*New Issue*

Investment Rating:
Moody's Investment Service...Aa3

**Final Official Statement Dated March 16, 2009**

*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" are 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

## $855,000 General Obligation Refunding Bonds (Sales Tax Alternate Revenue Source), Series 2009A
## $1,435,000 General Obligation Refunding Bonds, Series 2009B

**Dated Date of Delivery** **Book-Entry** **Bank-Qualified** **Due Serially As Detailed Herein**

The $855,000 General Obligation Refunding Bonds (Sales Tax Alternate Revenue Source), Series 2009A (the "2009A Bonds"), the $1,435,000 General Obligation Refunding Bonds, Series 2009B (the "2009B Bonds", and together with the 2009A Bonds and the 2009B Bonds, the "Bonds") are being issued by the City of Batavia, Kane and DuPage Counties, Illinois (the "City"). Interest on the 2009A Bonds is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2009. Interest on the 2009B Bonds is payable semiannually on June 15 and December 15 of each year, commencing December 15, 2009. 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 2009A Bonds will mature on December 1, and the 2009B Bonds will mature on December 15 of the years as described herein.

**REDEMPTION**

The Bonds are not subject to redemption prior to maturity.

**PURPOSE, LEGALITY AND SECURITY**

The 2009A Bond proceeds will be used to currently refund the City's General Obligation Bonds (Sales Tax Alternate Revenue Source), Series 1998, and to pay the cost of issuance on the 2009A Bonds. See **"PLAN OF FINANCING – The 2009A BONDS"** herein.

The 2009B Bond proceeds will be used to currently refund the City's General Obligation Refunding Bonds, Series 1998A, and to pay the cost of issuance on the 2009B Bonds. See **"PLAN OF FINANCING – The 2009B BONDS"** herein.

In the opinion of Chapman and Cutler LLP, Bond Counsel, Chicago, Illinois, the 2009A Bonds will constitute valid and legally binding obligations of the City payable as to principal and interest from: (a) certain sales tax revenues received by the City, including the Retailers' Occupation Tax, Use Tax, Service Occupation Tax and Service Use Tax, and (b) ad valorem taxes levied against all taxable property within the City without limitation as to rate or amount, except that the rights of the owners of the 2009A Bonds and the enforceability of the 2009A 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. See **"DESCRIPTION OF THE 2009A BONDS"** herein.

In the opinion of Chapman and Cutler LLP, Bond Counsel, Chicago, Illinois, the 2009B 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 2009B Bonds and the enforceability of the 2009B 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 Underwriters, 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 April 1, 2009.

**ROBERT W. BAIRD & CO.**

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. The following descriptions apply equally to the 2009A Bonds and the 2009B Bonds. Other terms specific to each series are provided separately herein.

**Issuer:** City of Batavia, Kane and DuPage Counties, Illinois.

**Dated Date:** Date of Delivery.

**Redemption:** The Bonds are not subject to redemption prior to maturity.

**Authorization:** By vote of the City Council and pursuant to the provisions of the Municipal Code and the Local Government Debt Reform Act (the "Debt Reform Act") of the State of Illinois.

**Rating:** The City's rating for the Bonds is "Aa3" from Moody's Investors Service.

**Tax Exemption**: Chapman and Cutler LLP, Chicago, Illinois, will provide an opinion as to the tax exemption of 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.

**Delivery:** The Bonds are expected to be delivered on or about April 1, 2009.

**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.

## The 2009A Bonds

**Issue:** $855,000 General Obligation Refunding Bonds (Sales Tax Alternate Revenue Source), Series 2009A.

**Interest Due:** Each June 1 and December 1, commencing December 1, 2009.

**Principal Due:** Serially each December 1, commencing December 1, 2010 through December 1, 2013, as detailed below.

**Security:** The 2009A Bonds will constitute valid and legally binding obligations of the City payable as to principal and interest from: (a) certain sales tax revenues received by the City, including the Retailers' Occupation Tax, Use Tax, Service Occupation Tax and Service Use Tax, and (b) ad valorem taxes levied against all taxable property within the City without limitation as to rate or amount, except that the rights of the owners of the 2009A Bonds and the enforceability of the 2009A 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. See **"DESCRIPTION OF THE 2009A BONDS"** herein.

**Purpose:** The 2009A Bond proceeds will be used to currently refund the City's General Obligation Bonds (Sales Tax Alternate Revenue Source), Series 1998, and to pay the cost of issuance on the 2009A Bonds. See **"PLAN OF FINANCING – The 2009A BONDS"** herein.

**AMOUNTS, MATURITIES AND INTEREST RATES**

| Principal Amount | Due Dec. 1 | Interest Rate | Yield or Price | Principal Amount | Due Dec. 1 | Interest Rate | Yield or Price |
|---|---|---|---|---|---|---|---|
| $205,000 | 2010 | 2.500% | 1.850% | $215,000 | 2012 | 3.000% | 2.400% |
| 210,000 | 2011 | 2.750% | 2.100% | 225,000 | 2013 | 3.000% | 2.700% |

## The 2009B Bonds

**Issue:** $1,435,000 General Obligation Refunding Bonds, Series 2009B.

**Interest Due:** Each June 15 and December 15, commencing December 15, 2009.

**Principal Due:** Serially each December 15, commencing December 15, 2010 through December 15, 2014, as detailed below.

**Security:** The 2009B 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 2009B Bonds and the enforceability of the 2009B 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.

**Purpose:** The 2009B Bond proceeds will be used to currently refund the City's General Obligation Refunding Bonds, Series 1998A, and to pay the cost of issuance on the 2009B Bonds. See **"PLAN OF FINANCING – The 2009B BONDS"** herein.

### AMOUNTS, MATURITIES AND INTEREST RATES

| Principal Amount | Due Dec. 15 | Interest Rate | Yield or Price | Principal Amount | Due Dec. 15 | Interest Rate | Yield or Price |
|---|---|---|---|---|---|---|---|
| $270,000 | 2010 | 2.500% | 1.850% | $285,000 | 2012 | 3.000% | 2.400% |
| 275,000 | 2011 | 2.750% | 2.100% | 295,000 | 2013 | 3.000% | 2.700% |
| | | | | 310,000 | 2014 | 3.500% | 3.000% |

**CITY OF BATAVIA**
**Kane and DuPage Counties, Illinois**

Jeffrey D. Schielke
*Mayor*

**Aldermen**

| | | |
|---|---|---|
| Cathy Barnard | Robert F. Liva | Garran DeWain Sparks |
| David Brown | Linnea Miller | Nancy Vance |
| Lisa Clark | Forrest L. Nelson | James T. Volk |
| Victor Dietz | Thomas L. Schmitz | Alan Wolff |
| Eldon P. Frydendall | | Jodie L. Wollnik |

**Officials**

William R. McGrath
*City Administrator*

Hannah M. Volk
*City Clerk*

John Noble
*City Attorney*

Peggy Colby
*Finance Director*

Gerald R. Miller
*Treasurer*

**DESCRIPTION OF THE 2009A BONDS**

**Security: Alternate Revenue Sources and Tax Levy**

The 2009A Bonds are payable both as to principal and interest from: (a) certain sales tax revenues received by the City, including the Retailers' Occupation Tax, Use Tax, Service Occupation Tax and Service Use Tax (the "Pledged Revenues") and (b) ad valorem taxes levied against all of the taxable property within the City without limitation as to rate or amount (the "Pledged Taxes"). Pursuant to the Local Government Debt Reform Act of the State of Illinois, as amended, the City will pledge such monies to the payment of 2009A Bonds and shall covenant to provide for and apply such Pledged Revenues to the payment of 2009A Bonds and the provision of not less than an additional 0.25 times debt service, which pledge and covenant shall constitute a continuing obligation of the City and continuing appropriation of the amounts received. For the prompt payment of the 2009A Bonds, the full faith, credit and resources of the City are irrevocably pledged.

In the 2009A Bond Ordinance, the City covenants and agrees with the purchasers and the owners of the 2009A Bonds that so long as any of the 2009A Bonds remain outstanding, the City will take no action or fail to take any action which in any way would adversely affect the ability of the City to collect the Pledged Revenues or, except for abatement of tax levies as permitted in the 2009A Bond Ordinance, to levy and collect the Pledged Taxes. The City and its officers will comply with all present and future applicable laws in order to assure that the Pledged Revenues will be available and that the Pledged Taxes will be levied, extended and collected as provided in the 2009A Bond Ordinance and deposited in the 2009A Bond Fund.

**Highlights of Alternate 2009A Bonds**

Section 15 of the Debt Reform Act provides that whenever revenue bonds have been duly authorized, a local government unit may issue its general obligation bonds in lieu of such revenue bonds as authorized, and such general obligation bonds may be referred to as “alternate bonds.” The Debt Reform Act also provides that whenever there exists an alternate revenue source, a local government unit may issue alternate bonds. Such bonds are general obligation debt payable from the pledged alternate revenues with the general obligation of the issuer acting as back-up security. The Debt Reform Act prescribes several conditions that must be met before alternate bonds may be issued.

First, alternate bonds must be issued for a lawful corporate purpose. If issued in lieu of revenue bonds, the alternate bonds must be authorized under applicable law. Alternate bonds may be issued payable from either enterprise revenues or other revenue sources, or both.

Second, the question of issuance must be submitted to referendum if, within thirty (30) days after publication of an authorizing ordinance and notice of intent to issue alternate bonds, a petition signed by the greater of (i) 7.5% of the registered voters in the government unit; or (ii) 200 of those registered voters or 15%, whichever is less, is filed.

Third, the issuer must determine that the pledged revenue source or sources are sufficient in each year to final maturity to provide not less than 1.25 times debt service of the proposed alternate bonds and all other outstanding alternate bonds of the issuer payable from the same revenue source. To the extent payable from one or more revenue sources, such sources shall have been determined by the governing body to provide in each year an amount not less than 1.25 times debt service on all alternate bonds payable from such revenue sources previously issued and outstanding and the alternate bonds proposed to be issued. The issuer must in fact pledge and covenant to provide for, collect and apply the pledged alternate enterprise revenues or revenue source(s).

**Abatement of Pledged Taxes**

Whenever funds are available to pay any principal of or interest on the 2009A Bonds when due, the City will direct the deposit of such funds into the 2009A Bond Fund created solely for such purpose. The City covenants in the 2009A Bond Ordinance to deposit monthly into the appropriate 2009A Bond Fund an amount equal to one-sixth (1/6) of the next scheduled interest payment and one-twelfth (1/12) of the next scheduled principal payment. **The City pledges to abate the levy for the 2009A Bonds only upon full funding of the 2009A Bond Fund in the appropriate levy amount.**

**Refunding Alternate Bonds**

Section 15 of the Local Government Reform Act, as amended, provides that alternate bonds may be issued to refund or advance refund alternate bonds without meeting any of the conditions set forth in such section that would otherwise apply (see “Highlights of Alternate Bonds” above), if the term of the refunding bonds is no longer than the term of the refunded bonds and the debt service payable on the refunding bonds in each year is no more than the debt service payable in such year on the refunded bonds. These conditions will be met in connection with the issuance of the 2009A Bonds.

**2009A Bond Funds**

The City will deposit the appropriate Pledged Revenues and the Pledged Taxes into a separate 2009A Bond Fund, which is a trust fund established for the purpose of carrying out the covenants, terms and conditions imposed upon the City by the 2009A Bond Ordinance. The 2009A Bonds are secured by a pledge of all of the monies on deposit in the 2009A Bond Fund, and such pledge is irrevocable until the 2009A Bonds have been paid in full or until the obligations of the City are discharged under the 2009A Bond Ordinance.

**Certain Risk Factors**

The ability of the City to pay the 2009A Bonds from the Pledged Revenues may be limited by circumstances beyond the control of the City. There is no guarantee that the Pledged Revenues will continue to be available at current levels.

To the extent that Pledged Revenues may be insufficient to pay the 2009A Bonds, the 2009A Bonds are to be paid from the Pledged Taxes. If the Pledged Taxes are ever extended for the payment of the 2009A Bonds, the amount of the 2009A Bonds then outstanding will be included in the computation of indebtedness of the City for purposes of all statutory provisions or limitations until such time as an audit of the City shows that the 2009A Bonds have been paid from the Pledged Revenues for a complete fiscal year.

## 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 2000 Census was 23,866 and a special census in 2003 raised this to 24,978. The current population is estimated at 26,000. 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 170 full time employees with a full range of city services. Forty five full-time sworn officers staff the police department. The fire department consists of 23 full-time firefighters augmented by 42 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 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 new library dedicated in January 2002, is a 54,000 square foot building. Serving 17,794 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 118 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 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 679 full and part-time personnel including 358 full-time teachers. Publix 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 Batavia School 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. Going into 2009, Randall Road will continue its growth and development with the opening of a Golden Corral, Dunkin' Donuts and Tuesday Morning. Wal-Mart will begin construction on their current store to transform this already prosperous retail site to a Wal-Mart Super Center.

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 through private/public partnerships. Initial plans have begun for a public parking structure with a private apartment building incorporated on the third level, providing much needed parking and density in the downtown. A new artist studio is under development and expects to open in May 2009 with a gallery to showcase artwork and two floors of artist studios.

Work recently culminated 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 4 unique pieces of artwork depicting, nature, history, science and art. The first sculpture, "Nature Sounds of Harmony" will be installed in 2009.

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 is under way 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 numerous large and successful manufacturers. The newest addition to the industrial park, Superior Health Linens, is relocating 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. There are approximately 80 acres that remain available in the industrial park.

