

**City of North Chicago, Illinois**

**Annual Financial Report**

**Year ended April 30, 2009**

# City of North Chicago, Illinois

## Annual Financial Report

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For the year ended April 30, 2009

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**INDEPENDENT AUDITORS' REPORT**

# MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council  
City of North Chicago, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Chicago, Illinois, as of and for the year ended April 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Police and Firefighters' Pension Funds, which represent over ninety-nine percent of the assets, net assets, and revenues of the fiduciary funds. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Police Pension Fund and Firefighters' Pension Fund, is based solely on the reports of the other auditors.

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

The financial statements of the Five Points Economic Development Corporation Component Unit have not been audited, and we were not engaged to audit the Five Points Economic Development Corporation Component Unit's financial statements as part of our audit of the City's basic financial statements. Five Points Economic Development Corporation Component Unit's financial activities are included in the City's basic financial statements as a discretely presented component unit and reflect total assets of \$2,287,637, total revenues of \$2,992, and net assets (deficit) of (\$4,255,681).

(Continued)

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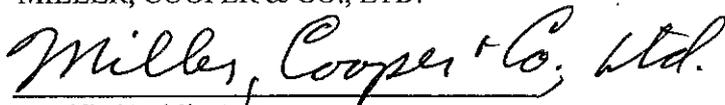
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Five Points Economic Development Corporation Component Unit financial statements been audited, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Chicago, Illinois, as of April 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 13 and the Illinois Municipal Retirement Fund, other postemployment benefits, and Police and Firefighters' Pension Funds supplementary information and budgetary comparison information on pages 77 through 84 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary financial information and other supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

MILLER, COOPER & CO., LTD.

  
Certified Public Accountants

Deerfield, Illinois  
October 14, 2009

## Management's Discussion and Analysis

As management of the City of North Chicago, we offer readers of the City of North Chicago's financial statements this narrative overview and analysis of the financial activities of the City of North Chicago for the fiscal year ended April 30, 2009.

### Financial Highlights

- The assets of the City of North Chicago (the City) exceeded its liabilities at the close of the most recent fiscal year by \$28,458,214 (net assets).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,983,895. Of this amount, \$9,207,248 was unrestricted, undesignated, and available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4,865,534, or 25.6 percent of total general fund expenditures.
- The City's total general obligation bonds outstanding are \$29,845,000, a decrease of \$1,230,000 for principal payments during the current fiscal year.

### Overview of the Financial Statements

The management's discussion and analysis serves as an introduction to the City's basic financial statements, which are the government-wide financial statements, fund financial statements, and notes to the financial statements. Also included in the report is required supplementary information.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include administration and general government, public safety, public works, library, and economic development. The business-type activities of the City include the water and wastewater operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate component unit for which the City is financially accountable. Financial information for the Five Points Economic Development Corporation (nonprofit corporation) is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 14-17 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Capital Improvement, and Downtown Tax Increment Financing Redevelopment Project Area Funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and certain other funds. A budgetary comparison statement has been provided for the General Fund and any major special revenue funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 18-23 of this report.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and wastewater operations. Internal service funds are an accounting device used to report activities that provide goods or services to City departments. The City uses internal service funds to account for employee dental and vision insurance and retiree's medical insurance. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements provide separate information for the water and wastewater operations, which are considered to be a major fund of the City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Unrestricted net assets of the enterprise funds at the end of the fiscal year amounted to \$4,998,685 and those of the internal service funds amounted to \$45,720.

The basic proprietary fund financial statements can be found on pages 24-29 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. Fiduciary funds are used to account for temporary escrow funds and pension trust funds that are audited by a separate accounting firm.

The basic fiduciary fund financial statements can be found on pages 30-31 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-76 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 77-84 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the required supplementary information on pensions in the supplementary financial information section. Combining and individual fund statements and schedules for nonmajor governmental funds and internal service funds can be found on pages 109 – 120 and 129-131 of this report, respectively.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$28,458,214 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table reflects condensed information for the City's net assets:

**CITY OF NORTH CHICAGO**  
Net Assets

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$31,969,378	\$30,638,174	\$ 8,205,108	\$ 8,233,782	\$40,174,486	\$38,871,956
Noncurrent assets	19,182,442	19,275,866	14,367,522	14,377,656	33,549,964	33,653,522
Total assets	51,151,820	49,914,040	22,572,630	22,611,438	73,724,450	72,525,478
Current liabilities	8,956,346	5,961,789	697,018	328,794	9,653,364	6,290,583
Long-term liabilities	31,240,814	31,655,924	4,372,058	4,598,402	35,612,872	36,254,326
Total liabilities	40,197,160	37,617,713	5,391,215	4,927,196	45,266,236	42,544,909
Net assets:						
Invested in capital assets, net of related debt	17,701,177	16,617,724	12,504,869	12,527,597	30,206,046	29,145,321
Restricted by enabling legislation	2,865,515	4,147,606	-	-	2,865,515	4,147,606
Unrestricted	(9,612,032)	(8,469,003)	4,998,685	5,156,645	(4,613,347)	(3,312,358)
Total net assets	\$10,954,660	\$12,296,327	\$17,503,554	\$17,684,242	\$28,458,214	\$29,980,569

At the end of the current fiscal year, the City is able to report positive balances in both categories of net assets, the governmental activities as a whole, as well as for the business-type activities. The same was true for the prior fiscal year.

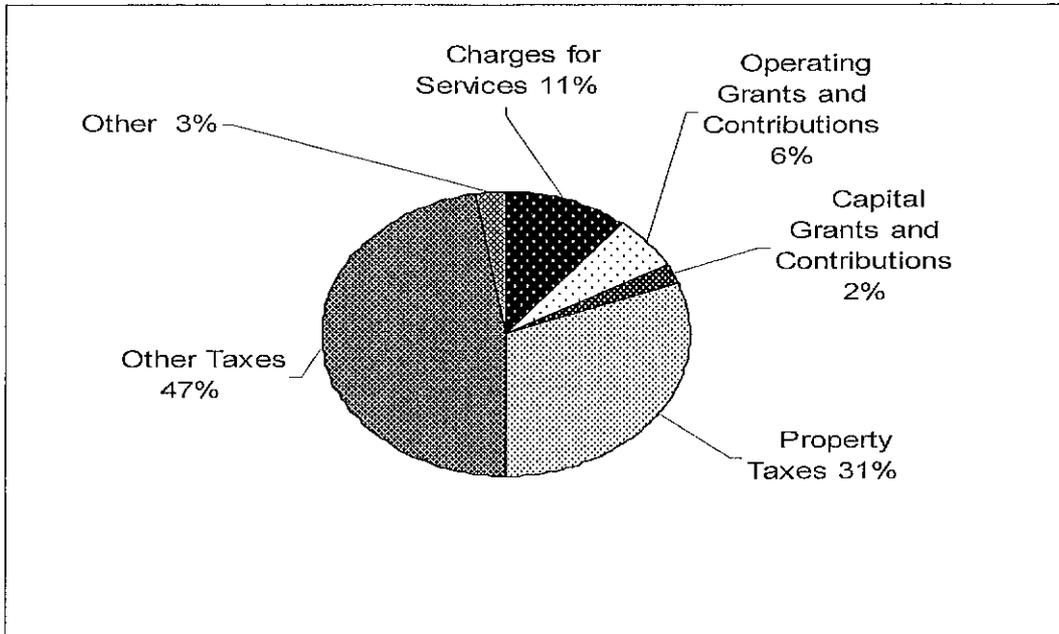
**Governmental activities.** The City's changes in net assets and total revenues, expenses, and transfers for governmental and business-type activities are reflected in the following:

