "...no municipality having a population of less than 500,000 shall become indebted in any manner or for any purpose, to an amount, including existing indebtedness in the aggregate exceeding 8.625% on the value of the taxable property therein, to be ascertained by the last assessment for state and county purposes, previous to the incurring of the indebtedness or, until January 1, 1983, if greater, the sum that is produced by multiplying the municipality's 1978 equalized assessed valuation by the debt limitation percentage in effect on January 1, 1979."

Assessed Valuation - 2010	$ 1,067,923,536
Legal Debt Limit - 8.625% of Assessed Value	92,108,405
Amount of Debt Applicable to Limit	
General Obligation Bonds	2,430,000
Legal Debt Margin	89,678,405

CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2011

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Bond Defeasances

In prior years the government defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payment on the old bonds. Since the requirements which normally satisfy defeasance, have been met, the financial statements reflect satisfaction of the original liability through the irrevocable transfer to an escrow agent of an amount computed to be adequate to meet the future debt service requirements of the issue. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's basic financial statements. Defeased bonds of $1,355,000 remain outstanding as of the date of this report.

NET ASSETS CLASSIFICATIONS

Investment in capital assets – net of related debt, was comprised of the following as of December 31, 2011:

Governmental Activities		
Capital Assets - Net of Accumulated Depreciation		$ 82,104,001
Less Capital Related Debt:		
General Obligation Bonds	(2,430,000)	
Alternate Revenue Bonds	(8,250,000)	(10,680,000)
Investment in Capital Assets - Net of Related Debt		71,424,001
Business-Type Activities		
Capital Assets - Net of Accumulated Depreciation		$ 105,601,098
Less Capital Related Debt:		
Revenue Bonds	(43,261,041)	
Alternate Revenue Bonds	(864,831)	(44,125,872)
Investment in Capital Assets - Net of Related Debt		61,475,226

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

FUND BALANCE CLASSIFICATIONS

The following is a schedule of fund balance classifications for the governmental funds as of the date of this report:

	General	Debt Service	Infrastructure Capital Projects	Capital Projects	Nonmajor Perpetual Care Cemetery	Total
Fund Balances						
Nonspendable	$ 178,617	-	-	-	-	178,617
Restricted						
Motor Fuel Tax	2,216,178	-	-	-	-	2,216,178
Community Development	258,458	-	-	-	-	258,458
Debt Service	-	1,776,877	-	-	-	1,776,877
Perpetual Care Cemetery	-	-	-	-	119,155	119,155
	2,474,636	1,776,877	-	-	119,155	4,370,668
Assigned						
Capital Improvements	-	-	892,719	1,291,480	-	2,184,199
Unassigned	14,559,083	-	-	-	-	14,559,083
Total Fund Balances	17,212,336	1,776,877	892,719	1,291,480	119,155	21,292,567

The City implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the fiscal year ended December 31, 2011. In the governmental funds financial statements, the City first utilizes restricted resources to finance qualifying activities, then committed, assigned and unassigned fund balance.

Assigned Fund Balance. The City reports assigned fund balance in the Infrastructure Capital Projects and the Capital Projects Funds, both major funds. The City's management has assigned the funds in these two funds to future improvement projects and equipment and vehicle purchases based on approved management expenditures as determined through the annual budget process.

Minimum Fund Balance Policy. The City's policy manual states that the General Fund should maintain a minimum unrestricted fund balance no less than two months and no more than six months of budgeted operating expenditures, excluding transfers and capital expenditures. Fund balances in excess of said levels may be transferred to other funds or to capital projects or committed at the discretion of the Council or assigned as determined by the City Administrator or Finance Director under the authority of the City Administrator.

NOTE 4 – OTHER INFORMATION

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; natural disasters; and injuries to the City's employees. These risks are provided for through a limited self-insurance program and private insurance coverage. The City is partially self-insured for medical, dental, life, and workers' compensation benefits and accounts for these benefits in the General Fund. Under this program, the General Fund provides coverage up to a maximum of $85,000 per individual's health claims paid and $450,000 per individual for workers' compensation claims paid. These activities and workers compensation are accounted for by setting assets aside for claim settlements. The remainder of the City's risk management activity is also reported in the General Fund and is provided for through private insurance coverage, risks covered include general and other liabilities. There were no significant changes in insurance coverages from the prior year and settlements did not exceed insurance coverage in any of the past three fiscal years.