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 .5 miles 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 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 |

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 | 2,000 |
| Suncast Corporation | Plastic Lawn and Garden Products | 450 |
| AGCO Corporation, Parts Division | Farm Equipment Parts Distributor | 425 |
| Eagle Concrete, Inc. | Concrete Construction | 300 |
| Power Packaging, Inc. | Contract Packaging and Assembling | 250 |
| Sealy Mattress Company, Inc. | Foam and Innerspring Bedding | 250 |
| VWR International, Inc. | Scientific Supplies and Equipment Distribution | 225 |
| Aldi, Inc. | Grocery Warehouse and Corporate Office | 200 |
| Waste Management, Inc. | Garbage Disposal Service | 200 |
| DuKane Contract Services, Inc. | Building Maintenance Services | 160 |
| First Student, Inc. | School Bus Charter | 155 |
| Flinn Scientific, Inc. | Laboratory Chemicals for Educational Purposes | 150 |
| Millard Refrigerated Services, Inc. | Cold Food Storage | 150 |
| Proex, Inc. | Plastic Products | 150 |

Note: (1) Source: 2009 Illinois Manufacturers Directory, 2009 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 | Edward Hospital | General Hospital | 3,500 |
| Naperville | Alcatel-Lucent | Telecommunications Research and Development | 3,400 |
| Aurora | Caterpillar Inc. | Loaders and Tractors | 3,000 |
| Naperville | Nicor Gas | Gas Utility Company | 2,864 |
| Naperville | School District Number 203 | Public School District | 2,358 |
| Elgin | Sherman Hospital | General Hospital | 2,200 |
| 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 | Rush-Copley Medical Center | Hospital and Medical Center | 1,400 |
| 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: 2009 Illinois Manufacturers Directory, 2009 Illinois Services Directory and a selective telephone survey.

The following tables show employment by industry and by occupation for the City, DuPage and Kane Counties and the State of Illinois by the 2000 Census.

### Employment By Industry*(1)*

| | The City | | DuPage County | | Kane County | | State of Illinois | |
|---|---|---|---|---|---|---|---|---|
| Classification | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Agriculture, Forestry, Fishing, Hunting, and Mining | 18 | 0.15% | 800 | 0.17% | 1,196 | 0.61% | 66,481 | 1.14% |
| Construction | 846 | 6.97% | 25,308 | 5.31% | 14,549 | 7.42% | 334,176 | 5.73% |
| Manufacturing | 1,884 | 15.51% | 71,402 | 15.00% | 40,752 | 20.77% | 931,162 | 15.96% |
| Wholesale Trade | 696 | 5.73% | 25,410 | 5.34% | 9,446 | 4.81% | 222,990 | 3.82% |
| Retail Trade | 1,433 | 11.80% | 55,298 | 11.61% | 22,459 | 11.45% | 643,472 | 11.03% |
| Transportation and Warehousing, and Utilities | 636 | 5.24% | 26,374 | 5.54% | 9,661 | 4.92% | 352,193 | 6.04% |
| Information | 553 | 4.55% | 19,161 | 4.02% | 6,601 | 3.36% | 172,629 | 2.96% |
| Finance, Insurance, Real Estate, Rental and Leasing | 839 | 6.91% | 46,314 | 9.73% | 13,411 | 6.84% | 462,169 | 7.92% |
| Professional, Scientific, Management, Administrative, and Waste Management Services | 1,653 | 13.61% | 63,254 | 13.28% | 20,575 | 10.49% | 590,913 | 10.13% |
| Educational, Health and Social Services | 2,125 | 17.50% | 81,608 | 17.14% | 30,608 | 15.60% | 1,131,987 | 19.41% |
| Arts, Entertainment, Recreation, Accommodation and Food Services | 854 | 7.03% | 29,678 | 6.23% | 13,781 | 7.02% | 417,406 | 7.16% |
| Other Services (except public administration) | 334 | 2.75% | 20,541 | 4.31% | 7,991 | 4.07% | 275,901 | 4.73% |
| Public administration | 273 | 2.25% | 11,024 | 2.32% | 5,154 | 2.63% | 231,706 | 3.97% |
| Total | 12,144 | 100.00% | 476,172 | 100.00% | 196,184 | 100.00% | 5,833,185 | 100.00% |

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

### Employment By Occupation*(1)*

| | The City | | DuPage County | | Kane County | | State of Illinois | |
|---|---|---|---|---|---|---|---|---|
| Classification | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Management, Professional and Related Occupations | 5,376 | 44.27% | 208,257 | 43.74% | 63,523 | 32.38% | 1,993,671 | 34.18% |
| Service Occupations | 1,317 | 10.84% | 44,807 | 9.41% | 24,251 | 12.36% | 813,479 | 13.95% |
| Sales and Office Occupations | 3,406 | 28.05% | 143,957 | 30.23% | 54,514 | 27.79% | 1,609,939 | 27.60% |
| Fishing, Farming and Forestry | 0 | 0.00% | 264 | 0.06% | 608 | 0.31% | 17,862 | 0.31% |
| Construction, Extraction, and Maintenance | 867 | 7.14% | 30,743 | 6.46% | 17,467 | 8.90% | 480,418 | 8.24% |
| Production, Transportation, and Material Moving | 1,178 | 9.70% | 48,144 | 10.11% | 35,821 | 18.26% | 917,816 | 15.73% |
| Total | 12,144 | 100.00% | 476,172 | 100.00% | 196,184 | 100.00% | 5,833,185 | 100.00% |

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

## Unemployment Rates

The following table shows the historical trend in unemployment for the City, Kane County and the State of Illinois.

### Annual Average Unemployment Rates*(1)*

| Calendar Year | The City | Kane County | State of Illinois |
|---|---|---|---|
| 2000 | 3.2% | 4.3% | 4.5% |
| 2001 | 4.0% | 5.4% | 5.4% |
| 2002 | 5.1% | 6.5% | 6.5% |
| 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(2) | 5.7% | 7.5% | 7.4% |

Notes: (1) Source: Illinois Department of Employment Security.
(2) Preliminary rates for the month of December 2008.

## 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 |
|---|---|---|---|---|---|---|
| 1999.... | 244 | $48,937,477 | 0 | $ 0 | $18,461,202 | $67,398,679 |
| 2000.... | 215 | 48,501,202 | 0 | 0 | 27,197,452 | 75,698,654 |
| 2001.... | 135 | 31,885,593 | 0 | 0 | 49,615,076 | 81,500,669 |
| 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 |

Note: (1) 1999-2002 LaSalle Bank FSB Survey of Building/Bell Federal Savings, 2003-2008 the City.

## Housing

The 2000 Census reported that the median value of the specified owner-occupied homes in the City was $202,700. This represents an increase of 48% over the 1990 Census amount of $136,900. The 2000 market value of specified owner-occupied units for the City, DuPage and Kane Counties and the State of Illinois was as follows:

**Specified Owner-Occupied Units***(1)*

| Value | The City Number | The City Percent | DuPage County Number | DuPage County Percent | Kane County Number | Kane County Percent | State of Illinois Number | State of Illinois Percent |
|---|---|---|---|---|---|---|---|---|
| Less than $50,000......... | 8 | 0.13% | 901 | 0.41% | 565 | 0.61% | 230,049 | 9.31% |
| $50,000 to $99,999........ | 106 | 1.77% | 5,891 | 2.68% | 12,311 | 13.35% | 651,605 | 26.38% |
| $100,000 to $149,999..... | 1,234 | 20.56% | 41,867 | 19.06% | 28,217 | 30.60% | 583,409 | 23.62% |
| $150,000 to $199,999...... | 1,567 | 26.11% | 67,059 | 30.52% | 21,013 | 22.79% | 429,311 | 17.38% |
| $200,000 to $299,999...... | 2,344 | 39.06% | 64,209 | 29.22% | 19,767 | 21.44% | 344,651 | 13.95% |
| $300,000 or more.......... | 742 | 12.36% | 39,784 | 18.11% | 10,332 | 11.21% | 231,313 | 9.36% |
| Total.................. | 6,001 | 100.00% | 219,711 | 100.00% | 92,205 | 100.00% | 2,470,338 | 100.00% |

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

## Income

**Per Capita Personal Income**
**for the Ten Highest Income Counties in the State***(1)*

| Rank | | 2000 |
|---|---|---|
| 1 | Lake County | $32,102 |
| **2** | **DuPage County** | **31,315** |
| 3 | McHenry County | 26,476 |
| 4 | Kendall County | 25,188 |
| 5 | Will County | 24,613 |
| **6** | **Kane County** | **24,315** |
| 7 | Cook County | 23,227 |
| 8 | Sangamon County | 23,173 |
| 9 | Monroe County | 22,954 |
| 10 | Grundy County | 22,591 |

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

The following shows a ranking of family income for the Chicago metropolitan area among 102 Illinois counties from the 2000 Census.

**Ranking of Median Family Income***(1)*

| Ill. County | Family Income | Ill. Rank |
|---|---|---|
| **DuPage County** | **$79,314** | **1** |
| Lake County | 76,424 | 2 |
| McHenry County | 71,553 | 3 |
| Will County | 69,608 | 4 |
| Kendall County | 69,383 | 5 |
| **Kane County** | **66,558** | **6** |
| Cook County | 53,784 | 15 |

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

According to the 2000 Census, the City had a median family income of $81,689 which is an increase of 54% over the 1990 Median Family Income of $53,208 and compares with $79,314 for DuPage County, $66,558 for Kane County and $55,545 for the State of Illinois. The following table represents the distribution of family incomes for the City, DuPage and Kane Counties and the State of Illinois at the time of the 2000 Census.

**Median Family Income***(1)*

| | The City | | DuPage County | | Kane County | | State of Illinois | |
|---|---|---|---|---|---|---|---|---|
| Value | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Under $10,000 | 91 | 1.44% | 3,638 | 1.54% | 2,784 | 2.73% | 156,205 | 5.00% |
| $10,000 to $14,999 | 26 | 0.41% | 2,696 | 1.14% | 1,994 | 1.96% | 105,747 | 3.38% |
| $15,000 to $24,999 | 259 | 4.10% | 9,018 | 3.82% | 6,418 | 6.30% | 273,712 | 8.76% |
| $25,000 to $34,999 | 306 | 4.84% | 13,780 | 5.83% | 7,993 | 7.84% | 331,907 | 10.62% |
| $35,000 to $49,999 | 698 | 11.05% | 26,249 | 11.11% | 14,194 | 13.93% | 506,429 | 16.20% |
| $50,000 to $74,999 | 1,394 | 22.06% | 53,517 | 22.65% | 25,480 | 25.00% | 736,897 | 23.58% |
| $75,000 to $99,999 | 1,325 | 20.97% | 46,148 | 19.53% | 18,001 | 17.66% | 445,390 | 14.25% |
| $100,000 to $149,999 | 1,535 | 24.30% | 48,349 | 20.47% | 15,907 | 15.61% | 356,068 | 11.39% |
| $150,000 to $199,999 | 528 | 8.36% | 16,011 | 6.78% | 4,821 | 4.73% | 101,955 | 3.26% |
| $200,000 or more | 156 | 2.47% | 16,846 | 7.13% | 4,331 | 4.25% | 111,008 | 3.55% |
| Total | 6,318 | 100.00% | 236,252 | 100.00% | 101,923 | 100.00% | 3,125,318 | 100.00% |

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

According to the 2000 Census, the City had a median household income of $68,656, which is an increase of 53% over the 1990 Median Household Income of $45,005 and compares with $67,887 for DuPage County, $59,351 for Kane County and $46,590 for the State of Illinois. The following table represents the distribution of household incomes for the City, DuPage and Kane Counties and the State of Illinois at the time of the 2000 Census.

**Median Household Income***(1)*

| | The City | | DuPage County | | Kane County | | State of Illinois | |
|---|---|---|---|---|---|---|---|---|
| Value | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Under $10,000 | 350 | 4.16% | 9,716 | 2.98% | 5,511 | 4.12% | 383,299 | 8.35% |
| $10,000 to $14,999 | 225 | 2.68% | 8,540 | 2.62% | 4,486 | 3.35% | 252,485 | 5.50% |
| $15,000 to $24,999 | 521 | 6.19% | 19,578 | 6.01% | 11,012 | 8.23% | 517,812 | 11.27% |
| $25,000 to $34,999 | 582 | 6.92% | 26,702 | 8.19% | 12,658 | 9.47% | 545,962 | 11.89% |
| $35,000 to $49,999 | 1,106 | 13.15% | 43,786 | 13.43% | 20,694 | 15.47% | 745,180 | 16.23% |
| $50,000 to $74,999 | 1,849 | 21.98% | 73,339 | 22.50% | 31,358 | 23.45% | 952,940 | 20.75% |
| $75,000 to $99,999 | 1,441 | 17.13% | 54,538 | 16.73% | 20,750 | 15.52% | 531,760 | 11.58% |
| $100,000 to $149,999 | 1,599 | 19.01% | 53,930 | 16.54% | 17,472 | 13.06% | 415,348 | 9.04% |
| $150,000 to $199,999 | 561 | 6.67% | 17,737 | 5.44% | 5,128 | 3.83% | 119,056 | 2.59% |
| $200,000 or more | 177 | 2.10% | 18,145 | 5.57% | 4,664 | 3.49% | 128,898 | 2.81% |
| Total | 8,411 | 100.00% | 326,011 | 100.00% | 133,733 | 100.00% | 4,592,740 | 100.00% |

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

### 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 .50% effective January 1, 2006.

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

| Calendar Year | State Sales Tax Distributions(2) | Annual Percent Change + (-) |
|---|---|---|
| 1999 | $3,758,823 | 17.10% (3) |
| 2000 | 4,260,832 | 13.36% |
| 2001 | 4,486,095 | 5.29% |
| 2002 | 4,629,639 | 3.20% |
| 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 | (0.75%) |
| 2008 | 5,275,740 | (5.04%) |
| Growth from 1999 to 2008 | | 40.36% |

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) 1999 percent change based on 1998 sales tax receipts of $3,209,920.

## PLAN OF FINANCING – THE 2009A BONDS

The 2009A Bond proceeds will be used to currently refund the City's outstanding General Obligation Bonds (Sales Tax Alternate Revenue Source), Series 1998, as listed below (the "1998 Refunded Bonds"):

**Outstanding General Obligation Bonds (Sales Tax Alternate Revenue Source), Series 1998**

| Refunded Maturities | Outstanding Amount | Amount Refunded | Redemption Price | Redemption Date |
|---|---|---|---|---|
| 2009 | $190,000 | $190,000 | 100.00% | 05/01/2009 |
| 2010 | 200,000 | 200,000 | 100.00% | 05/01/2009 |
| 2011 | 210,000 | 210,000 | 100.00% | 05/01/2009 |
| 2012 | 220,000 | 220,000 | 100.00% | 05/01/2009 |
| 2013 | 230,000 | 230,000 | 100.00% | 05/01/2009 |

The 2009A 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 1998 Refunded Bonds as stated above, and (ii) to pay principal of and call premium, if any, on the 1998 Refunded Bonds on their respective redemption dates. The remaining bond proceeds will be used to pay the costs of issuing the 2009A Bonds.