**CITY OF NORTH CHICAGO**  
Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 2,397,183	\$ 2,085,597	\$ 6,047,333	\$ 6,211,322	\$ 8,444,516	\$ 8,296,919
Operating grants and contributions	1,355,976	2,429,522	-	-	1,355,976	2,429,522
Capital grants and contributions	449,817	366,454	-	-	449,817	366,454
<b>General revenues:</b>						
Property taxes	6,841,374	6,311,840	-	-	6,841,374	6,311,840
Other taxes	10,382,576	10,518,359	-	-	10,382,576	10,518,359
Other	632,344	1,021,897	103,992	190,858	736,336	1,212,755
<b>Total revenues</b>	<b>22,059,270</b>	<b>22,733,669</b>	<b>6,151,325</b>	<b>6,402,180</b>	<b>28,210,595</b>	<b>29,135,849</b>
<b>Expenses:</b>						
Administration and general government	6,137,677	5,457,669	-	-	6,137,677	5,457,669
Police	8,709,754	7,585,571	-	-	8,709,754	7,585,571
Fire	3,279,224	2,796,069	-	-	3,279,224	2,796,069
Public works	3,468,186	2,938,223	-	-	3,468,186	2,938,223
Library	604,452	501,162	-	-	604,452	501,162
Economic development	1,846,466	2,139,543	-	-	1,846,466	2,139,543
Interest	1,355,176	1,231,178	-	-	1,355,176	1,231,178
Water	-	-	3,566,557	3,052,470	3,566,557	3,052,470
Sewer	-	-	765,456	767,934	765,456	767,934
<b>Total expenses</b>	<b>25,400,935</b>	<b>22,649,415</b>	<b>4,332,013</b>	<b>3,820,404</b>	<b>29,732,948</b>	<b>26,469,819</b>
Change in net assets before transfers	(3,341,665)	84,254	1,819,312	2,581,776	(1,522,353)	2,666,030
Transfers	2,000,000	2,000,000	(2,000,000)	(2,000,000)	-	-
Reserve against due from component unit	-	(4,000,063)	-	-	-	(4,000,063)
<b>Increase in net assets</b>	<b>(1,341,665)</b>	<b>(1,915,809)</b>	<b>(180,688)</b>	<b>581,776</b>	<b>(1,522,353)</b>	<b>(1,334,033)</b>
<b>Net assets - May 1, 2008</b>	<b>12,296,325</b>	<b>14,212,136</b>	<b>17,684,242</b>	<b>17,102,466</b>	<b>29,980,567</b>	<b>31,314,602</b>
<b>Net assets - April 30, 2009</b>	<b>\$10,954,660</b>	<b>\$12,296,325</b>	<b>\$17,503,554</b>	<b>\$17,684,242</b>	<b>\$28,458,214</b>	<b>\$29,980,567</b>

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### Revenues by Source - Governmental Activities

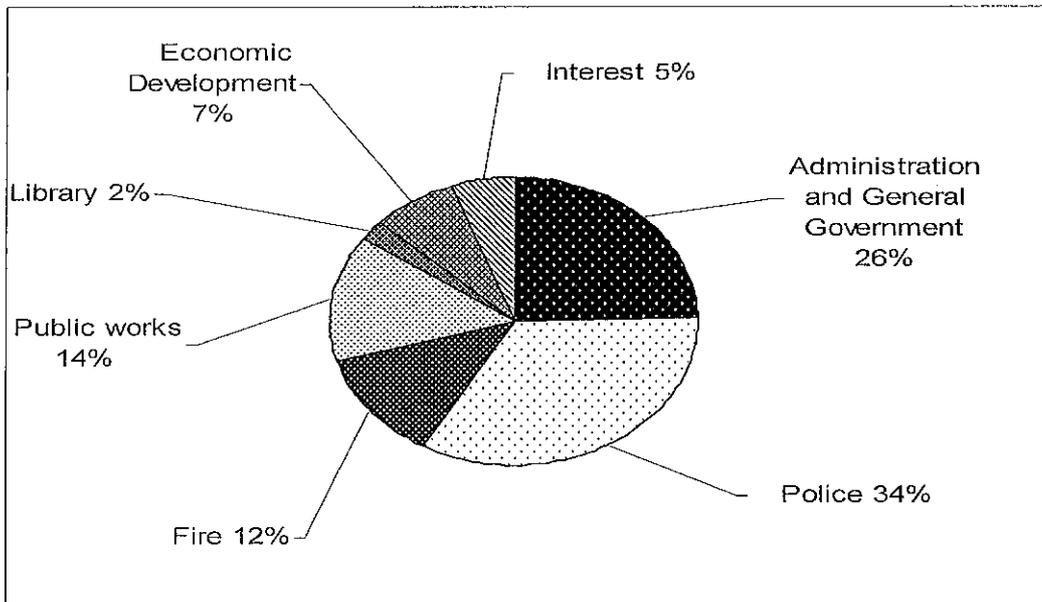


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The chart below shows the expenses by function. The cost of all governmental activities was \$25,400,935. The Statement of Activities on pages 16-17 shows that \$2,397,183 was financed by those who use the services, \$1,805,793 was financed by grants and contributions, with the City's general revenues, operating transfers, and net assets financing \$20,551,948.

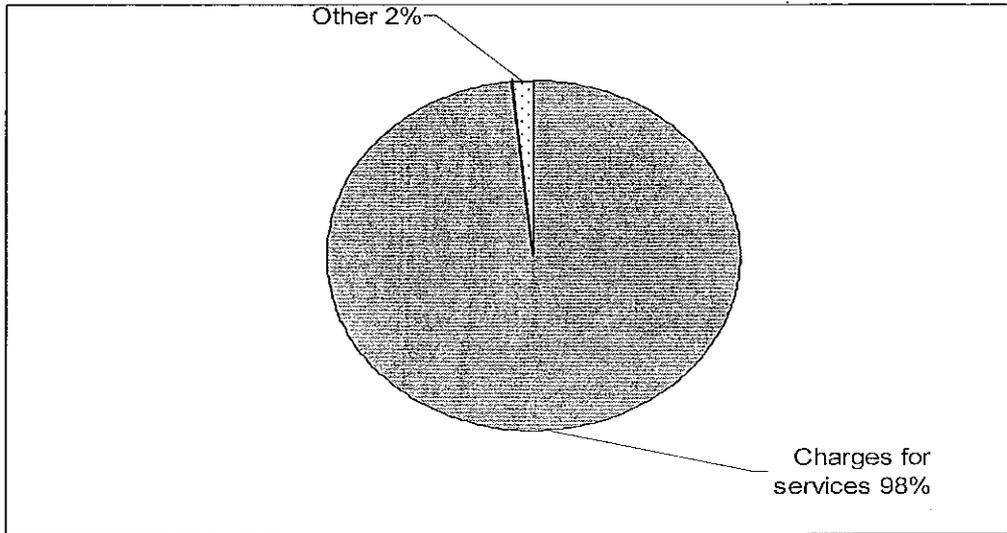
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### Expenses by Function - Governmental Activities



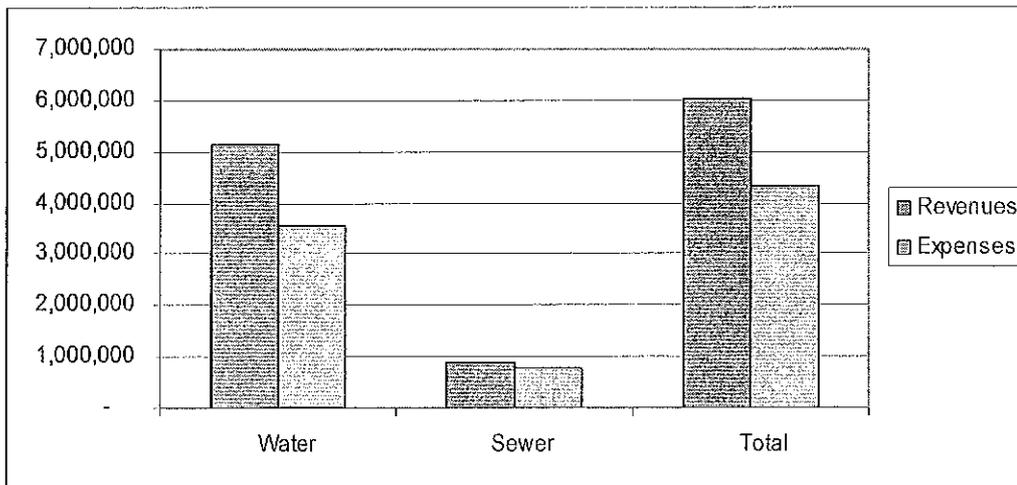
**Business-type activities.** The chart below shows the revenues by source for business-type activities. Total revenues for the City's business-type activities were \$6,151,325 for the year ended April 30, 2009. Ninety-eight percent of the revenues come from charges paid by the users of services and two percent from other sources.

**Revenues by Source - Business-type Activities**



The following graph compares the revenues by source and expenses by function for business-type activities. The program revenues and costs of these activities were \$6,047,333 and \$4,332,013, respectively. The Statement of Activities on pages 16-17 shows that the water and wastewater systems cover all costs and operate at a profit.

**Expenses and Program Revenues - Business-type Activities**



## Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,983,895, a decrease of \$1,690,805 in comparison with the prior year. Approximately 40% of this amount (\$9,207,248) constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been reserved 1) for inventory (\$30,203), 2) to pay debt service (\$3,271,998), 3) for capital projects (\$2,661,291), 4) for land held for resale (\$6,205,297), and 5) for the balance due from a component unit (\$1,607,858).

The General Fund is the chief operating fund of the City. At the end of the fiscal year, unreserved fund balance of the General Fund was \$4,865,534. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 25.6 percent of total General Fund expenditures, while total fund balance represents 26.8 percent of that same amount.