All funds of the City participate and make payments based upon actuarial estimates of the amounts needed to pay prior and current-year claims. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount of claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors.

Changes in the balances of claims liabilities during the fiscal year are as follows:

	2011	2010
Claims Payable - Beginning of Year	$ 753,581	803,286
Incurred Claims	2,665,979	3,371,463
Claims Paid	(2,642,320)	(3,421,168)
Claims Payable - End of Year	777,240	753,581

CONTINGENT LIABILITIES

Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grants

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

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS

The City contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system; the Police Pension Plan which is a single-employer pension plan; and, the Firefighters' Pension Plan, which is also a single-employer pension plan. Separate reports are issued for the Police and Firefighter Pension Plans and may be obtained by writing to the City at 100 North Island Avenue, Batavia, IL 60510. IMRF does issue a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained online at www.imrf.org. The benefits, benefit levels, employee contributions, and employer contributions are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly.

Plan Descriptions, Provisions and Funding Policies

Illinois Municipal Retirement System

All employees (other than those covered by the Police and Firefighters' Pension plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Participating members hired before January 1, 2011 who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of their final rate (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter. For participating members hired on or after January 1, 2011 who retire at or after age 67 with 10 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1-2/3 percent of their final rate (average of the highest 96 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service, with a maximum salary cap of $106,800 at January 1, 2011. The maximum salary cap increases each year thereafter. The monthly pension of a member hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 62, by the lesser of 3% or ½ of the consumer price index. Employees with at least 10 years of credited service may retire at or after age 62 and receive a reduced benefit. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Employees participating in the plan are required to contribute 4.50 percent of their annual covered salary to IMRF. The employees' contribution rate is established by state statute. The City is required to contribute the remaining amount necessary to fund the IMRF plan as specified by statute. The employer contribution and annual required contribution rate for calendar year 2011 was 11.96 percent.

Police Pension Plan

The Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2011

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Plan Descriptions, Provisions and Funding Policies – Continued

Police Pension Plan – Continued

At fiscal year end the Police Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	21
Current Employees Vested and Nonvested	41
	62

The following is a summary of the Police Pension Plan as provided for in Illinois State Statutes.

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees hired before January 1, 2011, attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of ½ 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, to a maximum of 75% of such salary. Covered employees hired on or after January 1, 2011, attaining the age of 55 with at least 10 years creditable service are entitled to receive an annual retirement benefit of 2.5% of final average salary for each year of service, with a maximum salary cap of $106,800 as of January 1, 2011. The maximum salary cap increases each year thereafter. The monthly benefit of a police officer hired before January 1, 2011, 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% compounded annually thereafter. The monthly pension of a police officer hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 60, but the lesser of 3% or ½ of the consumer price index. Employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit.

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, including administrative costs, as actuarially determined by an enrolled actuary. By the year 2040 the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is 90% funded.

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Plan Descriptions, Provisions and Funding Policies – Continued

Firefighters' Pension Plan

The Firefighters' Pension Plan is a single-employer defined pension plan that covers all sworn fire personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

At fiscal year end the Firefighters' Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	12
Current Employees Vested and Nonvested	22
	34

The following is a summary of the Firefighters' Pension Plan as provided for in Illinois State Statutes.

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees hired before January 1, 2011, attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of ½ of the monthly salary attached to the rank held at the date of retirement. The pension shall be increased by 1/12 of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service, to a maximum of 75% of such salary. Covered employees hired on or after January 1, 2011, attaining the age of 55 with at least 10 years of creditable service are entitled to receive an annual retirement benefit of 2.5% of final average salary for each year of service, with a maximum salary cap of $106,800 as of January 1, 2011. The maximum salary cap increases each year thereafter. The monthly pension of a firefighter hired before January 1, 2011, 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% compounded annually thereafter. The monthly pension of a firefighter hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 60, by the lesser of 3% or ½ of the consumer price index. Employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit.

Covered employees, if any, are required to contribute 9.455% of their base 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 accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan, including administrative costs, as actuarially determined by an enrolled actuary. By the year 2040 the City's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is 90% funded.

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

Significant Investments

The following investments (other than U.S. Government and Agency Obligations) represent greater than 5% of net assets available for benefits. Information for IMRF is not available.

Police Pension	
RMA Government Portfolio	$ 1,070,173

Firefighters' Pension	
Aviva Annuity	$ 508,652
Keyport Life Annuity	652,001
Sun Life Annuity	637,347

Related Party Transactions

There are no securities of the employer or any other related parties included in plan assets.