## PLAN OF FINANCING – THE 2009B BONDS

The 2009B Bond proceeds will be used to currently refund the City's outstanding General Obligation Refunding Bonds, Series 1998A, as listed below (the "1998A Refunded Bonds", together with the 1998 Refunded Bonds, the "Refunded Bonds"):

**Outstanding General Obligation Refunding Bonds, Series 1998A**

| Refunded Maturities | Outstanding Amount | Amount Refunded | Redemption Price | Redemption Date |
|---|---|---|---|---|
| 2009 | $250,000 | $250,000 | 100.00% | 05/01/2009 |
| 2010 | 265,000 | 265,000 | 100.00% | 05/01/2009 |
| 2011 | 270,000 | 270,000 | 100.00% | 05/01/2009 |
| 2012 | 285,000 | 285,000 | 100.00% | 05/01/2009 |
| 2013 | 300,000 | 300,000 | 100.00% | 05/01/2009 |
| 2014 | 320,000 | 320,000 | 100.00% | 05/01/2009 |

The 2009B 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 1998A Refunded Bonds as stated above, and (ii) to pay principal of and call premium, if any, on the 1998A Refunded Bonds on their respective redemption dates. The remaining bond proceeds will be used to pay the costs of issuing the 2009B Bonds.

## DEBT INFORMATION

After issuance of the Bonds and the refunding of the Refunded Bonds, the City will have $14,120,000 of general obligation bonds outstanding. Of this amount $657,900 is attributable to business type activities (water). The City has outstanding $26,585,000 principal amount of electric revenue bonds and $9,896,264 principal amount of IEPA sewer revenue bonds.

**General Obligation Outstanding Debt Summary - By Issue**

| Issue | Amount |
|---|---|
| Series 1995B | $ 185,000 |
| Series 1996B | 60,000 |
| Series 1998 | 1,050,000 |
| Series 1998A | 1,690,000 |
| Series 2002 | 860,000 |
| Series 2005 | 1,800,000 |
| Series 2006 | 8,925,000 |
| The 2009A Bonds | 855,000 |
| The 2009B Bonds | 1,435,000 |
| Less: the Refunded Bonds | (2,740,000) |
| Total Outstanding Debt | $14,120,000 |

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

| Calendar Year | Total G.O. Debt(2) | Total ARS Debt(3) | The 2009A Bonds | The 2009B Bonds | Less: the Refunded Bonds | Total Outstanding Debt | Cumulative Principal Retired Amount | Cumulative Principal Retired Percent |
|---|---|---|---|---|---|---|---|---|
| 2009 ..... | $ 250,000 | $ 310,000 | $ 0 | $ 0 | $ (440,000) | $ 120,000 | $ 120,000 | 0.85% |
| 2010 ..... | 775,000 | 680,000 | 205,000 | 270,000 | (465,000) | 1,465,000 | 1,585,000 | 11.23% |
| 2011 ..... | 790,000 | 580,000 | 210,000 | 275,000 | (480,000) | 1,375,000 | 2,960,000 | 20.96% |
| 2012 ..... | 375,000 | 610,000 | 215,000 | 285,000 | (505,000) | 980,000 | 3,940,000 | 27.90% |
| 2013 ..... | 395,000 | 635,000 | 225,000 | 295,000 | (530,000) | 1,020,000 | 4,960,000 | 35.13% |
| 2014 ..... | 415,000 | 425,000 | 0 | 310,000 | (320,000) | 830,000 | 5,790,000 | 41.01% |
| 2015 ..... | 100,000 | 445,000 | 0 | 0 | 0 | 545,000 | 6,335,000 | 44.87% |
| 2016 ..... | 105,000 | 465,000 | 0 | 0 | 0 | 570,000 | 6,905,000 | 48.90% |
| 2017 ..... | 110,000 | 490,000 | 0 | 0 | 0 | 600,000 | 7,505,000 | 53.15% |
| 2018 ..... | 110,000 | 510,000 | 0 | 0 | 0 | 620,000 | 8,125,000 | 57.54% |
| 2019 ..... | 115,000 | 535,000 | 0 | 0 | 0 | 650,000 | 8,775,000 | 62.15% |
| 2020 ..... | 120,000 | 560,000 | 0 | 0 | 0 | 680,000 | 9,455,000 | 66.96% |
| 2021 ..... | 125,000 | 590,000 | 0 | 0 | 0 | 715,000 | 10,170,000 | 72.03% |
| 2022 ..... | 130,000 | 615,000 | 0 | 0 | 0 | 745,000 | 10,915,000 | 77.30% |
| 2023 ..... | 140,000 | 645,000 | 0 | 0 | 0 | 785,000 | 11,700,000 | 82.86% |
| 2024 ..... | 145,000 | 675,000 | 0 | 0 | 0 | 820,000 | 12,520,000 | 88.67% |
| 2025 ..... | 150,000 | 710,000 | 0 | 0 | 0 | 860,000 | 13,380,000 | 94.76% |
| 2026 ..... | 0 | 740,000 | 0 | 0 | 0 | 740,000 | 14,120,000 | 100.00% |
| Total .. | $4,350,000 | $10,220,000 | $855,000 | $1,435,000 | $(2,740,000) | $14,120,000 | | |

Notes: (1) Source: the City.
(2) Includes the outstanding principal amounts of the following: $1,435,000 of Series 1998A, $860,000 of Series 2002A and $1,800,000 of Series 2005.
(3) Includes the outstanding principal amounts of the following: $185,000 of Series 1995B, $60,000 of Series 1996B, $855,000 of Series 1998 and $8,925,000 of Series 2006.

## Detailed Overlapping Bonded Debt*(1)*
(As of May 31, 2008)

| | Outstanding Debt | Applicable to the City Percent(2) | Applicable to the City Amount |
|---|---|---|---|
| Schools: | | | |
| Unit School District Number 101 | $112,320,000 | 80.50% | $ 90,417,600 |
| Unit School District Number 304 | 186,165,535 | 7.82% | 14,558,145 |
| Community College District Number 516 | 78,920,796 | 10.76% | 8,491,878 |
| Total Schools | | | $113,467,623 |
| Other: | | | |
| Kane County(3) | $ 82,045,000 | 7.21% | $ 5,915,445 |
| Kane County Forest Preserve District | 260,115,866 | 7.21% | 18,754,354 |
| Batavia Park District | 9,519,780 | 79.51% | 7,569,177 |
| Batavia Library 1998 Bond District | 3,425,000 | 84.55% | 2,895,838 |
| Batavia Library 1999 Bond District | 2,700,000 | 84.55% | 2,282,850 |
| Geneva Park District | 27,229,510 | 14.84% | 4,040,859 |
| Total Other | | | $ 41,458,523 |
| Total Schools and Other Overlapping Bonded Debt | | | $154,926,146 |

Notes: (1) Source: Kane County Clerk.
(2) Percentages are based on 2007 EAV, the most current available.
(3) Includes the principal portion of applicable Public Building Commission Certificates.

## Statement of Bonded Indebtedness*(1)*

(As of May 31, 2008)

| | Amount Applicable | Ratio To Equalized Assessed | Ratio To Estimated Actual | Per Capita (2003 Special Census 24,978) |
|---|---|---|---|---|
| City EAV of Taxable Property, 2007 | $1,066,440,154 | 100.00% | 33.33% | $ 42,695.18 |
| Estimated Actual Value, 2007 | $3,199,320,462 | 300.00% | 100.00% | $128,085.53 |
| Total Direct Bonded Debt | $ 14,120,000 | 1.32% | 0.44% | $ 565.30 |
| Overlapping Bonded Debt: | | | | |
| Schools | $ 113,467,622 | 10.64% | 3.55% | $ 4,542.70 |
| Other | 41,458,522 | 3.89% | 1.30% | 1,659.80 |
| Total Overlapping Bonded Debt | $ 154,926,144 | 14.53% | 4.84% | $ 6,202.50 |
| Total Direct and Overlapping Bonded Debt | $ 169,046,144 | 15.85% | 5.28% | $ 6,767.80 |

Note: (1) Source: Kane County Clerk.

## Legal Debt Margin*(1)*

| | | |
|---|---|---|
| 2007 City Equalized Assessed Valuation | | $1,066,440,154 |
| Statutory Debt Limitation (8.625% of EAV) | | $ 91,980,463 |
| General Obligation Bonded Debt: | | |
| Series 1995B | $ 185,000 | |
| Series 1996B | 60,000 | |
| Series 1998 | 1,050,000 | |
| Series 1998A | 1,690,000 | |
| Series 2002A | 860,000 | |
| Series 2005 | 1,800,000 | |
| Series 2006 | 8,925,000 | |
| The 2009A Bonds | 855,000 | |
| The 2009B Bonds | 1,435,000 | |
| Less: the Refunded Bonds | (2,740,000) | |
| Less: Alternative Revenue Source Bonds(2) | (10,025,000) | |
| Total General Obligation Bonded Debt | $ 4,095,000 | |
| Total Applicable Debt(2) | | $ 4,095,000 |
| Legal Debt Margin(2) | | $87,885,463 |

Notes: (1) Source: The City.

(2) As general obligation alternative bonds, the Series 1995B, Series 1996B, Series 1998, Series 2006 and the 2009A Bonds are not included in the computation of the legal debt margin as long as the debt service levy for such bonds is abated annually and not extended.

## PROPERTY ASSESSMENT AND TAX INFORMATION

For the 2007 levy year, the City's EAV was comprised of 73% residential, 15% industrial, 12% commercial, and less than 1% farm and railroad property valuations.

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

| | Levy Years | | | | |
|---|---|---|---|---|---|
| Property Class | 2003 | 2004 | 2005 | 2006 | 2007 |
| Residential | $558,692,175 | $610,936,400 | $678,936,687 | $ 738,200,411 | $ 778,454,777 |
| Farm | 4,277,092 | 4,083,962 | 3,981,078 | 6,071,624 | 6,074,204 |
| Commercial | 92,226,983 | 98,100,789 | 103,432,157 | 117,181,180 | 126,010,423 |
| Industrial | 113,477,923 | 131,015,821 | 133,382,625 | 140,512,163 | 155,805,878 |
| Railroad | 87,004 | 85,113 | 78,643 | 84,309 | 94,872 |
| Total | $768,761,177 | $844,222,085 | $919,811,190 | $1,002,049,687 | $1,066,440,154 |
| Percent Change +(-) | 11.66%(2) | 9.82% | 8.95% | 8.94% | 6.43% |

Notes: (1) Source: Kane County Clerk.
(2) The 2003 percent change is based on a 2002 EAV of $688,491,771.

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

| | Levy Years | | | | |
|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| City Rates: | | | | | |
| General Corporate | $0.1990 | $0.2279 | $0.2087 | $0.2052 | $0.1947 |
| Bond and Interest(2) | 0.0398 | 0.0359 | 0.0525 | 0.0488 | 0.0457 |
| Police Pension | 0.0891 | 0.0858 | 0.0845 | 0.0842 | 0.0859 |
| Fire Pension | 0.0528 | 0.0480 | 0.0467 | 0.0429 | 0.0480 |
| IMRF | 0.0388 | 0.0361 | 0.0326 | 0.0324 | 0.0299 |
| Fire Protection | 0.0966 | 0.0942 | 0.0871 | 0.0838 | 0.0808 |
| Police Protection | 0.0629 | 0.0617 | 0.0567 | 0.0547 | 0.0507 |
| Street and Bridge | 0.0446 | 0.0000 | 0.0000 | 0.0031 | 0.0059 |
| Prior Year Adjustment | 0.0000 | (0.0366) | 0.0060 | 0.0000 | 0.0000 |
| Total City Rates(3) | $0.6236 | $0.5531 | $0.5747 | $0.5550 | $0.5418 |
| Kane County | 0.3578 | 0.3467 | 0.3367 | 0.3452 | 0.3322 |
| Kane County Forest Preserve District | 0.1270 | 0.1432 | 0.1905 | 0.1747 | 0.1974 |
| Batavia Township | 0.0873 | 0.0840 | 0.0809 | 0.0792 | 0.0770 |
| Batavia Township Road District | 0.0438 | 0.0421 | 0.0406 | 0.0397 | 0.0386 |
| Batavia Park District | 0.4458 | 0.4506 | 0.4227 | 0.4410 | 0.4389 |
| Batavia Library District | 0.2533 | 0.2826 | 0.2850 | 0.2869 | 0.2803 |
| Batavia Library 1998 Bond District | 0.0480 | 0.0427 | 0.0406 | 0.0390 | 0.0349 |
| Batavia Library 1999 Bond District | 0.0396 | 0.0372 | 0.0330 | 0.0297 | 0.0289 |
| Unit School District Number 101 | 4.3072 | 4.6508 | 4.7369 | 4.6989 | 4.6989 |
| Community College District Number 516 | 0.4134 | 0.4099 | 0.3933 | 0.3984 | 0.3950 |
| Total Rates(4) | $6.7468 | $7.0429 | $7.1350 | $7.0876 | $7.0640 |

Notes: (1) Source: Kane County Clerk.
(2) Partially abated from user fees and other revenue.
(3) Maximum rates are: Corporate ($0.4375); Fire Protection ($0.6000); Police Protection ($0.6000); Street and Bridge ($0.1000).
(4) Representative tax rates for other government units are from Batavia Township tax code 05, which represents 64% of the City's 2007 EAV.