The fund balance of the City's General Fund increased by \$648,815 during the current fiscal year. Key factors in this growth are as follows:

- An increase in the real estate taxes of \$565,684.
- The General Fund received new revenue of \$182,562 from implementation of the Red Light Photo Enforcement Program.

**Proprietary funds.** The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the water and wastewater operations at the end of the year amounted to \$17,503,554, as compared to \$17,684,242 for the prior year, a decrease of \$180,688. The unrestricted amount at the end of the year is \$4,998,685. Other factors concerning the finances of the enterprise funds have already been addressed in the discussion of the City's business-type activities.

### General Fund Budgetary Highlights

The budgeted revenues and other financing sources were sufficient to offset budgeted expenditures and other financing uses, leaving an original budgeted surplus of \$451,587. The difference between the original budget surplus and the final amended budget surplus was a decrease of \$94,608 for an allocation to the police department for the purchase of public safety equipment.

Realized revenues and other financing sources were \$19,702,746, compared to the budget of \$18,797,353, which exceeds budget by \$905,393, or approximately 5 percent.

Expenditures were \$19,053,931, compared to the budget of \$18,440,374, which exceeds budget by \$613,557. Items in excess of budget primarily consist of 1) building and health (\$89,020) for costs to deal with vacant properties as a result of mortgage foreclosures, 2) administrative services (\$304,979) attributable to higher than expected worker's compensation and liability insurance premiums, and expense for the red light photo enforcement program that was offset by additional revenue, and 3) economic development (\$204,469) for sales tax incentive sharing that was offset by additional sales tax revenue.

### Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of April 30, 2009 amounts to \$33,063,699 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, infrastructure, library collections, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Construction began for the Martin Luther King Jr. Drive Sanitary Sewer Project and the Martin Luther King Jr. Drive Water Improvement Project; construction in progress as of the close of the fiscal year had reached \$3,197,317.
- Various machinery and equipment acquisitions were made at a cost of \$351,304.

### CITY OF NORTH CHICAGO

#### Capital Assets (net of depreciation)

	Governmental		Business-type		Total	
	activities		activities			
	2009	2008	2009	2008	2009	2008
Land	\$ 2,831,841	\$ 2,831,841	\$ 2,435	\$ 2,435	\$ 2,834,276	\$ 2,834,276
Construction in progress	496,851	468,799	3,197,317	2,771,802	3,694,168	3,240,601
Land improvements	192	812	138,844	145,698	139,036	146,510
Buildings and improvements	1,940,369	2,040,314	4,937,861	5,107,696	6,878,230	7,148,010
Infrastructure	11,937,519	12,003,507	-	-	11,937,519	12,003,507
Library collections	197,681	148,302	-	-	197,681	148,302
Machinery and equipment	1,291,724	1,264,108	6,091,065	6,350,025	7,382,789	7,614,133
<b>Total</b>	<b>\$ 18,696,177</b>	<b>\$ 18,757,683</b>	<b>\$ 14,367,522</b>	<b>\$ 14,377,656</b>	<b>\$ 33,063,699</b>	<b>\$ 33,135,339</b>

Additional information on the City's capital assets can be found in Note E on pages 53-55 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$29,845,000. The total amount of the outstanding issues is government obligation bonds backed by the full faith and credit of the City. The debt is comprised of the obligations as shown in the table below.

**CITY OF NORTH CHICAGO**  
**Outstanding Debt**  
**General Obligation Bonds**

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
<b>General obligation bonds:</b>						
Series 1996	\$ 995,000	\$2,085,000	\$ -	\$ -	\$ 995,000	\$ 2,085,000
Series 2005A	9,325,000	9,325,000	-	-	9,325,000	9,325,000
Series 2005B	-	-	3,450,000	3,590,000	3,450,000	3,590,000
Series 2007A	2,475,000	2,475,000	-	-	2,475,000	2,475,000
Series 2007B	4,740,000	4,740,000	-	-	4,740,000	4,740,000
Series 2007C	8,860,000	8,860,000	-	-	8,860,000	8,860,000
<b>Total</b>	<b>\$26,395,000</b>	<b>\$27,485,000</b>	<b>\$3,450,000</b>	<b>\$3,590,000</b>	<b>\$ 29,845,000</b>	<b>\$ 31,075,000</b>

Additional information on the City's long-term debt can be found in Note F on pages 56-61 of this report.

**Economic Factors and Next Year's Budget and Rates**

The City's fiscal condition is highly reliant upon economic factors that impact revenues and the cost of providing essential services. The housing slump and the mortgage and foreclosure crisis, which turned into the near total meltdown of the nation's financial sector, are affecting the financial health of almost all municipalities, including the City. Increased demand for food crops and raw material, fueled by growing worldwide economic expansion, caused volatility in commodity markets resulting in record price increases for finished products. Finally, increasing global energy demands and political instability in oil producing regions saw the price for a barrel of crude oil reach almost \$145. As these events unfolded, consumers reduced their spending on discretionary purchases and concentrated on the basics. As demand for goods and services fell, businesses cut spending and layoffs multiplied. The collapse of the financial sector resulted in tens of thousands of lost jobs.

This decline in economic conditions presents troubling developments that will likely affect our financial health over the next several years. The impact on revenues includes a decrease in state-shared municipal revenue, real estate transfer tax, building permits, and investment income. When reduced revenues are coupled with rising costs in commodities, health care, and personnel expenses, the result can best be described as budgetary stress.

The unemployment rate for the City is 12.5 percent, which is an increase from the rate of 9.8 percent a year ago. The unemployment rate for the state of Illinois is 9.3 percent, which is an increase from a rate of 5.4 percent a year ago. The current national rate is 8.6 percent. The City's rate is higher than both the state and national rates due to its being a labor surplus area.

Economic development initiatives that are in process have been stymied by the downturn in economic conditions and have yet to produce any significant additional revenue. The City is currently seeking a developer specializing in land development, management, and construction, for the development of the Downtown Tax Increment Financing Redevelopment Project Area, located generally at the northwest corner of Sheridan Road and Martin Luther King Jr. Drive. To promote and effect the development of this property, the City issued General Obligation Bonds, Series 2005A in the amount of \$9,325,000, General Obligation Bonds, Series 2007A in the amount of \$2,475,000, General Obligations Bonds, Series 2007B in the amount of \$4,740,000, General Obligation Bonds, Series 2007C in the amount of \$8,860,000; a total of \$25,400,000. The City also issued General Obligation Bonds, Series 2005B in the amount of \$3,860,000 for the purpose of water and wastewater improvements. The proceeds of all these issues will contribute greatly to the "Downtown Redevelopment Plan", which will have a significant impact on future property tax and sales tax revenues.

The fiscal year 2010 budget for the General Fund does not provide for sufficient revenue to meet anticipated expenditures. As a result, the City must continue to restrict personnel recruitment, defer certain repair and replacement of capital items, maintain operating expenses at the current level, and manage the cost of our workforce, both salaries and fringe benefits.

The loss of revenue due to the 2000 Census continues to have an impact on state-shared revenues. The Census decreased from 42,473 to 35,918, a decrease of approximately 15%. The lost revenue due to the census reduction for fiscal year 2010 for state-shared income tax and use tax, based on the current per capita projection, is \$689,917. The lost revenue for state-shared motor fuel tax is \$172,397.

The projected receipts from the state of Illinois for fiscal year 2010 for state income tax will decrease from \$92.90, the per capita estimated amount for 2009, to \$77.00, a decrease of 17.1%. Motor fuel tax is projected to decrease from \$25.80 to \$25.60 per capita, a decrease of 0.8%. State use tax is projected to decrease from \$14.75 per person to \$12.70, a decrease of 13.9%.

The budget for operating expenses is on a status-quo basis and does not include new or expanded services and programs. The budget will enable the City to continue providing the community with the same level of basic essential services.

The fiscal year 2010 budget for the enterprise fund for the City's water and wastewater operations reflects a deficit of approximately \$193,032. The enterprise activities are being influenced by a decline in processed and raw water sales. To offset the decrease in sales the City is evaluating: 1) the potential outsourcing of the operation of our water treatment plant, 2) updating the City's comprehensive water and wastewater rate plan for fiscal year 2010 and beyond, and 3) seeking new customers contiguous to City boundaries. Capital projects to be completed during fiscal year 2010 consist of the replacement and upsizing of the water main and sanitary sewer along Martin Luther King Jr. Drive from Sheridan Road to Green Bay Road. The water and wastewater improvements will be constructed as part of a larger Illinois Department of Transportation project for the reconstruction of the roadway. The completion of these improvements is critical to the Sheridan Road Redevelopment Project.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of North Chicago's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Comptroller, City of North Chicago, 1850 Lewis Avenue, North Chicago, Illinois 60064.