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost for the current year and related information for each plan is as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Contribution Rates			
Employer	11.96%	33.61%	39.44%
Employee	4.50%	9.91%	9.455%
Actuarial Valuation Date	12/31/2011	12/31/2010	12/31/2010
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Projected Payroll Open Basis	Level % of Projected Payroll Closed Basis	Level % of Projected Payroll Closed Basis
Remaining Amortization Period	30 Years	30 Years	30 Years
Asset Valuation Method	5-Year Smoothed Market	Market	Market
Actuarial Assumptions			
Investment Rate of Return	7.50% Compounded Annually	7.00% Compounded Annually	7.00% Compounded Annually
Projected Salary Increases	.4 to 10.0%	5.50%	5.50%
Inflation Rate Included	4.00%	3.00%	3.00%
Cost-of-Living Adjustments	3.00%	3.00%	3.00%

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Annual Pension Cost and Net Pension Obligation – Continued

The pension liability was determined in accordance with GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers." The pension liability for each plan is as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension	Totals
Annual Required Contribution	$ 848,140	1,218,262	689,507	2,755,909
Interest on the NPO	4,891	23,484	3,022	31,397
Adjustment to the ARC	(3,753)	(9,200)	(11,884)	(24,837)
Annual Pension Cost	849,278	1,232,546	680,645	2,762,469
Actual Contribution	(914,496)	(1,218,262)	(697,577)	(2,830,335)
Increase (Decrease) in the NPO	(65,218)	14,284	(16,932)	(67,866)
NPO - Beginning of Year	65,218	336,851	52,669	454,738
NPO - End of Year	-	351,135	35,737	386,872

Trend Information

Employer annual pension cost (APC), actual contributions and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the ARC and the contributions actually made.

	Year	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual Pension Cost (APC)	2009	$ 802,664	$ 923,793	$ 513,858
	2010	890,831	1,208,090	677,139
	2011	849,278	1,232,546	680,645
Actual Contributions	2009	802,664	913,896	510,369
	2010	825,613	1,192,835	691,688
	2011	914,496	1,218,262	697,577
Percentage of APC Contributed	2009	100.00%	98.93%	99.32%
	2010	92.68%	98.74%	102.15%
	2011	107.68%	98.84%	102.49%
Net Pension Obligation	2009	-	321,596	67,218
	2010	65,218	336,851	52,669
	2011	-	351,135	35,737

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Funded Status and Funding Progress

The City's funded status for the current year and related information for each plan is as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial Valuation Date	12/31/11	12/31/10	12/31/10
Percent Funded	68.50%	60.90%	61.87%
Actuarial Accrued Liability for Benefits	$21,476,629	$33,982,872	$14,725,503
Actuarial Value of Assets	$14,712,249	$20,694,374	$9,109,979
Over (Under) Funded Actuarial Accrued Liability (UAAL)	($6,764,380)	($13,288,498)	($5,615,524)
Covered Payroll (Annual Payroll of Active Employees Covered by the Plan)	$7,071,937	$3,549,116	$1,753,824
Ratio of UAAL to Covered Payroll	95.65%	374.42%	320.19%

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

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS

Plan Descriptions, Provisions, and Funding Policies

In addition to providing the pension benefits described, the City provides post-employment health care insurance benefits (OPEB) for its eligible retired employees through a single employer defined benefit plan. 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 General Fund.

The City provides post-employment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans. Elected officials are eligible for benefits if they qualify for retirement through the Illinois Municipal Retirement Fund.

All health care benefits are provided through the City's health insurance plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medial services; mental, nervous, and substance abuse care; vision care; dental care; and prescriptions. Upon a retiree reaching 65 years of age, Medicare becomes the primary insurer and the City's plan becomes secondary.

All retirees contribute 100% of the actuarially determined premium to the plan. For the fiscal year ending December 31, 2011, retirees contributed $207,947. Active employees do not contribute to the plan until retirement.

At December 31, 2011, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	19
Active Employees	150
Total	169
Participating Employers	1

The City does not currently have a funding policy.