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

| Levy | Coll. | Taxes | Current Collections | | Total Collections | |
|---|---|---|---|---|---|---|
| Year | Year | Extended(2) | Amount(3) | Percent | Amount(4) | Percent |
| 2002 | 2003 | $4,275,534 | $4,310,242 | 100.81% | $4,311,246 | 100.84% |
| 2003 | 2004 | 4,793,995 | 4,771,251 | 99.52% | 4,771,251 | 99.52% |
| 2004 | 2005 | 4,723,074 | 4,715,276 | 99.83% | 4,722,279 | 99.98% |
| 2005 | 2006 | 5,350,676 | 5,345,984 | 99.91% | 5,353,267 | 100.05% |
| 2006 | 2007 | 5,624,245 | 5,618,660 | 99.90% | 5,628,682 | 100.08% |
| 2007 | 2008 | 5,826,847 | 5,810,826 | 99.73% | 5,822,847 | 99.93% |

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 | 2007 EAV(2) |
|---|---|---|
| Kir Batavia 051, LLC | Real Estate | $11,255,342 |
| Aldi, Inc. | Food Store Chain | 11,066,880 |
| Liberty Property LP | Industrial Properties | 9,894,312 |
| Partylite Worldwide, Inc | Candles | 6,330,249 |
| Wal-Mart Real Estate Business Trust | Discount Store | 6,321,472 |
| Holmstad, Inc. | Retirement Community | 5,481,169 |
| Vista Investments, Inc. | Real Estate | 5,431,756 |
| Sam's Real Estate Business Trust | Shopping Club | 4,811,411 |
| MB Fabyan Randall Plaza Batavia LLC | Shopping Center | 4,514,020 |
| First Industrial Realty Trust | Industrial Properties | 4,300,641 |
| Total | | $69,407,252 |
| Ten Largest Taxpayers as Percent of City's 2007 EAV ($1,066,440,154) | | 6.51% |

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 2007 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 Valutaion 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, as amended (the "Limitation Law"), limits the annual growth in the amount of property taxes to be extended for certain Illinois non-home-rule units, including the City. In general, the annual growth permitted under the Limitation Law is the lesser of 5% or the percentage increase in the Consumer Price Index during the calendar year preceding the levy year. Taxes can also be increased due to new construction, referendum approval of tax rate increases, mergers and consolidations.

The effect of the Limitation Law is to limit the amount of property taxes that can be extended for a taxing body. In addition, general obligation bonds, notes and installment contracts payable from ad valorem taxes unlimited as to rate and amount cannot be issued by the affected taxing bodies unless they are approved by referendum, are alternate bonds or are for certain refunding purposes.

The City has the authority to levy taxes for many different purposes. See the table entitled **Representative Tax Rates** under **"PROPERTY ASSESSMENT AND TAX INFORMATION"** herein. The ceiling at any particular time on the rate at which these taxes may be extended for the City is either (i) unlimited (as provided by statute), (ii) initially set by statute but permitted to be increased by referendum, (iii) capped by statute, or (iv) limited to the rate approved by referendum. Public Act 94-0976, effective June 30, 2006, provides that the only ceiling on a particular tax rate is the ceiling set by statute above, at which the rate is not permitted to be further increased by referendum or otherwise. Therefore, taxing districts (such as the City) will have increased flexibility to levy taxes for the purposes for which they most need the money. The total aggregate tax rate for the various purposes subject to the Limitation Law, however, will not be allowed to exceed the City's limiting rate computed in accordance with the provisions of the Limitation Law.

Local governments, including the City, can issue limited tax bonds in lieu of general obligation bonds that have otherwise been authorized by applicable law.

**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, 2007 (the "2007 Audit"). The 2007 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 2007 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 2007 Audit. Questions or inquiries relating to financial information of the City since the date of the 2007 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 | | | | |
|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| **ASSETS:** | | | | | |
| Current Assets: | | | | | |
| Cash and Investments | $ 8,222,738 | $ 9,499,223 | $12,692,144 | $24,085,756 | $16,052,846 |
| Receivables, Net of Allowances: | | | | | |
| Property Taxes | 4,816,978 | 4,694,998 | 5,305,917 | 5,577,083 | 5,789,770 |
| Other Taxes | 1,565,709 | 1,481,050 | 1,643,857 | 2,061,670 | 2,250,842 |
| Accounts | 480,431 | 408,065 | 688,672 | 430,677 | 420,978 |
| Accrued Interest | 12,262 | 36,697 | 111,749 | 198,196 | 71,323 |
| Due From Other Governments | 310,815 | 338,278 | 260,810 | 316,864 | 481,733 |
| Inventories and Prepaid Expenses | 158,520 | 134,175 | 186,213 | 148,396 | 190,559 |
| Total Current Assets | $15,567,453 | $16,592,486 | $20,889,362 | $32,818,642 | $25,258,051 |
| Capital Assets: | | | | | |
| Cost | $73,987,776 | $76,609,817 | $77,894,656 | $81,562,059 | $93,933,336 |
| Accumulated Depreciation | (16,382,599) | (17,516,358) | (18,763,665) | (19,598,596) | (20,941,369) |
| Total Noncurrent Assets | $57,605,177 | $59,093,459 | $59,130,991 | $61,963,463 | $72,991,967 |
| Total Assets | $73,172,630 | $75,685,945 | $80,020,353 | $94,782,105 | $98,250,018 |
| **LIABILITIES:** | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | $ 359,236 | $ 165,123 | $ 589,564 | $ 513,897 | $ 879,859 |
| Accrued Payroll | 552,325 | 359,339 | 229,747 | 272,235 | 360,524 |
| Claims Payable | 475,426 | 484,096 | 811,918 | 653,086 | 732,559 |
| Deposits Payable | 130,297 | 323,948 | 187,303 | 177,626 | 158,837 |
| Accrued Interest Payable | 45,181 | 36,709 | 66,488 | 391,031 | 265,817 |
| Due to Other Governments | 100,000 | 100,000 | 100,000 | 0 | 0 |
| Deferred Revenue | 4,903,846 | 4,699,017 | 5,309,537 | 5,618,922 | 5,826,641 |
| Matured Bonds Payable | 306,575 | 276,275 | 208,325 | 599,300 | 0 |
| Current Portion Long-Term Debt | 781,275 | 808,325 | 844,300 | 1,071,650 | 701,350 |
| Total Current Liabilities | $ 7,654,161 | $ 7,252,832 | $ 8,347,182 | $ 9,297,747 | $ 8,925,587 |
| Noncurrent Liabilities: | | | | | |
| Net Pension Obligation Payable | $ 231,514 | $ 357,711 | $ 372,284 | $ 382,545 | $ 369,439 |
| Installment Contracts/Loan Payable | 625,000 | 375,000 | 50,000 | 0 | 0 |
| Alternate Revenue Bonds Payable | 2,485,000 | 2,185,000 | 1,890,000 | 1,585,000 | 10,555,000 |
| General Obligation Bonds Payable | 3,197,725 | 2,839,400 | 4,540,100 | 13,363,450 | 3,692,100 |
| Unamortized Bond Premium | 0 | 0 | 100,000 | 100,000 | 0 |
| Total Noncurrent Liabilities | $ 6,539,239 | $ 5,757,111 | $ 6,952,384 | $15,430,995 | $14,616,539 |
| Total Liabilities | $14,193,400 | $13,009,943 | $15,299,566 | $24,728,742 | $23,542,126 |
| **NET ASSETS:** | | | | | |
| Invested in Capital Assets-Net of Related Debt | $51,316,177 | $53,435,734 | $54,007,767 | $56,436,503 | $58,043,517 |
| Restricted-Special Revenues | 1,405,724 | 1,410,674 | 1,359,967 | 1,227,219 | 1,377,485 |
| Restricted-Tax Increment Financing/Debt Service | (21,914) | 295,754 | 531,244 | 852,711 | 731,317 |
| Restricted-Capital Projects | 0 | 0 | 651,350 | 530,235 | 1,915,394 |
| Restricted-Perpetual Care Cemetery | 0 | 0 | 112,928 | 115,349 | 120,580 |
| Unrestricted | 6,279,243 | 7,533,840 | 8,057,531 | 10,891,346 | 12,519,599 |
| Total Net Assets | $58,979,230 | $62,676,002 | $64,720,787 | $70,053,363 | $74,707,892 |

## Statement of Activities
## Governmental Activities

| | Audited for the Fiscal Year Ending December 31 | | | | |
|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| NET EXPENSES/REVENUES: | | | | | |
| General Government | $ (1,664,889) | $ (939,679) | $ (1,047,053) | $ (1,927,036) | $ (2,402,054) |
| Public Safety | (8,364,907) | (9,305,662) | (9,667,963) | (9,946,769) | (11,755,980) |
| Highways and Streets | (3,953,132) | (1,673,410) | (4,115,487) | (3,513,613) | (4,308,156) |
| Interest on Long-Term Debt | (323,873) | (287,526) | (298,690) | (753,633) | (684,256) |
| Total Net Expense/Revenue | $(14,306,801) | $(12,206,277) | $(15,129,193) | $(16,141,051) | $(19,150,446) |
| GENERAL REVENUES: | | | | | |
| Property Taxes | $ 4,610,601 | $ 5,273,418 | $ 5,288,191 | $ 5,962,071 | $ 6,470,013 |
| Sales Taxes | 4,758,157 | 4,971,878 | 5,195,982 | 7,464,511 | 7,636,826 |
| Utility Taxes | 2,559,210 | 2,682,374 | 2,587,486 | 2,844,460 | 3,081,641 |
| Other Taxes | 34,724 | 31,623 | 28,898 | 0 | 0 |
| Income Taxes | 1,687,830 | 1,866,577 | 2,189,790 | 2,400,894 | 2,590,454 |
| Replacement Taxes | 113,188 | 126,698 | 172,496 | 186,896 | 221,048 |
| Other Intergovernmental | 112,128 | 154,143 | 59,322 | 68,180 | 455,311 |
| Interest Income | 122,250 | 156,581 | 346,860 | 1,057,465 | 1,042,689 |
| Miscellaneous | 787,093 | 571,039 | 1,235,041 | 1,449,075 | 2,186,492 |
| Internal Activity-Transfers | 68,083 | 68,718 | 69,912 | 40,075 | 20,501 |
| Total General Revenues | $14,853,264 | $15,903,049 | $17,173,978 | $21,473,627 | $23,704,975 |
| Change in Net Assets | $ 546,463 | $ 3,696,772 | $ 2,044,785 | $ 5,332,576 | $ 4,554,529 |
| Net Assets, Beginning | $58,432,767 | $58,979,230 | $62,676,002 | $64,720,787 | $70,153,363 |
| Net Assets, Ending | $58,979,230 | $62,676,002 | $64,720,787 | $70,053,363 | $74,707,892 |

## General Fund
## Balance Sheet

| | Audited As of December 31 | | | | |
|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| ASSETS: | | | | | |
| Cash and Investments | $ 6,211,153 | $ 7,676,421 | $ 9,147,225 | $10,960,707 | $12,516,737 |
| Taxes Receivable | 4,511,578 | 4,391,838 | 4,821,154 | 5,088,193 | 5,302,470 |
| Other Receivables | 1,983,847 | 1,871,131 | 2,252,653 | 2,564,001 | 2,734,407 |
| Prepaid Expense | 141,887 | 105,220 | 135,597 | 135,369 | 154,201 |
| Inventory | 16,633 | 28,955 | 50,616 | 13,027 | 36,358 |
| Due From Other Governments | 310,815 | 338,278 | 260,810 | 261,445 | 258,743 |
| Total Assets | $13,175,913 | $14,411,843 | $16,668,055 | $19,022,742 | $21,002,916 |
| LIABILITIES AND RETAINED EARNINGS: | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | $ 223,565 | $ 112,972 | $ 424,531 | $ 338,653 | $ 131,431 |
| Accrued Payroll | 552,325 | 359,339 | 229,747 | 272,235 | 360,524 |
| Claims Payable | 475,426 | 484,096 | 811,918 | 653,086 | 732,559 |
| Deferred Revenue | 4,598,446 | 4,395,857 | 4,824,774 | 5,130,032 | 5,339,341 |
| Due to Other Funds | 0 | 0 | 100,000 | 0 | 0 |
| Deposit Payable | 130,297 | 323,948 | 187,303 | 177,626 | 158,837 |
| Total Liabilities | $ 5,980,059 | $ 5,676,212 | $ 6,578,273 | $ 6,571,632 | $ 6,722,692 |
| Fund Balance: | | | | | |
| Reserved | $ 1,564,244 | $ 1,544,849 | $ 1,546,180 | $ 1,375,615 | $ 1,568,044 |
| Unreserved | 5,631,610 | 7,190,782 | 8,543,602 | 11,075,495 | 12,712,180 |
| Total Fund Balance | $ 7,195,854 | $ 8,735,631 | $10,089,782 | $12,451,110 | $14,280,224 |
| Total Liabilities and Retained Earnings | $13,175,913 | $14,411,843 | $16,668,055 | $19,022,742 | $21,002,916 |

## General Fund
## Revenues and Expenditures

| | Audited Fiscal Year Ending December 31 | | | | |
|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| **REVENUES:** | | | | | |
| Taxes................................. | $11,359,009 | $12,237,408 | $12,237,979 | $15,188,396 | $15,867,064 |
| Licenses and Permits.................. | 556,332 | 546,906 | 504,569 | 481,697 | 380,021 |
| Intergovernmental..................... | 2,843,568 | 3,125,250 | 3,396,606 | 3,634,606 | 4,293,295 |
| Charges for Services.................. | 3,012,927 | 3,525,687 | 4,654,093 | 4,011,231 | 3,604,155 |
| Fines and Forfeits.................... | 134,874 | 166,104 | 262,939 | 262,228 | 221,761 |
| Interest.............................. | 100,310 | 136,719 | 278,998 | 535,562 | 645,648 |
| Miscellaneous......................... | 728,622 | 553,736 | 1,224,741 | 1,449,075 | 2,099,492 |
| Total Revenues...................... | $18,735,642 | $20,291,810 | $22,559,925 | $25,562,795 | $27,111,436 |
| **EXPENDITURES:** | | | | | |
| General Government.................... | $ 5,477,117 | $ 4,886,245 | $ 6,284,992 | $ 6,356,135 | $ 6,364,376 |
| Public Safety......................... | 8,552,323 | 9,562,783 | 10,028,916 | 10,569,945 | 12,053,587 |
| Highways and Streets.................. | 3,381,952 | 3,662,442 | 4,177,690 | 4,838,314 | 4,447,607 |
| Debt Service: | | | | | |
| Principal Retirement................ | 85,000 | 140,000 | 120,000 | 130,000 | 135,000 |
| Interest and Finance Charges......... | 49,829 | 45,123 | 38,218 | 33,169 | 26,375 |
| Total Expenditures.................. | $17,546,221 | $18,296,593 | $20,649,816 | $21,927,563 | $23,026,945 |
| Excess (Deficiency) of Revenues Over Before Other Financing Sources (Uses) | $ 1,189,421 | $ 1,995,217 | $ 1,910,109 | $ 3,635,232 | $ 4,084,491 |
| **OTHER FINANCING SOURCES (USES):** | | | | | |
| Operating Transfers In................ | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Operating Transfers Out............... | (460,752) | (455,440) | (455,958) | (1,345,290) | (2,255,377) |
| Total Other......................... | $ (460,752) | $ (455,440) | $ (455,958) | $(1,345,290) | $(2,255,377) |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses...................... | $ 728,669 | $ 1,539,777 | $ 1,454,151 | $ 2,289,942 | $ 1,829,114 |
| Fund Balances: | | | | | |
| Beginning Fund Balance................ | $ 6,467,185 | $ 7,195,854 | $ 8,635,631(1) | $10,161,168(1) | $12,451,110 |
| Ending Fund Balance................... | $ 7,195,854 | $ 8,735,631 | $10,089,782 | $12,451,110 | $14,280,224 |

Note: (1) As restated.