## **BASIC FINANCIAL STATEMENTS**

# City of North Chicago, Illinois

## Statement of Net Assets (Deficit)

April 30, 2009

	Primary Government			(Unaudited) Component Unit
	Governmental	Business-type	Total	Five Points Economic Development Corporation
	Activities	Activities		
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 10,642,821	\$ 7,438,778	\$ 18,081,599	\$ 215,672
Investments	2,504,582	-	2,504,582	-
Property taxes receivable	6,993,779	-	6,993,779	-
Other taxes receivable	685,274	-	685,274	-
Intergovernmental receivable	222,295	-	222,295	-
Loans receivable, net	-	-	-	132,494
Other receivables, net	3,080,080	763,519	3,843,599	-
Interfund balances	(2,811)	2,811	-	-
Due from component unit, net of \$4,563,349 reserve	1,607,858	-	1,607,858	-
Inventory	30,203	-	30,203	-
Land held for resale	6,205,297	-	6,205,297	-
Total current assets	31,969,378	8,205,108	40,174,486	348,166
Noncurrent assets				
Note receivable, City of North Chicago	-	-	-	339,471
Deferred bond issuance charges, net	486,265	-	486,265	-
Land and other capital assets not being depreciated	3,328,692	3,199,752	6,528,444	243,100
Capital assets, net of accumulated depreciation	15,367,485	11,167,770	26,535,255	1,356,900
Total noncurrent assets	19,182,442	14,367,522	33,549,964	1,939,471
Total assets	51,151,820	22,572,630	73,724,450	2,287,637

(Continued)

The accompanying notes are an integral part of this statement.

# City of North Chicago, Illinois

## Statement of Net Assets (Deficit)

April 30, 2009

	Primary Government			(Unaudited) Component Unit
	Governmental Activities	Business-type Activities	Total	Five Points Economic Development Corporation
	<b>LIABILITIES</b>			
Current liabilities				
Accounts payable	\$ 1,629,306	\$ 678,494	\$ 2,307,800	\$ -
Accrued payroll	718,108	18,524	736,632	-
Unearned revenue	4,120,626	-	4,120,626	-
Claims payable	35,257	-	35,257	-
Other payables	2,453,049	-	2,453,049	-
Due to primary government	-	-	-	6,171,207
Noncurrent liabilities				
Due within one year	1,221,685	245,000	1,466,685	9,082
Due in more than one year	30,019,129	4,127,058	34,146,187	363,029
<b>Total liabilities</b>	<b>40,197,160</b>	<b>5,069,076</b>	<b>45,266,236</b>	<b>6,543,318</b>
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	17,701,177	12,504,869	30,206,046	-
Restricted by enabling legislation	2,865,515	-	2,865,515	-
Unrestricted	(9,612,032)	4,998,685	(4,613,347)	(4,255,681)
<b>Total net assets (deficit)</b>	<b>\$ 10,954,660</b>	<b>\$ 17,503,554</b>	<b>\$ 28,458,214</b>	<b>\$ (4,255,681)</b>

(Concluded)

The accompanying notes are an integral part of this statement.

# City of North Chicago, Illinois

## Statement of Activities

For the year ended April 30, 2009

<u>Functions/Programs</u>	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
<b>Primary government</b>				
Governmental activities				
Administration and general government	\$ 6,137,677	\$ 43,207	\$ -	\$ -
Police	8,709,754	687,619	-	41,027
Fire	3,279,224	317,825	-	231,242
Public works	3,468,186	1,332,385	943,164	59,144
Library	604,452	16,147	44,002	1,716
Economic development	1,846,466	-	368,810	116,688
Interest	1,355,176	-	-	-
Total governmental activities	25,400,935	2,397,183	1,355,976	449,817
Business-type activities				
Water	3,566,557	5,145,331	-	-
Sewer	765,456	902,002	-	-
Total business-type activities	4,332,013	6,047,333	-	-
Total primary government	\$ 29,732,948	\$ 8,444,516	\$ 1,355,976	\$ 449,817
<b>(Unaudited) Component unit - Five Points</b>				
Economic Development Corporation	\$ 572,514	\$ -	\$ -	\$ -
General revenues				
Property taxes				
Other taxes				
Intergovernmental				
Miscellaneous				
Interest income				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			(Unaudited)
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Five Points Economic Development Corporation
\$ (6,094,470)	\$ -	\$ (6,094,470)	\$ -
(7,981,108)	-	(7,981,108)	-
(2,730,157)	-	(2,730,157)	-
(1,133,493)	-	(1,133,493)	-
(542,587)	-	(542,587)	-
(1,360,968)	-	(1,360,968)	-
(1,355,176)	-	(1,355,176)	-
<u>(21,197,959)</u>	<u>-</u>	<u>(21,197,959)</u>	<u>-</u>
-	1,578,774	1,578,774	-
-	136,546	136,546	-
-	1,715,320	1,715,320	-
<u>(21,197,959)</u>	<u>1,715,320</u>	<u>(19,482,639)</u>	<u>-</u>
-	-	-	(572,514)
6,841,374	-	6,841,374	-
4,226,894	-	4,226,894	-
6,155,682	-	6,155,682	-
447,642	5,912	453,554	-
184,702	98,080	282,782	2,992
2,000,000	(2,000,000)	-	-
<u>19,856,294</u>	<u>(1,896,008)</u>	<u>17,960,286</u>	<u>2,992</u>
(1,341,665)	(180,688)	(1,522,353)	(569,522)
<u>12,296,325</u>	<u>17,684,242</u>	<u>29,980,567</u>	<u>(3,686,159)</u>
<u>\$ 10,954,660</u>	<u>\$ 17,503,554</u>	<u>\$ 28,458,214</u>	<u>\$ (4,255,681)</u>

# City of North Chicago, Illinois

## Governmental Funds

### Balance Sheet

April 30, 2009

	<u>General</u>	<u>Capital Improvement</u>	<u>Downtown Tax Increment Financing Redevelopment Project Area</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,498,753	\$ 585,257	\$ 2,763,029
Investments	-	2,204,582	-
Property taxes receivable	4,841,570	-	-
Other taxes receivable	685,274	-	-
Intergovernmental receivable	-	26,560	-
Other receivables	2,092,925	3,138	1,471
Due from other funds	67,516	-	61,518
Due from component unit, net of reserve	-	-	-
Inventory	30,203	-	-
Land held for resale	200,000	-	6,005,297
<b>Total assets</b>	<b><u>\$ 9,416,241</u></b>	<b><u>\$ 2,819,537</u></b>	<b><u>\$ 8,831,315</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 717,460	\$ 402,169	\$ 164,727
Accrued payroll	712,724	-	-
Unearned revenue	2,864,478	-	-
Other payables	22,831	2,409,801	-
Due to other funds	3,011	-	-
<b>Total liabilities</b>	<b><u>4,320,504</u></b>	<b><u>2,811,970</u></b>	<b><u>164,727</u></b>
<b>Fund balances</b>			
Reserved for inventory	30,203	-	-
Reserved for debt service	-	-	-
Reserved for capital projects	-	-	2,661,291
Reserved for land held for resale	200,000	-	6,005,297
Reserved for due from component unit	-	-	-
Unreserved	4,865,534	7,567	-
<b>Total fund balances</b>	<b><u>5,095,737</u></b>	<b><u>7,567</u></b>	<b><u>8,666,588</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 9,416,241</u></b>	<b><u>\$ 2,819,537</u></b>	<b><u>\$ 8,831,315</u></b>

The accompanying notes are an integral part of this statement.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,724,963	\$ 10,572,002
300,000	2,504,582
2,152,209	6,993,779
-	685,274
195,735	222,295
957,388	3,054,922
35,190	164,224
1,607,858	1,607,858
-	30,203
-	6,205,297
<u>\$ 10,973,343</u>	<u>\$ 32,040,436</u>
\$ 344,950	\$ 1,629,306
5,384	718,108
1,256,148	4,120,626
3,834	2,436,466
149,024	152,035
<u>1,759,340</u>	<u>9,056,541</u>
-	30,203
3,271,998	3,271,998
-	2,661,291
-	6,205,297
1,607,858	1,607,858
4,334,147	9,207,248
<u>9,214,003</u>	<u>22,983,895</u>
<u>\$ 10,973,343</u>	<u>\$ 32,040,436</u>

## City of North Chicago, Illinois

### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

April 30, 2009

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

Total fund balances - governmental funds \$ 22,983,895

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 18,696,177

Long-term liabilities, including bonds payable, accrued interest payable, component unit note payable, bond issuance premium, deferred bond issuance charges, compensated absences payable, other postemployment benefits, lawsuit settlement liability, and net pension obligations are not due and payable in the current period. Therefore, these liabilities are not reported in the current period and, consequently, are not reported in the governmental funds. (30,771,132)

The net assets of the internal service funds are included in the governmental activities in the statement of net assets. 45,720

Net assets of governmental activities \$ 10,954,660

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The accompanying notes are an integral part of this statement.