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Annual OPEB Costs and Net OPEB Obligation

The net OPEB obligation (NOPEBO) as of December 31, 2011, was calculated as follows:

	OPEB
Annual Required Contribution	$ 182,848
Interest on the NPO	4,815
Adjustment to the ARC	(2,408)
Annual OPEB Cost	185,255
Actual Contribution	175,533
Increase in the NPO	9,722
NPO - Beginning of Year	96,303
NPO - End of Year	106,025

Trend Information

The City's annual OPEB cost, actual contributions, the percentage of annual OPEB cost contributed and the net OPEB obligation are as follows:

Fiscal Year	Annual OPEB Cost	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2009	$ 154,174	$ 121,555	78.84% %	$ 65,339
2010	152,519	121,555	79.70%	96,303
2011	185,255	175,533	94.75%	106,025

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS – Continued

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2010, the date of the latest actuarial valuation, was as follows:

Actuarial Accrued Liability (AAL)	$ 3,716,305
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	3,716,305
Funded Ratio (actuarial value of plan assets/AAL)	0%
Covered Payroll (active plan members)	14,496,829
UAAL as a percentage of covered payroll	25.64%

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 contributions 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 actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the December 31, 2010 actuarial valuation the entry age actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.0%. Both rates include a 3.0% inflation assumption. The actuarial value of assets was not determined as the City has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, was 30 years.

SUBSEQUENT EVENT

On February 7, 2012, the City issued $1,530,000 of General Obligation Refunding Bonds, Series 2012. The bonds are due in annual installments of $25,000 to $270,000, plus interest at 2.00% to 3.00%, through January 1, 2025.

CITY OF BATAVIA, ILLINOIS

Illinois Municipal Retirement Fund

Required Supplementary Information
Schedule of Funding Progress and Employer Contributions
December 31, 2011

Funding Progress

Actuarial Valuation Date Dec. 31	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2006	$ 14,984,991	$ 16,691,431	89.78%	$ 1,706,440	$ 6,871,131	24.83%
2007	17,123,018	19,813,409	86.42%	2,690,391	7,767,570	34.64%
2008	14,641,376	20,412,379	71.73%	5,771,003	7,849,222	73.52%
2009	14,053,484	19,078,528	73.66%	5,025,044	7,666,327	65.55%
2010	13,509,606	19,610,717	68.89%	6,101,111	7,166,783	85.13%
2011	14,712,249	21,476,629	68.50%	6,764,380	7,071,937	95.65%

Employer Contributions

Year Ended Dec. 31	Employer Contributions	Annual Required Contributions	Percent Contributed
2006	$ 737,959	$ 737,959	100.00%
2007	789,185	789,185	100.00%
2008	765,299	765,299	100.00%
2009	802,664	802,664	100.00%
2010	825,613	890,831	92.68%
2011	914,496	848,140	107.82%

CITY OF BATAVIA, ILLINOIS

Police Pension Fund

Required Supplementary Information
Schedule of Funding Progress and Employer Contributions
December 31, 2011

Funding Progress

Actuarial Valuation Date Dec. 31	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2005	$ 14,202,255	$ 23,140,774	61.37%	$ 8,938,519	$ 2,858,700	312.68%
2006	15,879,599	24,967,981	63.60%	9,088,382	3,107,967	292.42%
2007	17,522,683	26,670,944	65.70%	9,148,261	3,270,023	279.76%
2008	15,803,262	28,791,948	54.89%	12,988,686	3,557,722	365.08%
2009	18,360,332	31,122,221	58.99%	12,761,889	3,672,631	347.49%
2010	20,694,374	33,982,872	60.90%	13,288,498	3,549,116	374.42%

Employer Contributions

Year Ended Dec. 31	Employer Contributions	Annual Required Contribution	Percent Contributed
2006	$ 777,012	$ 776,898	100.01%
2007	844,258	844,208	100.01%
2008	913,896	916,399	99.73%
2009	949,429	949,557	99.99%
2010	1,192,835	1,192,707	100.01%
2011	1,218,262	1,218,262	100.00%

CITY OF BATAVIA, ILLINOIS

Firefighters' Pension Fund

Required Supplementary Information
Schedule of Funding Progress and Employer Contributions
December 31, 2011

Funding Progress

Actuarial Valuation Date Dec. 31	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2005	$ 5,949,885	$ 8,839,361	67.31%	$ 2,889,476	$ 1,443,988	200.10%
2006	6,724,772	10,418,335	64.55%	3,693,563	1,597,810	231.16%
2007	7,460,092	11,803,316	63.20%	4,343,224	1,766,514	245.86%
2008	6,868,129	12,903,438	53.23%	6,035,309	1,872,055	322.39%
2009	8,005,355	14,063,735	56.92%	6,058,380	1,845,520	328.27%
2010	9,109,979	14,725,503	61.87%	5,615,524	1,753,824	320.19%