## General Fund
## 2008 Unaudited and 2009 Budget Information

| | 2008 Unaudited | 2009 Budget |
|---|---|---|
| REVENUES: | | |
| Property and Municipal Taxes/Intergovernmental | $20,815,506 | $20,957,400 |
| Contributions | 3,895,139 | 4,329,126 |
| Licenses and Permits | 241,140 | 278,070 |
| Charges for Services | 971,354 | 1,067,777 |
| Fines and Forfeitures | 159,800 | 172,000 |
| Miscellaneous Revenues | 831,239 | 640,300 |
| Interfund Allocations | 2,725,306 | 2,360,940 |
| Total Revenues | $29,639,484 | $29,805,613 |
| EXPENDITURES: | | |
| Legislative/Administration | $ 1,703,157 | $ 1,402,251 |
| Human Resources | 315,064 | 316,049 |
| Community Development | 977,307 | 1,018,812 |
| Public Works | 310,471 | 332,715 |
| Engineering | 673,986 | 925,312 |
| Building and Grounds | 509,977 | 482,022 |
| Finance and Accounting | 519,003 | 525,169 |
| Information Systems | 1,133,462 | 812,996 |
| Utility Billing | 394,535 | 393,861 |
| Worker's Compensation Plan | 1,076,857 | 504,500 |
| Subsidized Transportation | 34,449 | 52,000 |
| Police Department | 7,460,741 | 8,003,870 |
| Fire Department | 4,488,261 | 4,703,238 |
| E.S.D.A. | 40,575 | 51,145 |
| Health Benefit Plan | 3,035,189 | 3,524,820 |
| Street and Sanitation | 3,457,736 | 3,406,462 |
| Street Improvements/Construction | 1,141,400 | 1,268,125 |
| Interfund Allocations | 2,186,516 | 1,851,707 |
| General Obligation Debt Service | 129,080 | 133,600 |
| Total Expenditures | $29,587,766 | $29,708,654 |
| Surplus/(Deficit) | $ 51,718 | $ 96,959 |

## PENSION AND RETIREMENT OBLIGATIONS

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 office of the Registrar maintained for the purpose in Chicago, Illinois. The City will authorize to be prepared, and the 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. Upon surrender for transfer or exchange of any Bond at the principal corporate trust office of the Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Registrar and duly executed by the registered owner or such owner's attorney duly authorized in writing, the City shall execute and the 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 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 Registrar shall not exceed the authorized principal amount of Bonds for such maturity less Bonds previously paid.

The Registrar shall not be required to transfer or exchange any 2009A Bond following the close of business on the 15th day of the month next preceding an interest payment date occurs on such Bond.

The Registrar shall not be required to transfer or exchange any 2009B Bond following the close of business on the first day of the month in which an interest payment date occurs on such 2009B Bond.

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 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.

## 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 includable 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. Interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. 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 include all tax exempt interest, including interest on the Bonds.

In rendering its opinion, Bond Counsel will rely upon certifications of the City with respect to certain material facts within the City's knowledge. 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.

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 reduced by payments of interest included in the computation of original issue discount and previously paid (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.

## 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 certain information repositories 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. 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 represents that it is in compliance 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 Bond 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".** A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer 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 each Nationally Recognized Municipal Securities Information Repository (a "NRMSIR") then recognized by the Securities and Exchange Commission for purposes of the Rule and to the repository, if any, designated by the State of Illinois as the state information depository (the "SID") and recognized as such by the Commission for purposes of the Rule. Annual Financial Information will be provided to each NRMSIR and to the SID, if any, by 210 days after the last day of the City's fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

"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 the financial statements of the City as audited annually by independent certified public accountants. Audited Financial Statements will 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).

### Material Events Disclosure

The City covenants that it will disseminate to each NRMSIR or to the Municipal Securities Rulemaking Board (the "MSRB") and to the SID, if any, in a timely manner the disclosure of the occurrence of an Event (as described below) with respect to the Bonds that is material, as materiality is interpreted under the Securities Exchange Act of 1934, as amended. The "Events" are:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
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 or events affecting the tax-exempt status of the security;
7. Modifications to the rights of security holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities; and
11. Rating changes.

**Contact Person**

Financial Information and Notices of material Events can be obtained from: Ms. Peggy Colby, Finance Director, City of Batavia, 100 North Island Avenue, Batavia, Illinois 60510-1960; telephone (630) 879-1424.

**Consequences of Failure of the City to Provide Information**

The City shall give notice in a timely manner to each NRMSIR or to the MSRB and to the SID, if any, 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.

**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) The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;

(b) 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

(c) 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), at the time of the amendment.

**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 each NRMSIR or MSRB and the SID, if any, 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 material 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 material 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 material Event.

**Dissemination Agent**

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 Dissemination Agent, with or without appointing a successor Dissemination Agent.

So long as such method continues to be approved by the Commission for purposes of the Rule, the City may satisfy its obligations for all purposes of this Agreement to provide information or notice to each NRMSIR and to the SID, if any, by sending such information or notice to DisclosureUSA (at, as of the date of this Agreement www.DisclosureUSA.org for submission to each NRMSIR and to the SID, if any.

## REDEMPTION

The Bonds are not subject to redemption prior to maturity.

## 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.

## 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 "Aa3" 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.

## 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, Chicago, Illinois, has, at the request of the City supplied the information under the headings **"TAX EXEMPTION"**, **"CERTAIN LEGAL MATTERS"** and **"QUALIFIED TAX–EXEMPT OBLIGATIONS"**.

## UNDERWRITING

### The 2009A Bonds

Robert W. Baird & Co., Naperville, Illinois (the "2009A Underwriter") has agreed to purchase all but not less than all of the 2009A Bonds at a price of $862,043.31. It is anticipated that delivery of the 2009A Bonds will occur on the date shown on the cover page hereof. The 2009A Bonds may be offered and sold to certain dealers (including the 2009A Underwriter or other dealers depositing 2009A Bonds into investment trusts) at prices or yields other than such public offering prices or yields shown on the addendum to this Final Official Statement, and such public offering prices or yields may be changed, from time to time, by the 2009A Underwriters.

### The 2009B Bonds

Robert W. Baird & Co., Naperville, Illinois (the "2009B Underwriter") has agreed to purchase all but not less than all of the 2009B Bonds at a price of $1,450,333.50. It is anticipated that delivery of the 2009B Bonds will occur on the date shown on the cover page hereof. The 2009B Bonds may be offered and sold to certain dealers (including the 2009B Underwriter or other dealers depositing 2009B Bonds into investment trusts) at prices or yields other than such public offering prices or yields shown on the addendum to this Final Official Statement, and such public offering prices or yields may be changed, from time to time, by the 2009B Underwriters.

## 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 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 March 16, 2009, for the $855,000 General Obligation Refunding Bonds (Sales Tax Alternate Revenue Source), Series 2009A, and the $1,435,000 General Obligation Refunding Bonds, Series 2009B, 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 2007 AUDITED FINANCIAL STATEMENTS**

**CITY OF BATAVIA, ILLINOIS**

**Statement of Net Assets**
**December 31, 2007**

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current Assets | | | |
| Cash and Investments | $ 16,052,846 | 13,512,787 | 29,565,633 |
| Receivables - Net of Allowances | | | |
| Property Taxes | 5,789,770 | - | 5,789,770 |
| Other Taxes | 2,250,842 | - | 2,250,842 |
| Accounts | 420,978 | 5,183,685 | 5,604,663 |
| Accrued Interest | 71,323 | 104,650 | 175,973 |
| Due from Other Governments | 481,733 | - | 481,733 |
| Inventories and Prepaids | 190,559 | 1,768,779 | 1,959,338 |
| Restricted Cash and Investments | - | 7,361,517 | 7,361,517 |
| Total Current Assets | 25,258,051 | 27,931,418 | 53,189,469 |
| Capital Assets | | | |
| Nondepreciable | 20,945,661 | 32,148,350 | 53,094,011 |
| Depreciable | 72,987,675 | 109,251,805 | 182,239,480 |
| Accumulated Depreciation | (20,941,369) | (31,592,935) | (52,534,304) |
| Total Noncurrent Assets | 72,991,967 | 109,807,220 | 182,799,187 |
| Total Assets | 98,250,018 | 137,738,638 | 235,988,656 |

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **LIABILITIES** | | | |
| Current Liabilities | | | |
| Accounts Payable | 879,859 | 3,373,947 | 4,253,806 |
| Accrued Payroll | 360,524 | 104,013 | 464,537 |
| Claims Payable | 732,559 | - | 732,559 |
| Deposits Payable | 158,837 | 116,052 | 274,889 |
| Accrued Interest Payable | 265,817 | - | 265,817 |
| Unearned Revenue | 5,826,641 | - | 5,826,641 |
| Current Portion Long-Term Debt | 701,350 | - | 701,350 |
| Restricted Liabilities | | | |
| Accrued Interest Payable | - | 649,389 | 649,389 |
| Current Portion Long-Term Debt | - | 1,657,118 | 1,657,118 |
| Total Current Liabilities | 8,925,587 | 5,900,519 | 14,826,106 |
| Noncurrent Liabilities | | | |
| Net Pension Obligation Payable | 369,439 | - | 369,439 |
| Revenue Bonds Payable | - | 49,600,010 | 49,600,010 |
| Alternate Revenue Bonds Payable | 10,555,000 | - | 10,555,000 |
| General Obligation Bonds Payable | 3,692,100 | 971,550 | 4,663,650 |
| Total Noncurrent Liabilities | 14,616,539 | 50,571,560 | 65,188,099 |
| Total Liabilities | 23,542,126 | 56,472,079 | 80,014,205 |
| **NET ASSETS** | | | |
| Invested in Capital Assets - Net of Related Debt | 58,043,517 | 57,578,542 | 115,622,059 |
| Restricted - Special Revenues | 1,377,485 | - | 1,377,485 |
| Restricted - Tax Increment Financing/Debt Service | 731,317 | 6,965,719 | 7,697,036 |
| Restricted - Capital Projects | 1,915,394 | - | 1,915,394 |
| Restricted - Perpetual Care Cemetery | 120,580 | - | 120,580 |
| Unrestricted | 12,519,599 | 16,722,298 | 29,241,897 |
| Total Net Assets | 74,707,892 | 81,266,559 | 155,974,451 |

**CITY OF BATAVIA, ILLINOIS**

**Statement of Activities**
**Year Ended December 31, 2007**

| | | 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 | $ 6,451,060 | 4,049,006 | - | - | (2,402,054) | - | (2,402,054) |
| Public Safety | 12,215,741 | 221,761 | 238,000 | - | (11,755,980) | - | (11,755,980) |
| Highways and Streets | 6,183,985 | - | - | 1,875,829 | (4,308,156) | - | (4,308,156) |
| Interest on Long-Term Debt | 684,256 | - | - | - | (684,256) | - | (684,256) |
| Total Governmental Activities | 25,535,042 | 4,270,767 | 238,000 | 1,875,829 | (19,150,446) | - | (19,150,446) |
| **Business-Type Activities** | | | | | | | |
| Waterworks | 4,254,129 | 4,445,495 | 2,400 | - | - | 193,766 | 193,766 |
| Sewerage | 4,500,057 | 3,642,300 | 17,897 | - | - | (839,860) | (839,860) |
| Electric | 31,932,586 | 35,121,078 | - | - | - | 3,188,492 | 3,188,492 |
| Total Business-Type Activities | 40,686,772 | 43,208,873 | 20,297 | - | - | 2,542,398 | 2,542,398 |
| | 66,221,814 | 47,479,640 | 258,297 | 1,875,829 | (19,150,446) | 2,542,398 | (16,608,048) |
| General Revenues | | | | | | | |
| Taxes - Property Tax | | | | | 6,470,013 | - | 6,470,013 |
| Taxes - Sales Tax | | | | | 7,636,826 | - | 7,636,826 |
| Taxes - Utility Tax | | | | | 3,081,641 | - | 3,081,641 |
| Intergovernmental - Income Tax | | | | | 2,590,454 | - | 2,590,454 |
| Intergovernmental - Replacement Tax | | | | | 221,048 | - | 221,048 |
| Intergovernmental - Other | | | | | 455,311 | - | 455,311 |
| Interest Income | | | | | 1,042,689 | 1,628,591 | 2,671,280 |
| Miscellaneous | | | | | 2,186,492 | - | 2,186,492 |
| Internal Activity - Transfers | | | | | 20,501 | (20,501) | - |
| | | | | | 23,704,975 | 1,608,090 | 25,313,065 |
| Change in Net Assets | | | | | 4,554,529 | 4,150,488 | 8,705,017 |
| Net Assets - Beginning | | | | | 70,153,363 | 77,116,071 | 147,269,434 |
| Net Assets - Ending | | | | | 74,707,892 | 81,266,559 | 155,974,451 |