# City of North Chicago, Illinois

## Governmental Funds

### Statement of Revenues, Expenditures, and Changes in Fund Balances

For the year ended April 30, 2009

	<u>General</u>	<u>Capital Improvement</u>	<u>Downtown Tax Increment Financing Redevelopment Project Area</u>
<b>Revenues</b>			
Property taxes	\$ 4,732,385	\$ -	\$ -
Taxes - other	4,105,944	-	-
Licenses and permits	443,557	-	-
Intergovernmental	6,071,569	-	-
Grants	5,874	40,150	-
Fines and fees	1,937,479	-	-
Interest	32,225	7,720	38,303
Miscellaneous	373,713	-	-
Total revenues	<u>17,702,746</u>	<u>47,870</u>	<u>38,303</u>
<b>Expenditures</b>			
Current			
General government	2,374,268	-	-
Administration services	3,520,250	-	-
Highway and streets	1,202,027	41,384	-
Public safety	10,622,142	-	-
Culture and recreation	-	-	-
Economic development	1,297,744	-	-
Debt service			
Principal retirement	-	-	-
Interest and other	-	-	-
Capital outlay	-	-	448,938
Total expenditures	<u>19,016,431</u>	<u>41,384</u>	<u>448,938</u>
Excess (deficiency) of revenues over expenditures	<u>(1,313,685)</u>	<u>6,486</u>	<u>(410,635)</u>
<b>Other financing sources (uses)</b>			
Transfers in	2,000,000	1,081	-
Transfers out	(37,500)	-	(116,334)
Total other financing sources	<u>1,962,500</u>	<u>1,081</u>	<u>(116,334)</u>
Change in fund balances	648,815	7,567	(526,969)
Fund balances, beginning of year	<u>4,446,922</u>	<u>-</u>	<u>9,193,557</u>
Fund balances, end of year	<u>\$ 5,095,737</u>	<u>\$ 7,567</u>	<u>\$ 8,666,588</u>

The accompanying notes are an integral part of this statement.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,108,989	\$ 6,841,374
120,950	4,226,894
-	443,557
1,021,403	7,092,972
822,479	868,503
16,147	1,953,626
105,659	183,907
73,929	447,642
<u>4,269,556</u>	<u>22,058,475</u>
-	2,374,268
598,874	4,119,124
1,487,633	2,731,044
497,555	11,119,697
523,546	523,546
548,722	1,846,466
1,090,000	1,090,000
1,381,647	1,381,647
114,549	563,487
<u>6,242,526</u>	<u>25,749,279</u>
<u>(1,972,970)</u>	<u>(3,690,804)</u>
257,743	2,258,824
<u>(104,990)</u>	<u>(258,824)</u>
<u>152,753</u>	<u>2,000,000</u>
(1,820,217)	(1,690,804)
<u>11,034,220</u>	<u>24,674,699</u>
<u>\$ 9,214,003</u>	<u>\$ 22,983,895</u>

## City of North Chicago, Illinois

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

For the year ended April 30, 2009

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

Net change in fund balances - total governmental funds \$ (1,690,804)

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. This is the amount by which depreciation expense exceeded capital outlay in the current period. (64,056)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets. 2,550

The issuance of long-term debt and capital leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the difference in the treatment of long-term debt and related items. 1,144,959

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (743,599)

Internal service funds are reported separately in the fund financial statements. 9,285

Change in net assets - governmental activities \$ (1,341,665)

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The accompanying notes are an integral part of this statement.

**City of North Chicago, Illinois**

Proprietary Funds  
Statement of Net Assets  
April 30, 2009

	Business-Type Activities - Enterprise Funds				Governmental
					Activities
	Water	Sewer	Water and * Sewer Expansion (Nonmajor)	Total	Internal Service Funds
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 4,594,343	\$ 2,844,435	\$ -	\$ 7,438,778	\$ 70,819
Other receivables, net	620,498	143,021	-	763,519	25,158
Due from other funds	2,811	-	-	2,811	-
Total current assets	<u>5,217,652</u>	<u>2,987,456</u>	<u>-</u>	<u>8,205,108</u>	<u>95,977</u>
Noncurrent assets					
Land and other capital assets not being depreciated	95,856	3,103,896	-	3,199,752	-
Capital assets, net of accumulated depreciation	<u>11,007,481</u>	<u>160,289</u>	<u>-</u>	<u>11,167,770</u>	<u>-</u>
Total noncurrent assets	<u>11,103,337</u>	<u>3,264,185</u>	<u>-</u>	<u>14,367,522</u>	<u>-</u>
Total assets	<u>16,320,989</u>	<u>6,251,641</u>	<u>-</u>	<u>22,572,630</u>	<u>95,977</u>

\* The Water and Sewer Expansion Fund was closed in fiscal year 2009.

(Continued)

The accompanying notes are an integral part of this statement.

**City of North Chicago, Illinois**

Proprietary Funds

Statement of Net Assets (Continued)

April 30, 2009

	Business-Type Activities - Enterprise Funds				Governmental
					Activities
	Water	Sewer	Water and * Sewer Expansion (Nonmajor)	Total	Internal Service Funds
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 318,129	\$ 360,365	\$ -	\$ 678,494	\$ -
Accrued payroll	13,235	5,289	-	18,524	-
Due to other funds	-	-	-	-	15,000
Note payable to Abbott					
Laboratories	100,000	-	-	100,000	-
Bonds payable	70,641	74,359	-	145,000	-
Claims payable	-	-	-	-	35,257
<b>Total current liabilities</b>	<u>502,005</u>	<u>440,013</u>	<u>-</u>	<u>942,018</u>	<u>50,257</u>
Noncurrent liabilities					
Compensated absences payable	103,292	69,320	-	172,612	-
Note payable to Abbott					
Laboratories	649,446	-	-	649,446	-
Bonds payable	1,610,128	1,694,872	-	3,305,000	-
<b>Total noncurrent liabilities</b>	<u>2,362,866</u>	<u>1,764,192</u>	<u>-</u>	<u>4,127,058</u>	<u>-</u>
<b>Total liabilities</b>	<u>2,864,871</u>	<u>2,204,205</u>	<u>-</u>	<u>5,069,076</u>	<u>50,257</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	11,009,915	1,494,954	-	12,504,869	-
Unrestricted	2,446,203	2,552,482	-	4,998,685	45,720
<b>Total net assets</b>	<u>\$ 13,456,118</u>	<u>\$ 4,047,436</u>	<u>\$ -</u>	<u>\$ 17,503,554</u>	<u>\$ 45,720</u>

\* The Water and Sewer Expansion Fund was closed in fiscal year 2009.

(Concluded)

The accompanying notes are an integral part of this statement.

# City of North Chicago, Illinois

## Proprietary Funds

### Statement of Revenues, Expenses, and Changes in Net Assets

For the year ended April 30, 2009

	Business-Type Activities - Enterprise Funds				Governmental
	Water	Sewer	Water and * Sewer Expansion (Nonmajor)	Total	Activities - Internal Service Funds
<b>Operating revenues</b>					
Charges for sales and services	\$ 5,145,331	\$ 902,002	\$ -	\$ 6,047,333	\$ 307,741
Miscellaneous	5,912	-	-	5,912	-
<b>Total operating revenues</b>	<b>5,151,243</b>	<b>902,002</b>	<b>-</b>	<b>6,053,245</b>	<b>307,741</b>
<b>Operating expenses</b>					
Operations	3,027,438	657,350	-	3,684,788	299,251
Depreciation	462,133	27,067	-	489,200	-
<b>Total operating expenses</b>	<b>3,489,571</b>	<b>684,417</b>	<b>-</b>	<b>4,173,988</b>	<b>299,251</b>
<b>Operating income</b>	<b>1,661,672</b>	<b>217,585</b>	<b>-</b>	<b>1,879,257</b>	<b>8,490</b>
<b>Nonoperating revenues (expenses)</b>					
Interest income	65,229	32,851	-	98,080	795
Interest expense	(76,986)	(81,039)	-	(158,025)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(11,757)</b>	<b>(48,188)</b>	<b>-</b>	<b>(59,945)</b>	<b>795</b>
<b>Income before operating transfers</b>	<b>1,649,915</b>	<b>169,397</b>	<b>-</b>	<b>1,819,312</b>	<b>9,285</b>

\* The Water and Sewer Expansion Fund was closed in fiscal year 2009.

(Continued)

The accompanying notes are an integral part of this statement.