Employer Contributions

Year Ended Dec. 31	Employer Contributions	Annual Required Contribution	Percent Contributed
2006	$ 429,456	$ 406,343	105.69%
2007	429,415	426,163	100.76%
2008	510,365	512,346	99.61%
2009	594,921	578,370	102.86%
2010	691,688	691,630	100.01%
2011	697,577	689,507	101.17%

CITY OF BATAVIA, ILLINOIS

Other Post-Employment Benefit Plan

Required Supplementary Information
Schedule of Funding Progress and Employer Contributions
December 31, 2011

Funding Progress

Actuarial Valuation Date Dec. 31	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2006	$ N/A	$ N/A	N/A	$ N/A	$ N/A	N/A
2007	N/A	N/A	N/A	N/A	N/A	N/A
2008	-	3,369,585	0.00%	3,369,585	15,096,700	22.32%
2009	N/A	N/A	N/A	N/A	N/A	N/A
2010	-	3,716,305	0.00%	3,716,305	14,496,829	25.64%
2011	N/A	N/A	N/A	N/A	N/A	N/A

Employer Contributions

Year Ended Dec. 31	Employer Contributions	Annual Required Contribution	Percent Contributed
2006	$ N/A	$ N/A	N/A
2007	N/A	N/A	N/A
2008	121,555	154,275	78.79%
2009	121,555	152,538	79.69%
2010	121,555	152,538	79.69%
2011	175,533	182,848	96.00%

The City Implemented GASB Statement No. 45 for the fiscal year ended December 31, 2008. Information for prior years is not available. The City is required to have the actuarial valuation performed biennially.

APPENDIX B
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to any Tender/Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to any Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to any Tender/Remarketing Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX C
PROPOSED FORM OF OPINION OF BOND COUNSEL
[LETTERHEAD OF CHAPMAN AND CUTLER LLP]
[TO BE DATED CLOSING DATE]

We hereby certify that we have examined certified copy of the proceedings (the *"Proceedings"*) of the City Council of the City of Batavia, Kane and DuPage Counties, Illinois (the *"City"*), passed preliminary to the issue by the City of its fully registered General Obligation Refunding Bonds, Series 2012A (the *"Bonds"*) to the amount of $7,150,000, dated the date hereof, of the denomination of $5,000 or authorized integral multiples thereof, and due serially on January 1 of the years and in the amounts and bearing interest at the rates percent per annum as follows:

YEAR	AMOUNT ($)	RATE (%)
2013	10,000	2.00
2014	40,000	2.00
2015	485,000	2.00
2016	500,000	4.00
2017	525,000	3.00
2018	540,000	3.00
2019	560,000	3.00
2020	575,000	3.00
2021	600,000	3.00
2022	620,000	3.00
2023	640,000	3.00
2024	660,000	3.00
2025	690,000	3.00
2026	705,000	3.00

and issued for the purpose of refunding certain of the previously issued General Obligation Bonds (Alternate Revenue Source), Series 2006 of the City. Each Bond bears interest from the later of the dated date as stated above or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of each Bond, respectively, is paid or duly provided for, such interest (computed upon the basis of a 360-day year of twelve 30-day months) being payable on January 1 and July 1 of each year, commencing on January 1, 2013.

The Bonds coming due on January 1, 2021, and thereafter are subject to redemption prior to maturity at the option of the City, from any available moneys, on January 1, 2020, and any date thereafter, in whole or in part, and if in part in such principal amounts and from such maturities as determined by the City and within any maturity by lot, at a redemption price of par plus accrued interest to the date fixed for redemption.

From such examination, we are of the opinion that the Proceedings show lawful authority for the issuance of the Bonds under the laws of the State of Illinois now in force.

We further certify that we have examined the form of Bond prescribed and find the same in due form of law, and in our opinion the Bonds, to the amount named, are valid and legally binding obligations of the City, and all taxable property in the City is subject to the levy of taxes to pay the same without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

It is our opinion that, subject to the City's compliance with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the *"Code"*), but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such City covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds. In rendering our opinion on tax exemption, we have relied on the mathematical computation of the yield on the Bonds and the yield on certain investments by Grant Thornton LLP, Minneapolis, Minnesota, Certified Public Accountants.

It is also our opinion that the Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

In rendering this opinion, we have relied upon certifications of the City with respect to certain material facts within the City's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.