CITY OF BATAVIA, ILLINOIS

Balance Sheet - Governmental Funds
December 31, 2007

| | General | Debt Service | Infrastructure Capital Projects | Capital Projects | Nonmajor Perpetual Care Cemetery | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and Investments | $ 12,516,737 | 997,134 | 1,532,837 | 886,557 | 119,581 | 16,052,846 |
| Receivables - Net of Allowances | | | | | | |
| Property Taxes | 5,302,470 | 487,300 | - | - | - | 5,789,770 |
| Other Taxes | 2,250,842 | - | - | - | - | 2,250,842 |
| Accounts | 417,679 | - | 3,299 | - | - | 420,978 |
| Accrued Interest | 65,886 | - | 443 | 3,995 | 999 | 71,323 |
| Due from Other Governments | 258,743 | - | 222,990 | - | - | 481,733 |
| Prepaids | 154,201 | - | - | - | - | 154,201 |
| Inventories | 36,358 | - | - | - | - | 36,358 |
| Total Assets | 21,002,916 | 1,484,434 | 1,759,569 | 890,552 | 120,580 | 25,258,051 |
| **LIABILITIES AND FUND BALANCES** | | | | | | |
| Liabilities | | | | | | |
| Accounts Payable | 145,132 | - | 734,727 | - | - | 879,859 |
| Accrued Payroll | 360,524 | - | - | - | - | 360,524 |
| Claims Payable | 732,559 | - | - | - | - | 732,559 |
| Deposits Payable | 158,837 | - | - | - | - | 158,837 |
| Accrued Interest Payable | - | 256,407 | - | - | - | 256,407 |
| Unearned/Deferred Revenues | 5,339,341 | 487,300 | - | - | - | 5,826,641 |
| Total Liabilities | 6,736,393 | 743,707 | 734,727 | - | - | 8,214,827 |
| Fund Balances | | | | | | |
| Reserved - Prepaids/Inventory | 190,559 | - | - | - | - | 190,559 |
| Reserved - Tax Increment Financing | - | 716,417 | - | - | - | 716,417 |
| Reserved - Debt Service | - | 24,310 | - | - | - | 24,310 |
| Reserved - Special Revenues | 1,377,485 | - | - | - | - | 1,377,485 |
| Reserved - Perpetual Care Cemetery | - | - | - | - | 120,580 | 120,580 |
| Unreserved | 12,698,479 | - | 1,024,842 | 890,552 | - | 14,613,873 |
| Total Fund Balances | 14,266,523 | 740,727 | 1,024,842 | 890,552 | 120,580 | 17,043,224 |
| Total Liabilities and Fund Balances | 21,002,916 | 1,484,434 | 1,759,569 | 890,552 | 120,580 | 25,258,051 |

**CITY OF BATAVIA, ILLINOIS**

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

**December 31, 2007**

| | |
|---|---|
| **Total Governmental Fund Balances** | $ 17,043,224 |
| 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. | 72,991,967 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | |
| Net Pension Obligation Payable | (369,439) |
| General Obligation Bonds Payable | (4,103,450) |
| Alternate Revenue Bonds Payable | (10,845,000) |
| Accrued Interest Payable | (9,410) |
| **Net Assets of Governmental Activities** | 74,707,892 |



**CITY OF BATAVIA, ILLINOIS**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds**
**Year Ended December 31, 2007**

See Following Page

CITY OF BATAVIA, ILLINOIS

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2007

| | General | Debt Service | Infrastructure Capital Projects | Capital Projects | Nonmajor Perpetual Care Cemetery | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Taxes | $ 15,867,064 | 1,149,710 | 171,706 | - | - | 17,188,480 |
| Intergovernmental | 4,293,295 | - | 948,347 | 139,000 | - | 5,380,642 |
| Licenses and Permits | 380,021 | - | - | - | - | 380,021 |
| Charges for Services | 3,604,155 | - | - | 54,980 | 9,850 | 3,668,985 |
| Fines and Forfeits | 221,761 | - | - | - | - | 221,761 |
| Interest | 645,648 | 53,869 | 303,725 | 34,066 | 5,381 | 1,042,689 |
| Miscellaneous | 2,099,492 | 87,000 | - | - | - | 2,186,492 |
| Total Revenues | 27,111,436 | 1,290,579 | 1,423,778 | 228,046 | 15,231 | 30,069,070 |
| **Expenditures** | | | | | | |
| Current | | | | | | |
| General Government | 6,364,376 | - | - | - | 10,000 | 6,374,376 |
| Public Safety | 12,067,288 | - | - | - | - | 12,067,288 |
| Highways and Streets | 4,447,607 | - | - | - | - | 4,447,607 |
| Capital Outlay | - | - | 12,960,396 | 42,729 | - | 13,003,125 |
| Debt Service | | | | | | |
| Principal Retirement | 135,000 | 936,650 | - | - | - | 1,071,650 |
| Interest and Fiscal Charges | 26,375 | 659,111 | - | - | - | 685,486 |
| Total Expenditures | 23,040,646 | 1,595,761 | 12,960,396 | 42,729 | 10,000 | 37,649,532 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 4,070,790 | (305,182) | (11,536,618) | 185,317 | 5,231 | (7,580,462) |
| **Other Financing Sources (Uses)** | | | | | | |
| Transfers In | - | 1,773,200 | 1,918,320 | 175,000 | - | 3,866,520 |
| Transfers Out | (2,255,377) | (1,590,642) | - | - | - | (3,846,019) |
| | (2,255,377) | 182,558 | 1,918,320 | 175,000 | - | 20,501 |
| Net Change in Fund Balances | 1,815,413 | (122,624) | (9,618,298) | 360,317 | 5,231 | (7,559,961) |
| Fund Balances - Beginning | 12,451,110 | 863,351 | 10,643,140 | 530,235 | 115,349 | 24,603,185 |
| Fund Balances - Ending | 14,266,523 | 740,727 | 1,024,842 | 890,552 | 120,580 | 17,043,224 |

**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, 2007**

| | |
|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | $ (7,559,961) |
| 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 | 12,481,975 |
| Depreciation Expense | (1,385,153) |
| The net effect of various transactions Involving capital assets is to decrease net assets. | |
| Disposals - Cost | (110,698) |
| Disposals - Accumulated Depreciation | 42,380 |
| 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. | |
| Retirement of Net Pension Obligation | 13,106 |
| Retirement of Debt | 1,071,650 |
| 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. | 1,230 |
| **Changes in Net Assets of Governmental Activities** | 4,554,529 |



**CITY OF BATAVIA, ILLINOIS**

**Statement of Net Assets - Proprietary Funds**
**December 31, 2007**

See Following Page

**CITY OF BATAVIA, ILLINOIS**

**Statement of Net Assets - Proprietary Funds**
**December 31, 2007**

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| | Waterworks | Sewerage | Electric | Total |
| **ASSETS** | | | | |
| Current Assets | | | | |
| Cash and Investments | $ 3,722,083 | 1,484,486 | 8,306,218 | 13,512,787 |
| Receivables - Net of Allowances | | | | |
| Accounts | 504,175 | 469,935 | 4,209,575 | 5,183,685 |
| Accrued Interest | 21,221 | - | 83,429 | 104,650 |
| Prepaids | 46,693 | 46,693 | 69,324 | 162,710 |
| Inventories | - | - | 1,606,069 | 1,606,069 |
| Restricted Cash and Investments | - | 837,097 | 6,524,420 | 7,361,517 |
| Total Current Assets | 4,294,172 | 2,838,211 | 20,799,035 | 27,931,418 |
| Noncurrent Assets | | | | |
| Capital Assets | | | | |
| Nondepreciable | 407,733 | 92,426 | 31,648,191 | 32,148,350 |
| Depreciable | 34,477,243 | 42,621,854 | 32,152,708 | 109,251,805 |
| Accumulated Depreciation | (6,079,495) | (11,161,108) | (14,352,332) | (31,592,935) |
| Total Noncurrent Assets | 28,805,481 | 31,553,172 | 49,448,567 | 109,807,220 |
| Total Assets | 33,099,653 | 34,391,383 | 70,247,602 | 137,738,638 |

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| | Waterworks | Sewerage | Electric | Total |
| **LIABILITIES** | | | | |
| Current Liabilities | | | | |
| Accounts Payable | 265,259 | 65,677 | 3,043,011 | 3,373,947 |
| Accrued Payroll | 25,666 | 21,847 | 56,500 | 104,013 |
| Deposits Payable | 11,488 | 11,276 | 93,288 | 116,052 |
| Restricted Liabilities | | | | |
| Accrued Interest Payable | 21,946 | 57,740 | 569,703 | 649,389 |
| Revenue Bonds Payable | - | 1,073,768 | 285,000 | 1,358,768 |
| General Obligation Bonds Payable | 298,350 | - | - | 298,350 |
| Total Current Liabilities | 622,709 | 1,230,308 | 4,047,502 | 5,900,519 |
| Noncurrent Liabilities | | | | |
| Revenue Bonds Payable | 13,213,852 | 9,801,158 | 26,585,000 | 49,600,010 |
| General Obligation Bonds Payable | 971,550 | - | - | 971,550 |
| Total Noncurrent Liabilities | 14,185,402 | 9,801,158 | 26,585,000 | 50,571,560 |
| Total Liabilities | 14,808,111 | 11,031,466 | 30,632,502 | 56,472,079 |
| **NET ASSETS** | | | | |
| Invested in Capital Assets - Net of Related Debt | 14,321,729 | 20,678,246 | 22,578,567 | 57,578,542 |
| Restricted - Debt Service | - | 560,000 | 6,405,719 | 6,965,719 |
| Unrestricted | 3,969,813 | 2,121,671 | 10,630,814 | 16,722,298 |
| Total Net Assets | 18,291,542 | 23,359,917 | 39,615,100 | 81,266,559 |

## CITY OF BATAVIA, ILLINOIS

**Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds**
**Year Ended December 31, 2007**

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| | Waterworks | Sewerage | Electric | Totals |
| Operating Revenues | | | | |
| Charges for Services | $ 4,445,495 | 3,642,300 | 35,121,078 | 43,208,873 |
| Operating Expenses | | | | |
| Administration | 899,800 | 803,600 | 2,081,861 | 3,785,261 |
| Operations | 2,025,211 | 2,022,532 | 27,618,834 | 31,666,577 |
| Depreciation | 976,786 | 1,323,832 | 1,092,486 | 3,393,104 |
| Total Operating Expenses | 3,901,797 | 4,149,964 | 30,793,181 | 38,844,942 |
| Operating Income (Loss) | 543,698 | (507,664) | 4,327,897 | 4,363,931 |
| Nonoperating Revenues (Expenses) | | | | |
| Connection Fees | 2,400 | 17,897 | - | 20,297 |
| Interest Income | 179,822 | 133,599 | 1,315,170 | 1,628,591 |
| Disposal of Capital Assets | - | - | (29,256) | (29,256) |
| Interest and Fiscal Charges | (352,332) | (320,837) | (1,139,405) | (1,812,574) |
| | (170,110) | (169,341) | 146,509 | (192,942) |
| Income (Loss) Before Transfers | 373,588 | (677,005) | 4,474,406 | 4,170,989 |
| Transfers Out | (20,501) | - | - | (20,501) |
| Change in Net Assets | 353,087 | (677,005) | 4,474,406 | 4,150,488 |
| Net Assets - Beginning | 17,938,455 | 24,036,922 | 35,140,694 | 77,116,071 |
| Net Assets - Ending | 18,291,542 | 23,359,917 | 39,615,100 | 81,266,559 |



## CITY OF BATAVIA, ILLINOIS

**Statement of Cash Flows - Proprietary Funds**
**Year Ended December 31, 2007**

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| | Water | Sewerage | Electric | Totals |
| Cash Flows from Operating Activities | | | | |
| Receipts from Customers and Users | $ 4,518,626 | 3,701,767 | 33,417,719 | 41,638,112 |
| Payments to Employees | (726,450) | (676,137) | (1,978,506) | (3,381,093) |
| Payments to Suppliers | (2,581,817) | (2,173,442) | (28,036,330) | (32,791,589) |
| | 1,210,359 | 852,188 | 3,402,883 | 5,465,430 |
| Cash Flows from Noncapital Financing Activities | | | | |
| Connection Fees | 2,400 | 17,897 | - | 20,297 |
| Transfers Out | (20,501) | - | - | (20,501) |
| | (18,101) | 17,897 | - | (204) |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Purchase of Capital Assets | (535,597) | (173,765) | (24,903,905) | (25,613,267) |
| Interest and Fiscal Charges | (352,332) | (320,837) | (1,139,405) | (1,812,574) |
| Payment of Bond Principal | (1,376,808) | (1,041,215) | - | (2,418,023) |
| Proceeds of Bonds | 855,676 | - | - | 855,676 |
| | (1,409,061) | (1,535,817) | (26,043,310) | (28,988,188) |
| Cash Flows from Investing Activities | | | | |
| Interest Received | 179,822 | 133,599 | 1,315,170 | 1,628,591 |
| Net Change in Cash and Cash Equivalents | (36,981) | (532,133) | (21,325,257) | (21,894,371) |
| Cash and Cash Equivalents - Beginning of Year | 3,759,064 | 2,853,716 | 36,155,895 | 42,768,675 |
| Cash and Cash Equivalents - End of Year | 3,722,083 | 2,321,583 | 14,830,638 | 20,874,304 |
| Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities. | | | | |
| Operating Income (Loss) | 543,698 | (507,664) | 4,327,897 | 4,363,931 |
| Adjustments to Reconcile Operating Income to Net Income to Net Cash Provided by (Used in) Operating Activities. | | | | |
| Depreciation and Amortization Expense | 976,786 | 1,323,832 | 1,092,486 | 3,393,104 |
| Increase (Decrease) in Current Assets | 73,131 | 59,467 | (1,703,359) | (1,570,761) |
| Increase (Decrease) in Current Liabilities | (383,256) | (23,447) | (314,141) | (720,844) |
| Net Cash Provided by Operating Activities | 1,210,359 | 852,188 | 3,402,883 | 5,465,430 |

**CITY OF BATAVIA, ILLINOIS**

**Statement of Net Assets- Fiduciary Funds**
**December 31, 2007**

| | Pension Trust | Agency |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents | $ 4,670,166 | 87,784 |
| Investments | | |
| U.S. Government and Agency Obligations | 8,565,910 | - |
| Insurance Company Contracts | 2,432,470 | - |
| Mutual Funds | 5,387,671 | - |
| Equities | 3,840,651 | - |
| Receivables | | |
| Other | 14,285 | - |
| Accrued Interest | 75,162 | - |
| Total Assets | 24,986,315 | 87,784 |
| **LIABILITIES** | | |
| Accounts Payable | 3,538 | - |
| Deposits Payable | - | 86,820 |
| Due to Bondholders | - | 964 |
| Total Liabilities | 3,538 | 87,784 |
| **NET ASSETS** | | |
| Held in Trust for Pension Benefits (A schedule of funding progress is presented following the notes to the financial statements.) | 24,982,777 | - |

**CITY OF BATAVIA, ILLINOIS**

**Statement of Changes in Net Assets - Fiduciary Funds**
**Year Ended December 31, 2007**

| | Pension Trust |
|---|---|
| Additions | |
| Contributions - Employer | $ 1,273,672 |
| Contributions - Plan Members | 535,027 |
| Total Contributions | 1,808,699 |
| Investment Income | |
| Interest Earned | 1,647,231 |
| Net Change in Fair Value | - |
| | 1,647,231 |
| Less Investment Expenses | (129,563) |
| Net Investment Income | 1,517,668 |
| Total Additions | 3,326,367 |
| Deductions | |
| Administration | 37,777 |
| Benefits and Refunds | 910,181 |
| Total Deductions | 947,958 |
| Change in Net Assets | 2,378,409 |
| Net Plan Assets Held in Trust for Pension Benefits | |
| Beginning | 22,604,368 |
| Ending | 24,982,777 |

## 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 |
| Blended Component Units: | Police Pension Employees Retirement System<br>Firefighters' Pension Employees Retirement System |

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units that have a significant operational or financial relationship with the City.