**City of North Chicago, Illinois**

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Assets (Continued)

For the year ended April 30, 2009

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Water and *</u>	<u>Total</u>	
			<u>Sewer Expansion (Nonmajor)</u>		
Operating transfers					
Transfers in	\$ 13,672	\$ -	\$ -	\$ 13,672	\$ -
Transfers out	<u>(2,000,000)</u>	<u>-</u>	<u>(13,672)</u>	<u>(2,013,672)</u>	<u>-</u>
Total operating transfers	<u>(1,986,328)</u>	<u>-</u>	<u>(13,672)</u>	<u>(2,000,000)</u>	<u>-</u>
Change in net assets	(336,413)	169,397	(13,672)	(180,688)	9,285
Net assets, beginning of year	<u>13,792,531</u>	<u>3,878,039</u>	<u>13,672</u>	<u>17,684,242</u>	<u>36,435</u>
Net assets, end of year	<u>\$ 13,456,118</u>	<u>\$ 4,047,436</u>	<u>\$ -</u>	<u>\$ 17,503,554</u>	<u>\$ 45,720</u>

\* The Water and Sewer Expansion Fund was closed in fiscal year 2009.

(Concluded)

The accompanying notes are an integral part of this statement.

**City of North Chicago, Illinois**

Proprietary Funds

Statement of Cash Flows

For the year ended April 30, 2009

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Water and Sewer Expansion (Nonmajor) *	Total	
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 5,149,619	\$ 910,097	\$ -	\$ 6,059,716	\$ 282,583
Cash payments for goods and services	(1,664,415)	(135,323)	(8,285)	(1,808,023)	(272,237)
Cash payments to employees	(1,311,431)	(509,038)	-	(1,820,469)	-
Net cash provided by (used in) operating activities	<u>2,173,773</u>	<u>265,736</u>	<u>(8,285)</u>	<u>2,431,224</u>	<u>10,346</u>
<b>Cash flows from noncapital financing activities</b>					
Interfund borrowing	(2,811)	-	-	(2,811)	-
Operating transfers in	13,672	-	-	13,672	-
Operating transfers out	(2,000,000)	-	(13,672)	(2,013,672)	-
Net cash used in noncapital financing activities	<u>(1,989,139)</u>	<u>-</u>	<u>(13,672)</u>	<u>(2,002,811)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>					
Purchase of equipment and infrastructure	(102,521)	(55,474)	-	(157,995)	-
Payment of note payable	(95,485)	-	-	(95,485)	-
Payment of bond principal	(68,205)	(71,795)	-	(140,000)	-
Interest paid	(76,986)	(81,039)	-	(158,025)	-
Net cash used in capital and related financing activities	<u>(343,197)</u>	<u>(208,308)</u>	<u>-</u>	<u>(551,505)</u>	<u>-</u>
<b>Cash flows from investing activities</b>					
Interest received	65,229	32,851	-	98,080	795
Net cash provided by investing activities	<u>65,229</u>	<u>32,851</u>	<u>-</u>	<u>98,080</u>	<u>795</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
	(93,334)	90,279	(21,957)	(25,012)	11,141
Cash and cash equivalents, beginning of year	<u>4,687,677</u>	<u>2,754,156</u>	<u>21,957</u>	<u>7,463,790</u>	<u>59,678</u>
Cash and cash equivalents, end of year	<u>\$ 4,594,343</u>	<u>\$ 2,844,435</u>	<u>\$ -</u>	<u>\$ 7,438,778</u>	<u>\$ 70,819</u>

\* The Water and Sewer Expansion Fund was closed in fiscal year 2009.

(Continued)

The accompanying notes are an integral part of this statement.

# City of North Chicago, Illinois

## Proprietary Funds

### Statement of Cash Flows (Continued)

For the year ended April 30, 2009

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Water and * Sewer Expansion (Non-major)	Total	
Reconciliation of operating income to net cash provided by (used in) operating activities					
Operating income	\$ 1,661,672	\$ 217,585	\$ -	\$ 1,879,257	\$ 8,490
Adjustments to reconcile operating income to net cash provided by (used in) operating activities					
Depreciation	462,133	27,067	-	489,200	-
(Increase) decrease in other receivables	(1,622)	8,095	-	6,473	(25,158)
Increase (decrease) in accounts payable	92,261	19,245	(8,285)	103,221	-
Decrease in accrued payroll	(42,110)	(13,958)	-	(56,068)	-
Increase in compensated absences payable	1,439	7,702	-	9,141	-
Increase in due to other funds	-	-	-	-	15,000
Increase in claims payable	-	-	-	-	12,014
Net cash provided by (used in) operating activities	\$ 2,173,773	\$ 265,736	\$ (8,285)	\$ 2,431,224	\$ 10,346
<u>Supplemental disclosure of noncash activities:</u>					
Sewer Fund sanitary sewer project capital asset addition accrued at year-end					\$ 321,071

\* The Water and Sewer Expansion Fund was closed in fiscal year 2009.

(Concluded)

The accompanying notes are an integral part of this statement.

# City of North Chicago, Illinois

## Fiduciary Funds

### Statement of Fiduciary Net Assets

April 30, 2009

	Pension Trust Funds			Agency Fund
	Police Pension	Firefighters' Pension	Total	Temporary Escrow
<b>ASSETS</b>				
Cash and cash equivalents	\$ 88,238	\$ 9,004	\$ 97,242	\$ 8,635
Investments	15,134,119	8,090,498	23,224,617	-
Other assets	87,232	10,588	97,820	-
<b>Total assets</b>	<b>15,309,589</b>	<b>8,110,090</b>	<b>23,419,679</b>	<b>8,635</b>
<b>LIABILITIES</b>				
Accounts payable	1,650	1,352	3,002	-
Escrow funds payable	-	-	-	8,635
<b>Total liabilities</b>	<b>1,650</b>	<b>1,352</b>	<b>3,002</b>	<b>8,635</b>
<b>PLAN NET ASSETS</b>				
Plan net assets held in trust for pension benefits	<b>\$ 15,307,939</b>	<b>\$ 8,108,738</b>	<b>\$ 23,416,677</b>	<b>\$ -</b>

The accompanying notes are an integral part of this statement.

**City of North Chicago, Illinois**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Assets**  
For the year ended April 30, 2009

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
<b>Additions</b>			
<b>Contributions</b>			
Employer	\$ 612,054	\$ 459,037	\$ 1,071,091
Plan members	360,625	168,772	529,397
<b>Total contributions</b>	<u>972,679</u>	<u>627,809</u>	<u>1,600,488</u>
<b>Investment earnings</b>			
Interest	432,118	250,591	682,709
Net change in fair value of investments	<u>(3,392,738)</u>	<u>(746,185)</u>	<u>(4,138,923)</u>
<b>Total investment earnings</b>	<u>(2,960,620)</u>	<u>(495,594)</u>	<u>(3,456,214)</u>
<b>Less investment expenses</b>	<u>76,288</u>	<u>4,807</u>	<u>81,095</u>
<b>Net investment loss</b>	<u>(3,036,908)</u>	<u>(500,401)</u>	<u>(3,537,309)</u>
<b>Total additions</b>	<u>(2,064,229)</u>	<u>127,408</u>	<u>(1,936,821)</u>
<b>Deductions</b>			
Administration	34,669	38,496	73,165
Benefits	1,388,334	793,263	2,181,597
Refunds of contributions	<u>64,256</u>	<u>-</u>	<u>64,256</u>
<b>Total deductions</b>	<u>1,487,259</u>	<u>831,759</u>	<u>2,319,018</u>
<b>Change in net assets</b>	<u>(3,551,488)</u>	<u>(704,351)</u>	<u>(4,255,839)</u>
<b>Net assets held in trust for pension benefits</b>			
Beginning of year	<u>18,859,427</u>	<u>8,813,089</u>	<u>27,672,516</u>
End of year	<u>\$ 15,307,939</u>	<u>\$ 8,108,738</u>	<u>\$ 23,416,677</u>

The accompanying notes are an integral part of this statement.

**City of North Chicago, Illinois**  
Index for Notes to the Financial Statements  
April 30, 2009

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# City of North Chicago, Illinois

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April 30, 2009

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# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2009

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### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of North Chicago, Illinois, (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The more significant of the City's accounting policies are described below.

#### 1. Reporting Entity

As defined by GAAP, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- (a) Appointment of a voting majority of the component unit's board, and either (1) the ability to impose will by the primary government or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (b) Fiscal dependency on the primary government.

Based on the above criteria, the City has the following component unit.

#### (a) Discretely Presented Component Unit

The Five Points Economic Development Corporation (the Corporation) is a non-profit organization, which is tax-exempt under section 501(c)(4) of the Internal Revenue Code. The Corporation promotes the development, establishment, and expansion of commercial, industrial, professional, and civic enterprises in the City. The Corporation is governed by a Board of Directors, which is appointed by the Mayor of the City; therefore, the City has control over the actions of the Corporation. The financial statements presented for this component unit have not been audited.