*Blended Component Units* - Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the Component unit provided services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

Police Pension Employees Retirement System

The City's 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 pension trust fund.





## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

### REPORTING ENTITY – Continued

**Blended Component Units – Continued**

Firefighters' Pension Employees Retirement System

The City's 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 firefighters. The FPERS is reported as a pension trust fund.

### 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, operating and capital grants. Program revenues must be directly associated with the function (general government, public safety, highways and streets, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, 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.





**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, a major 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 Assessments Fund accounts for the collection of special assessments from property owners and payments of related special assessment debt. 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 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.





**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.

**Inventories**

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

**Prepaids**

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaids.

**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.





**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.

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".

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 designations, 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.

EXCESS OF ACTUAL EXPENSES OVER BUDGET IN INDIVIDUAL FUNDS

At December 31, 2007, the Sewerage Fund and Electric Fund had expenses over budget, exclusive of depreciation, of $372,163 and $847,293, respectively. The overexpenses in the Sewerage Fund were funded by available net assets and the overexpenses in the Electric Fund were funded by greater than anticipated operating revenues.





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 $32,172,464 and the bank balances totaled $32,528,401.

*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 | $ 3,132,675 | 3,132,675 | - | - | - |
| Federal Home Loan Bank | 1,709,795 | - | 1,709,795 | - | - |
| | 4,842,470 | 3,132,675 | 1,709,795 | - | - |

**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, 2007, Standard and Poor's rated all of the City's U.S. Treasury and 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.

*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, 2007, all U.S. Treasury Obligations and 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.





**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, 2007, 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 does not have any investments, exclusive of U.S. Government Securities, 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 $3,390,014 and the bank balances totaled $3,390,014.

*Investments.* At December 31, 2007, 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 | $ 1,854,101 | 490,095 | 429,443 | 934,563 | - |
| U.S. Treasury Bonds | 747,068 | - | - | - | 747,068 |
| Federal Farm Credit Bank | 37,972 | - | - | - | 37,972 |
| Federal Home Loan Mortgage Corp. | 679,876 | - | 525,708 | - | 154,168 |
| Federal National Mortgage Assoc. | 2,971,059 | - | 1,144,251 | 104,197 | 1,722,611 |
| Domestic Corporate Equities | 3,840,651 | - | - | - | 3,840,651 |
| Mutual Funds | 3,935,664 | - | - | - | 3,935,664 |
| | 14,066,391 | 490,095 | 2,099,402 | 1,038,760 | 10,438,134 |

*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, 2007, Standard and Poor's rated all of the Fund's U.S. Treasury and Agency Obligations AAA.

*Custodial Credit Risk – Deposits.* The Fund's investment policy does not limit custodial credit risk for deposits. At December 31, 2007, 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, 2007, 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, 2007, 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:

| | |
|---|---|
| Columbia International Value Fund-Z | $860,083 |
| Thornburg Invt TR International Value Fund CL R-5 | 924,619 |
| Wasatch Core Growth Fund | 1,574,418 |

**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 $1,280,152 and the bank balances totaled $1,280,152.

*Investments.* At December 31, 2007, 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 |
| Government National Mortgage Assoc. | $ 2,940 | - | - | - | 2,940 |
| Federal Home Loan Bank | 1,920,581 | - | 1,165,564 | 454,689 | 300,328 |
| Federal National Mortgage Assoc. | 150,000 | - | - | 150,000 | - |
| Federal Farm Credit Bank | 202,313 | 101,250 | 101,063 | - | - |
| Insurance Company Contracts | 2,432,470 | - | - | - | 2,432,470 |
| Mutual Funds | 1,452,007 | - | - | - | 1,452,007 |
| | 6,160,311 | 101,250 | 1,266,627 | 604,689 | 4,187,745 |





**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, 2007, Standard and Poor's rated all of the Fund's U.S. Treasury and Agency Obligations AAA.

*Custodial Credit Risk – Deposits.* The Fund's investment policy does not limit custodial credit risk for deposits. At December 31, 2007, 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, 2007, 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, 2007, 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:

| | |
|---|---|
| Amerus | $498,750 |
| Keyport Life Annuity | 574,511 |
| Sun Life Annuities | 1,072,413 |
| American Freedom U.S. Government Money Market Account | 1,176,070 |

## NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

### PROPERTY TAXES

Property taxes for 2007 attach as an enforceable lien on January 1, 2007, 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, 2008, and are payable in two installments, on or about June 1, 2008, and September 1, 2008. 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 | $ 18,004,812 | 170,000 | - | 18,174,812 |
| Construction in Progress | - | 2,770,849 | - | 2,770,849 |
| | 18,004,812 | 2,940,849 | - | 20,945,661 |
| Depreciable Capital Assets | | | | |
| Structures and Improvements | 9,567,000 | 8,813,206 | - | 18,380,206 |
| Machinery and Equipment | 4,746,481 | 94,948 | - | 4,841,429 |
| Infrastructure | 49,243,766 | 632,972 | 110,698 | 49,766,040 |
| | 63,557,247 | 9,541,126 | 110,698 | 72,987,675 |
| Less Accumulated Depreciation | | | | |
| Structures and Improvements | 2,404,756 | 171,132 | - | 2,575,888 |
| Machinery and Equipment | 1,934,176 | 268,779 | - | 2,202,955 |
| Infrastructure | 15,259,664 | 945,242 | 42,380 | 16,162,526 |
| | 19,598,596 | 1,385,153 | 42,380 | 20,941,369 |
| Total Net Depreciable Capital Assets | 43,958,651 | 8,155,973 | 68,318 | 52,046,306 |
| Total Net Capital Assets | 61,963,463 | 11,096,822 | 68,318 | 72,991,967 |

Depreciation expense was charged to governmental activities as follows:

| | |
|---|---|
| General Government | $ 76,684 |
| Public Safety | 161,559 |
| Highways and Streets | 1,146,910 |
| | 1,385,153 |



CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2007

## 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 | $ 1,027,051 | - | - | 1,027,051 |
| Construction in Progress | 11,430,555 | 22,892,617 | 3,201,873 | 31,121,299 |
| | 12,457,606 | 22,892,617 | 3,201,873 | 32,148,350 |
| Depreciable Capital Assets | | | | |
| Buildings | 144,121 | - | - | 144,121 |
| Structures and Improvements | 14,027,194 | - | - | 14,027,194 |
| Wells and Well Equipment | 1,801,678 | 1,833,258 | - | 3,634,936 |
| Machinery and Equipment | 1,541,426 | 179,078 | 89,663 | 1,630,841 |
| Electric System | 29,194,338 | 1,879,089 | 54,705 | 31,018,722 |
| Water/Sewer System | 56,764,893 | 2,031,098 | - | 58,795,991 |
| | 103,473,650 | 5,922,523 | 144,368 | 109,251,805 |
| Less Accumulated Depreciation | | | | |
| Buildings | 139,745 | 4,377 | - | 144,122 |
| Structures and Improvements | 3,062,280 | 341,204 | - | 3,403,484 |
| Wells and Well Equipment | 556,644 | 90,873 | - | 647,517 |
| Machinery and Equipment | 798,299 | 111,274 | 88,210 | 821,363 |
| Electric System | 12,688,847 | 1,013,355 | 26,902 | 13,675,300 |
| Water/Sewer System | 11,069,128 | 1,832,021 | - | 12,901,149 |
| | 28,314,943 | 3,393,104 | 115,112 | 31,592,935 |
| Total Net Depreciable Capital Assets | 75,158,707 | 2,529,419 | 29,256 | 77,658,870 |
| Total Net Capital Assets | 87,616,313 | 25,422,036 | 3,231,129 | 109,807,220 |

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

| | |
|---|---|
| Waterworks | $ 976,786 |
| Sewerage | 1,323,832 |
| Electric | 1,092,486 |
| | 3,393,104 |

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

INTERFUND TRANSFERS

Interfund transfers for the year consisted of the following:

| | Transfer Out | | | |
|---|---|---|---|---|
| | General | Debt Service | Waterworks | Totals |
| Transfer In | | | | |
| Debt Service | $ 1,091,910 | 660,789 | 20,501 | 1,773,200 |
| Capital Projects | 175,000 | - | - | 175,000 |
| Infrastructure | 988,467 | 929,853 | - | 1,918,320 |
| | 2,255,377 | 1,590,642 | 20,501 | 3,866,520 |

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.

LONG-TERM DEBT

Installment Contracts

The City also issues installment contracts to provide funds for the purchase of capital assets. Installment contracts currently outstanding are as follows:

| Issue | Fund Debt Retired By | Balances January 1 | Issuances | Retirements | Balances December 31 |
|---|---|---|---|---|---|
| Installment contract of 2002 due in annual installments of $50,000 to $100,000 plus interest at 4.35% through June 30, 2007 | Debt Service | $ 50,000 | - | 50,000 | - |





NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

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 1998 due in annual installments of $20,000 to $320,000 plus interest at 3.45% to 4.25% through December 15, 2014 | Debt Service | $ 2,150,000 | - | 225,000 | 1,925,000 |
| General Obligation Refunding Bond Series of 2002A due in annual installments of $16,450 to $102,225 plus interest of 2.0% to 3.65% through January 1, 2011 | Debt Service | 390,100 | - | 91,650 | 298,450 |
| 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 | 1,560,600 | - | 290,700 | 1,269,900 |
| 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 | 1,960,000 | - | 80,000 | 1,880,000 |
| | | 6,060,700 | - | 687,350 | 5,373,350 |

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 1995 due in annual installments of $45,000 to $95,000 plus interest at 4.7% to 4.8% through December 1, 2010 | General | $ 350,000 | - | 80,000 | 270,000 |

**NOTE 3 – DETAIL NOTES ON ALL FUNDS** – Continued

**LONG-TERM DEBT** – Continued

**Alternate Revenue Bonds** – Continued

| Issue | Fund Debt Retired By | Balances January 1 | Issuances | Retirements | Balances December 31 |
|---|---|---|---|---|---|
| Alternate Revenue Bond Series of 1996 due in annual installments of $15,000 to $30,000 plus interest at 5.1% to 5.7% through December 1, 2010 | General | $ 110,000 | - | 25,000 | 85,000 |
| Alternate Revenue Bond Series of 1997 due in annual installments of $20,000 to $30,000 plus interest at 4.5% to 6.0% through December 1, 2007 | General | 30,000 | - | 30,000 | - |
| Alternate Revenue Bond Series of 1998 due in annual installments of $115,000 to $230,000 plus interest at 4.375% to 4.6% through December 1, 2013 | Debt Service | 1,400,000 | - | 170,000 | 1,230,000 |
| 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 | 9,580,000 | - | 320,000 | 9,260,000 |
| | | 11,470,000 | - | 625,000 | 10,845,000 |



CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2007

**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 1989 due in annual installments of $89,502 including interest at 3.745% through October 9, 2010 | Sewerage | $ 329,629 | - | 77,879 | 251,750 |
| IEPA Sewer Revenue Bond Series of 1990 due in annual installments of $497,756 including interest at 3.745% through October 15, 2012 | Sewerage | 2,453,490 | - | 409,673 | 2,043,817 |
| IEPA Sewer Revenue Bond Series of 1999 due in annual installments of $67,044 including interest at 2.535% through May 1, 2020 | Sewerage | 754,769 | - | 48,214 | 706,555 |
| IEPA Sewer Revenue Bond Series of 1999A due in annual installments of $714,655 including interest at 2.535% through November 1, 2020 | Sewerage | 8,378,253 | - | 505,449 | 7,872,804 |
| IEPA Water Revenue Bond Series of 2004 due in annual installments of $179,890 including interest at 2.500% through November 1, 2024 | Waterworks | 5,815,496 | 391,947 | 610,868 | 5,596,575 |
| IEPA Water Revenue Bond Series of 2004 due in annual installments of $98,676 including interest at 2.500% through November 1, 2024 | Waterworks | 3,007,697 | 208,459 | 332,247 | 2,883,909 |
| IEPA Water Revenue Bond Series of 2005 due in annual installments of $13,723 including interest at 2.500% through November 1, 2024 | Waterworks | 461,810 | 29,879 | 46,205 | 445,484 |

CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2007

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 payment schedule not yet established, including interest at 2.500% through December 1, 2024 | Waterworks | $ 2,757,375 | 178,492 | 64,807 | 2,871,060 |
| IEPA Water Revenue Bond Series of 2006 payment schedule not yet established, including interest at 2.500% through December 1, 2024 | Waterworks | 1,401,906 | 46,899 | 31,981 | 1,416,824 |
| 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 | 26,870,000 | - | - | 26,870,000 |
| | | 52,230,425 | 855,676 | 2,127,323 | 50,958,778 |