#### 2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are reported in the supplementary information.

### 3. Fund Accounting

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three broad categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Funds - Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the servicing of general long-term debt (debt service funds), and the acquisition or construction of capital assets (capital projects funds). The General Fund is used to account for all activities of the general government not accounted for in another fund.

Proprietary Funds - Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2009

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### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3. Fund Accounting (Continued)

Fiduciary Funds - Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. When these assets are held under the terms of a formal trust agreement, a trust fund is used (pension trust funds). Agency funds generally are used to account for assets that the City holds on behalf of others as their agent.

#### 4. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the availability criteria are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes as available if they are collected within 60 days of the end of the current fiscal period. A six-month availability period is used for revenue recognition for all other governmental fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Property taxes, sales taxes, income taxes, motor fuel taxes, franchise taxes, interest revenue, and charges for services revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The *Capital Improvement Fund* is a new capital project fund in fiscal year 2009. It accounts for financial resources used to complete the Martin Luther King, Jr. Drive Improvement project.

The *Downtown Tax Increment Financing Redevelopment Project Area Fund* accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for tax increment financing.

The City reports the following major proprietary funds:

The *Water Fund* accounts for the provision of water services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, financing and related debt service, and billing and collections.

The *Sewer Fund* accounts for the provision of sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, financing and related debt service, and billing and collections.

Additionally, the City reports the following fund types:

*Internal Service Funds* account for dental and vision insurance claims and insurance premiums of retired employees provided to other funds, on a cost-reimbursement basis.

*Pension Trust Funds* account for the activities of the accumulation of resources to pay police and firefighters' pension costs. Resources are contributed by members at rates fixed by state statutes and by the City through an annual property tax levy.

The *Agency Fund* accounts for escrow funds that are held by the City on behalf of contractors and residents.

The City has chosen the option to apply all applicable GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements, to the enterprise funds' activity.

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2009

---

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All taxes are reported as general revenues.

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 enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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.

The City reports unearned revenue on its financial statements. Unearned revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for unearned revenues is removed from the financial statements and revenue is recognized.

#### 5. Budgets

Budgets and appropriations are adopted on a basis consistent with GAAP. Annual appropriations are adopted for the general, special revenue, debt service, capital projects, enterprise, internal service, and pension trust funds. All annual appropriations lapse at fiscal year-end.

The budget is used by the City for operating controls and, therefore, is not reported in the financial statements. The annual appropriation exceeded the annual budget by approximately 10%.

#### 6. Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, demand deposits, and investments with original maturities of less than three months from the date of purchase.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 7. Investments

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

### 8. Receivables

The recognition of receivables and revenue associated with nonexchange transactions is as follows:

- Derived tax receivables (such as: sales, income, and motor fuel taxes) are recognized when the underlying exchange has occurred.
- Imposed nonexchange receivables (such as: property taxes and fines) are recognized when an enforceable legal claim has arisen.
- Government mandates or voluntary nonexchange transaction receivables (such as: mandates or grants) are recognized when all eligibility requirements have been met.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all utility receivable balances that have had a final reading and estimates the portion, if any, of the balance that will not be collected. In addition, the City has established an allowance against the balance due from the component unit. See Note O.

### 9. Interfund Receivables and Payables

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

### 10. 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.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 11. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as having a useful life greater than one year with an initial, individual cost of more than \$5,000, except for infrastructure, which has a capitalization threshold of \$100,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market values at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	20 years
Buildings and improvements	45 years
Infrastructure	15 - 80 years
Library collections	3 - 7 years
Machinery and equipment	5 - 15 years
Underground equipment	45 years

### 12. Land Held for Resale

The City values its land held for resale at the lower of cost or market.

### 13. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay, and other employee benefits. All unpaid vacation, sick pay, and other employee benefits due in the event of termination are accrued when incurred in the government-wide and proprietary fund financial statements, in accordance with the City's policies. The City has \$2,067,254 in accumulated unpaid vacation, sick pay, and other employee benefits at the year-end. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2009

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### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 14. 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 or business-type activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. 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.

#### 15. Fund Equity

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.

#### 16. Property Tax Revenue

Property taxes are levied by the second week of December and are based on the assessed value of property as listed on the previous January 1. Assessed values are approximately one-third of market value. A valuation of all real property must be made once every four years. Tax bills for the 2008 levy year are payable in two installments on or about June 1, 2009 and September 1, 2009.

Property taxes are recognized when they become measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 60 days after the close of the current period. Taxes collected after this 60-day period are recorded as unearned revenue. Based on the City's collection experience, it has been determined that no allowance for uncollectible property taxes is necessary.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 17. Postemployment Healthcare Benefits

Retirees are eligible to continue their current level of healthcare benefit coverage if they have at least eight years of service. Coverage includes health, medical, dental, and life. Once retirees reach age 65, the premium is reduced to take Medicare coverage into account. The premiums are fully reimbursed by employees who elect coverage, and no direct costs are incurred by the City.

### 18. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### 1. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Assets

The governmental funds balance sheet includes a reconciliation between total fund balances – governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets.

One element of that reconciliation explains that “Long-term liabilities, including bonds payable, accrued interest payable, component unit note payable, bond issuance premium, deferred bond issuance charges, compensated absences payable, other postemployment benefits, lawsuit settlement liability, and net pension obligations are not due and payable in the current period. Therefore, these liabilities are not reported in the current period and, consequently, are not reported in the governmental funds.” The details of this difference are as follows:

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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## NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(Continued)

1. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Assets (Continued)

General obligation bonds payable	\$ (26,395,000)
Accrued interest payable	(16,583)
Component unit note payable	(339,471)
Bond issuance premium	(465,770)
Deferred bond issuance charges	486,265
Compensated absences payable	(1,894,641)
Other postemployment benefits	(15,526)
Lawsuit settlement liability	(74,600)
Net pension obligation	<u>(2,055,806)</u>

Net adjustment to reduce total fund balances - governmental funds to  
net assets of governmental activities \$ (30,771,132)

2. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and change in net assets - governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this difference are as follows:

Depreciation expense	\$ (1,207,552)
Capital outlay	<u>1,143,496</u>

Net adjustment to decrease net change in fund balances - total  
funds to arrive at change in net assets - governmental activities \$ (64,056)

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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## NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(Continued)

### 2. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states that "The issuance of long-term debt and capital leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this difference are as follows:

Principal retirement of long-term debt	\$ 1,090,000
Reduction of capital lease obligation	<u>54,959</u>
Net adjustment to decrease net change in fund balances - total funds to arrive at change in net assets - governmental activities	\$ <u><u>1,144,959</u></u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this difference are as follows:

Compensated absences	\$ (105,933)
Amortization of bond issuance premium	40,221
Amortization of deferred bond issuance charges	(31,917)
Accrued interest	18,167
Other postemployment benefits	(15,526)
Lawsuit settlement liability	(2,600)
Net fire and police pension fund obligation	<u>(646,011)</u>
Net adjustment to increase net change in fund balances - total funds to arrive at change in net assets - governmental activities	\$ <u><u>(743,599)</u></u>

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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## NOTE C - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by most funds. The City's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents". The City is authorized by state statute and its own local ordinances, which are more restrictive than state statute, to invest in the following:

- Short-Term Obligations of Corporations organized in the United States with assets exceeding \$500,000,000
- Interest-Bearing Certificates of Deposit insured up to \$250,000 by the Federal Deposit Insurance Corporation
- Obligations of the U.S. Treasury or its agencies
- Interest-Bearing Saving Accounts insured up to \$250,000 by the Federal Deposit Insurance Corporation
- Money Market Mutual Funds
- Interest-Bearing Time Deposit Accounts insured up to \$250,000 by the Federal Deposit Insurance Corporation
- 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; credit unions, 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.

Statutes also authorize the Pension Funds to make deposits/invest in 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 that the portfolio is limited to specified restrictions; general accounts of life insurance companies and separate accounts of life insurance. Pension funds with net assets of \$2.5 million or more may invest up to forty-five percent of plan net assets in a separate account of life insurance companies and mutual funds. In addition, pension funds with net assets of at least \$5 million that have appointed an investment advisor may, through that investment advisor, invest up to forty-five percent of the plan's net assets in common and preferred stocks which meet specific restrictions.