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 | $ 382,545 | - | 13,106 | 369,439 | - |
| Installment Contracts | 50,000 | - | 50,000 | - | - |
| General Obligation Bonds | 4,500,100 | - | 396,650 | 4,103,450 | 411,350 |
| Alternate Revenue Bonds | 11,470,000 | - | 625,000 | 10,845,000 | 290,000 |
| | 16,402,645 | - | 1,084,756 | 15,317,889 | 701,350 |
| Business-Type Activities | | | | | |
| Revenue Bonds | $ 52,230,425 | 855,676 | 2,127,323 | 50,958,778 | 1,358,768 |
| General Obligation Bonds | 1,560,000 | - | 290,100 | 1,269,900 | 298,350 |
| | 53,790,425 | 855,676 | 2,417,423 | 52,228,678 | 1,657,118 |



CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2007

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Long-Term Liability Activity – Continued

Payments on the Net Pension Obligation are made by the General Fund. The Debt Service Fund makes payments on the installment contracts. Payments on the General Obligation/Alternate Revenue Bonds are made by the General, Debt Service and Waterworks Funds. The Water 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 Principal | General Obligation Bonds Interest | Alternate Revenue Bonds Principal | Alternate Revenue Bonds Interest |
|---|---|---|---|---|
| 2008 | $ 411,350 | 177,978 | 290,000 | 73,360 |
| 2009 | 434,875 | 162,670 | 645,000 | 448,448 |
| 2010 | 452,225 | 145,938 | 680,000 | 420,068 |
| 2011 | 360,000 | 128,286 | 580,000 | 390,299 |
| 2012 | 380,000 | 113,840 | 610,000 | 365,162 |
| 2013 | 395,000 | 98,450 | 635,000 | 338,368 |
| 2014 | 420,000 | 81,100 | 425,000 | 310,150 |
| 2015 | 105,000 | 62,500 | 445,000 | 291,662 |
| 2016 | 110,000 | 57,250 | 465,000 | 272,325 |
| 2017 | 110,000 | 51,750 | 490,000 | 252,031 |
| 2018 | 115,000 | 46,250 | 510,000 | 230,781 |
| 2019 | 120,000 | 40,500 | 535,000 | 208,575 |
| 2020 | 125,000 | 34,500 | 560,000 | 185,306 |
| 2021 | 130,000 | 28,250 | 590,000 | 160,869 |
| 2022 | 140,000 | 21,750 | 615,000 | 135,263 |
| 2023 | 145,000 | 14,750 | 645,000 | 108,488 |
| 2024 | 150,000 | 7,500 | 675,000 | 80,016 |
| 2025 | - | - | 710,000 | 49,275 |
| 2026 | - | - | 740,000 | 33,300 |
| Total | 4,103,450 | 1,273,262 | 10,845,000 | 4,353,746 |

**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 | Business-Type Activities: Revenue Bonds Interest | General Obligation Bonds Principal | General Obligation Bonds Interest |
|---|---|---|---|---|
| 2008 | $ 1,358,768 | 1,434,595 | 298,350 | 21,946 |
| 2009 | 1,402,280 | 1,391,107 | 313,650 | 34,196 |
| 2010 | 1,447,183 | 1,345,880 | 325,125 | 23,688 |
| 2011 | 1,402,578 | 1,300,307 | 332,775 | 12,146 |
| 2012 | 1,477,284 | 1,255,699 | - | - |
| 2013 | 1,274,001 | 1,210,904 | - | - |
| 2014 | 1,315,431 | 1,169,274 | - | - |
| 2015 | 1,357,278 | 1,126,227 | - | - |
| 2016 | 1,404,556 | 1,081,749 | - | - |
| 2017 | 1,447,274 | 1,035,631 | - | - |
| 2018 | 1,495,445 | 988,060 | - | - |
| 2019 | 1,544,079 | 938,826 | - | - |
| 2020 | 1,553,769 | 888,049 | - | - |
| 2021 | 865,000 | 840,376 | - | - |
| 2022 | 900,000 | 804,694 | - | - |
| 2023 | 935,000 | 766,894 | - | - |
| 2024 | 975,000 | 727,156 | - | - |
| 2025 | 1,020,000 | 685,718 | - | - |
| 2026 | 1,060,000 | 642,368 | - | - |
| 2027 | 1,105,000 | 597,318 | - | - |
| 2028 | 1,155,000 | 550,356 | - | - |
| 2029 | 1,205,000 | 499,826 | - | - |
| 2030 | 1,255,000 | 447,106 | - | - |
| 2031 | 1,310,000 | 392,200 | - | - |
| 2032 | 1,370,000 | 334,888 | - | - |
| 2033 | 1,430,000 | 274,950 | - | - |
| 2034 | 1,490,000 | 210,600 | - | - |
| 2035 | 1,560,000 | 143,550 | - | - |
| 2036 | 1,630,000 | 73,338 | - | - |
| Total | 37,744,926 | 23,157,646 | 1,269,900 | 91,976 |

CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2007

**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<br>*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<br>*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 | 9,228 |
| Number of Sewer Customers | 9,201 |
| Quantity of Sewerage Treated (in Millions of Gallons) | 1,217.13 |
| Quantity of Water Pumped (in Millions of Gallons) | 1,098.67 |
| Quantity of Water Billed (in Millions of Gallons) | 990.20 |
| Electric | |
| Number of Electric Customers by Class | |
| Residental | 9,485 |
| Commercial | 1,273 |
| Industrial | 11 |
| Kwh of Energy Purchased | 427,246,470 |
| Average cost per kwh | $ 0.066668 |

**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 - 2006 | $ 1,013,801,886 |
| Legal Debt Limit - 8.625% of Assessed Value | 87,440,413 |
| Amount of Debt Applicable to Limit | |
| General Obligation Bonds | 5,075,000 |
| Legal Debt Margin | 82,365,413 |





**NOTE 3 – DETAIL NOTES ON ALL FUNDS** – Continued

**FUND EQUITY/FUND BALANCE**

**Fund Balance – Reserved for Special Revenues**

The following is a schedule of fund balance reservations for special or restricted revenues as of the date of this report:

| | Beginning Balance | Revenues | Expenses | Ending Balance |
|---|---|---|---|---|
| General Fund | | | | |
| Street Improvement | $ 952,883 | 1,512,952 | 1,371,692 | 1,094,143 |
| Community Development Assistance Program | 274,334 | 9,008 | - | 283,342 |
| | 1,227,217 | 1,521,960 | 1,371,692 | 1,377,485 |

**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 and life benefits and accounts for these benefits in the General Fund. Under this program, the General Fund provides coverage up to a maximum of $50,000 per individual's 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:

| | 2007 | 2006 |
|---|---|---|
| Claims Payable - Beginning of Year | $ 653,086 | 811,918 |
| Incurred Claims | 3,279,819 | 3,016,089 |
| Claims Paid | (3,200,346) | (3,174,921) |
| Claims Payable - End of Year | 732,559 | 653,086 |

NOTE 4 – OTHER INFORMATION – Continued

POSTEMPLOYMENT BENEFITS

In addition to providing pension benefits, the City provides certain health care insurance benefits for retired employees. In accordance with the personnel policy substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. The retirees pay an annual premium that is equal to the actuarially determined costs for each plan year. Accordingly, no liability has been recorded for post-retirement health care benefits. The City also provides COBRA health and dental benefits to all prior employees as required by federal law. The prior employee pays 100 percent of the premium.

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.

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 by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523. 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. Pension benefits vest after eight years of service. Participating members 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. IMRF also provides death and disability benefits.





NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Plan Descriptions, Provisions and Funding Policies – Continued

Illinois Municipal Retirement System – Continued

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 rate for calendar year 2007 was 10.74 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.

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 | 16 |
| Current Employees | |
| Vested and Nonvested | 43 |
| | 59 |

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 attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary.

Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

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 2033 the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully 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 | 9 |
| Current Employees | |
| Vested and Nonvested | 24 |
| | 33 |

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 attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank 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 monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Covered employees 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 2033 the City's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is fully funded.

**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.



CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2007

**NOTE 4 – OTHER INFORMATION** – Continued

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS** – Continued

**Summary of Significant Accounting Policies and Plan Asset Matters** – Continued

**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 | Firefighters' Pension |
|---|---|---|
| Columbia International Value Fund-Z | $ 860,083 | - |
| Thornburg Invt TR International Value Fund CL R-5 | 924,619 | - |
| Wasatch Core Growth Fund | 1,574,418 | - |
| Amerus | - | 498,750 |
| Keyport Life Annuity | - | 574,511 |
| Sun Life Annuities | - | 1,072,413 |
| American Freedom U.S. Government Money Market Account | - | 1,176,070 |

**Related Party Transactions**

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

**Annual Pension Cost and Net Pension Obligation**

There was no net pension obligation for the IMRF Plan at year-end. The amount of the pension liability for the Police and Firefighters' Pension plans is as follows:

| | Police Pension | Firefighters' Pension | Totals |
|---|---|---|---|
| Annual Required Contribution | $ 776,898 | 406,343 | 1,183,241 |
| Interest on the NPO | 20,746 | 6,032 | 26,778 |
| Adjustment to the ARC | (12,905) | (3,752) | (16,657) |
| Annual Pension Cost | 784,739 | 408,623 | 1,193,362 |
| Actual Contribution | (777,012) | (429,456) | (1,206,468) |
| Increase in the NPO | 7,727 | (20,833) | (13,106) |
| NPO - Beginning of Year | 296,377 | 86,168 | 382,545 |
| NPO - End of Year | 304,104 | 65,335 | 369,439 |

**NOTE 4 – OTHER INFORMATION** – Continued

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS** – Continued

**Annual Pension Cost and Net Pension Obligation** – Continued

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 | 10.74% | 25.00% | 26.88% |
| Employee | 4.50% | 9.91% | 9.455% |
| Annual Pension Cost | $737,959 | $784,739 | $408,640 |
| Contributions Made | $737,959 | $777,012 | $429,456 |
| Actuarial Valuation Date | 12/31/2006 | 12/31/2006 | 12/31/2006 |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| Amortization Method | Level % of Projected Payroll Closed Basis | Level % of Projected Payroll Closed Basis | Level % of Projected Payroll Closed Basis |
| Remaining Amortization Period | 26 Years | 27 Years | 27 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 11.6% | 5.50% | 5.50% |
| Inflation Rate Included | 4.00% | 3.00% | 3.00% |
| Cost-of-Living Adjustments | 3.00% | 3.00% | 3.00% |



CITY OF BATAVIA, ILLINOIS

Notes to the Financial Statements
December 31, 2007

**NOTE 4 – OTHER INFORMATION** – Continued

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS** – Continued

**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) | 2004 | $ 564,823 | $ 692,704 | $ 407,558 |
| | 2005 | 631,250 | 732,580 | 402,926 |
| | 2006 | 737,959 | 784,739 | 408,623 |
| Actual Contributions | 2004 | 564,823 | 681,717 | 403,972 |
| | 2005 | 631,250 | 721,691 | 403,554 |
| | 2006 | 737,959 | 777,012 | 429,456 |
| Percentage of APC Contributed | 2004 | 100.00% | 98.41% | 99.12% |
| | 2005 | 100.00% | 98.51% | 100.16% |
| | 2006 | 100.00% | 99.02% | 105.10% |
| Net Pension Obligation | 2004 | - | 285,488 | 86,796 |
| | 2005 | - | 296,377 | 86,168 |
| | 2006 | - | 304,104 | 65,335 |

**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 Standard & Poor's highest rating: AAA. 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 and www.dtc.org.

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 (Sales Tax Alternate Revenue Source), Series 2009A (the *"Bonds"*), to the amount of $855,000, dated April 1, 2009, due serially on December 1 of the years and in the amounts and bearing interest as follows:

| YEAR | AMOUNT ($) | RATE (%) |
|---|---|---|
| 2010 | 205,000 | 2.50 |
| 2011 | 210,000 | 2.75 |
| 2012 | 215,000 | 3.00 |
| 2013 | 225,000 | 3.00 |

and issued for the purpose of refunding certain previously issued general obligation bonds (sales tax alternate revenue source) of the City. Each of the Bonds bears interest from the later of its 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 such 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 June 15 and December 15 of each year, commencing on June 15, 2009. The Bonds are not subject to redemption prior to maturity.

Based upon such review, we are of the opinion that the Proceedings show lawful authority for said issue under the laws of the State of Illinois now in force.

We further certify that we have examined the form prescribed for the Bonds and find the same in due form of law, and in our opinion the Bonds, to the amount named, are valid and legally binding upon the City and are secured by (i) ad valorem taxes levied against all of the taxable property in the City without limitation as to rate or amount, and (ii) Pledged Sales Taxes (as defined in the Proceedings), 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.

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 includable 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.

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.

**PROPOSED FORM OF OPINION OF BOND COUNSEL**
**[LETTERHEAD OF CHAPMAN AND CUTLER LLP]**
**[TO BE DATED CLOSING DATE]**
**(CONTINUED)**

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 2009B (the *"Bonds"*), to the amount of $1,435,000, dated April 1, 2009, of the denomination of $5,000 or authorized integral multiples thereof, due and payable serially on December l5 of the years and in the amounts and bearing interest at the rates percent per annum as follows:

| YEAR | AMOUNT ($) | RATE (%) |
|---|---|---|
| 2010 | 270,000 | 2.50 |
| 2011 | 275,000 | 2.75 |
| 2012 | 285,000 | 3.00 |
| 2013 | 295,000 | 3.00 |
| 2014 | 310,000 | 3.50 |

and issued for the purpose of refunding certain previously issued general obligation bonds of the City. Each of the Bonds bears interest from the later of its 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 such 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 June 15 and December 15 of each year, commencing on June 15, 2009. The Bonds are not subject to redemption prior to maturity.

Based upon 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 prescribed for the Bonds and find the same in due form of law, and in our opinion the Bonds, to the amount named, are valid and legally binding upon 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, 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.

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 includable 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.

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.