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2009

### NOTE C - DEPOSITS AND INVESTMENTS (Continued)

As of April 30, 2009, the City's cash and investments consisted of the following:

	<u>Government-wide</u>	<u>Fiduciary</u>	<u>Total</u>
Cash, cash equivalents, and investments	\$ 20,586,181	\$ 23,321,859	\$ 43,908,040

For disclosure purposes, this amount is segregated into three components: 1) cash on hand; 2) deposits with financial institutions, which include amounts held in demand accounts and savings accounts; and 3) other investments, which consist of investments in The Illinois Funds, certificates of deposit, U.S. Government and agency obligations, money market mutual funds, mutual funds, insurance company contracts, and equity securities as follows:

<u>Cash, cash equivalents, and investments</u>	<u>Total</u>
Cash on hand	\$ 6,200
Deposits with financial institutions - City	15,375,783
Deposits with financial institutions - Police and Firefighters' Pension Funds	1,826,763
Other investments - City	5,204,198
Other investments - Police and Firefighters' Pension Funds	21,495,096
Total	\$ 43,908,040

As of April 30, 2009, the City has the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>(In Months)</u>	
		<u>1 to 6</u>	<u>More Than 6</u>
* The Illinois Funds	\$ 5,204,198	\$ 5,204,198	\$ -

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2009

### NOTE C - DEPOSITS AND INVESTMENTS (Continued)

As of April 30, 2008, the Police and Firefighters' Pension Funds have the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. Government and Agency Obligations	\$ 7,259,351	\$ -	\$ -	\$ 2,476,613	\$ 4,782,738
Money Market Mutual Funds	4,245,717	4,245,717	-	-	-
	<u>\$ 11,505,068</u>	<u>\$ 4,245,717</u>	<u>\$ -</u>	<u>\$ 2,476,613</u>	<u>\$ 4,782,738</u>

	<u>Fair Value</u>
* The Illinois Funds	\$ 742,578
* Equity Mutual Funds	2,027,720
* Insurance Company Contracts	4,527,824
Equity Securities	<u>2,691,906</u>
	<u>\$ 9,990,028</u>

\* Not subject to risk categorization. The Illinois Funds are not registered with the Securities and Exchange Commission (SEC). The Illinois Funds is sponsored by the State Treasurer in accordance with state law. The fair value of the positions in The Illinois Funds is the same as the value of The Illinois Funds shares. The equity mutual funds and insurance contracts are managed by the financial institutions in which they are held.

#### 1. Interest Rate Risk

The City's investment policy limits investment maturities to no more than two years from the date of purchase as a means of managing its exposure to fair value losses arising from increasing interest rates. The objective is to maintain a core portfolio with maturities in the one- to two-year range.

The Police and Firefighters' Pension Funds' investment policies limit their exposure to interest rate risk by structuring the portfolio to provide liquidity, while at the same time matching investment maturities to projected fund liabilities.

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2009

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### NOTE C - DEPOSITS AND INVESTMENTS (Continued)

#### 2. Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bonds funds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy imposes further limits on investment choices and prohibits investments in "derivative" securities and in repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986. As of April 30, 2009, The Illinois Funds Money Market was rated AAAM by Standard & Poor's.

The Police and Firefighters' Pension Funds limit their 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 Pension Funds' investment policy establishes criteria for allowable investments; those criteria follow the requirements of the Illinois Pension Code. The investments in the securities of U.S. government and agency obligations were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The Police and Firefighters' Pension Funds' investment policies prescribe to the "prudent person" rule, which states, "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 primary objective of safety as well as the secondary objective of the attainment of market rates of return."

#### 3. Custodial Credit Risk

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. For an investment, custodial credit risk 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 investment or collateral securities that are in the possession of an outside party. The City's investment policy states that the investments should have a collateralization ratio of 110% and securities held by a third-party custodian designated by the Investment Officer and evidenced by safekeeping receipts. The bank balance of the City's deposits with financial institutions was not exposed to custodial credit risk as it was fully insured and collateralized as of April 30, 2009.

The bank balances of the Police and Firefighters' Pension Funds' deposits with financial institutions were not exposed to custodial credit risk as they were fully insured and collateralized as of April 30, 2009.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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## NOTE C - DEPOSITS AND INVESTMENTS (Continued)

### 4. Concentration of Credit Risk

It is the policy of the City to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting in overconcentration in a security, maturity, issuer, or class of securities. The City's investment policy, which is more restrictive than state statute, requires the City to diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools (Illinois Funds), no more than 75% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

The Firefighters' Pension Fund does not have a formal written policy with regard to concentration of credit risk for investments. The Police Pension Fund's investment policy requires that "investments be diversified by limiting investments to avoid overconcentration in securities from a specific issuer (excluding U.S. Treasury securities)." At April 30, 2009, the Police Pension Fund's investments in Sunlife/Keyport Financial Insurance Contracts of \$1,515,100, AXA Equitable Insurance Contracts of \$937,791, and Securities America money market mutual funds of \$2,256,829 are investments (other than those issued or guaranteed by the U.S. Government) that represent 5% or more of plan net assets. The Firefighters' Pension Fund's investments in Illinois Funds accounts of \$742,578 and Triad Advisors money market mutual fund of \$1,444,969 are investments (other than those issued or guaranteed by the U.S. Government) that represent 5% or more of plan net assets.

## NOTE D - INTERFUND RECEIVABLES AND PAYABLES

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are intended to be repaid currently from other resources of respective funds. Individual interfund balances at April 30, 2009 are shown as follows:

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2009

### NOTE D - INTERFUND RECEIVABLES AND PAYABLES (Continued)

	Due From	Due To
<b>General Fund</b>		
Retiree's Premium Fund	\$ 15,000	\$ -
Community Development Block Grant Fund	1,790	-
Abbott Laboratories Grant Fund	40	-
Water Fund	-	2,811
U.S. Department of Homeland Security Grant Fund	50,686	-
Downtown Tax Increment Financing Redevelopment Project Area		
Debt Series 2005A Fund	-	200
Total General Fund	67,516	3,011
<b>Special revenue funds</b>		
Downtown Tax Incremental Financing Redevelopment Project Area Fund		
Lake County Brownsfield Grants Fund	61,518	-
Community Development Block Grant Fund		
General Fund	-	1,790
U.S. Department of Homeland Security Grant Fund		
General Fund	-	50,686
Grant Place Operating Fund		
Grant Place Retail Center Debt Service 2007C Fund	-	34,990
Total special revenue funds	61,518	87,466
<b>Debt service funds</b>		
Downtown Tax Increment Financing Redevelopment Project Area		
Debt Series 2005A Fund		
General Fund	200	-
Grant Place Retail Center Debt Service 2007C Fund		
Grant Place Operating Fund	34,990	-
Total Debt Service Funds	35,190	-

**City of North Chicago, Illinois**

Notes to the Financial Statements

April 30, 2009

**NOTE D - INTERFUND RECEIVABLES AND PAYABLES (Continued)**

	<u>Due From</u>	<u>Due To</u>
Capital projects funds		
Abbott Laboratories Grant Fund		
General Fund	\$ -	\$ 40
Lake County Brownsfield Grants Fund		
Downtown Tax Incremental Financing Redevelopment Project		
Area Fund	-	61,518
Total capital projects funds	<u>-</u>	<u>61,558</u>
Enterprise Funds		
Water Fund		
General Fund	2,811	-
Total enterprise funds	<u>2,811</u>	<u>-</u>
Internal Service Funds		
Retiree's Premium Fund		
General Fund	-	15,000
Total Internal Service Funds	<u>-</u>	<u>15,000</u>
Total all funds	167,035	167,035
Less amounts eliminated during GASB 34 adjustments	<u>(164,224)</u>	<u>(164,224)</u>
Total internal balances as shown on the statement of net assets	\$ <u>2,811</u>	\$ <u>2,811</u>

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

## NOTE E - CAPITAL ASSETS

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

### 1. Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 2,831,841	\$ -	\$ -	\$ 2,831,841
Construction in progress	468,799	28,052	-	496,851
Total capital assets not being depreciated	3,300,640	28,052	-	3,328,692
Capital assets being depreciated				
Land improvements	145,900	-	-	145,900
Buildings and improvements	4,543,559	-	-	4,543,559
Infrastructure	27,048,668	726,113	-	27,774,781
Library collections	940,626	91,578	212,419	819,785
Machinery and equipment	6,042,353 *	297,753	198,785	6,141,321
Total capital assets being depreciated	38,721,106	1,115,444	411,204	39,425,346
Less accumulated depreciation for				
Land improvements	145,088	620	-	145,708
Buildings and improvements	2,503,245	99,945	-	2,603,190
Infrastructure	15,045,161	792,101	-	15,837,262
Library collections	792,324	44,749	214,969	622,104
Machinery and equipment	4,778,245	270,137	198,785	4,849,597
Total accumulated depreciation	23,264,063	1,207,552	413,754	24,057,861
Total capital assets being depreciated, net	15,457,043	(92,108)	(2,550)	15,367,485
Governmental activities capital assets, net	\$ 18,757,683	\$ (64,056)	\$ (2,550)	\$ 18,696,177

\* The cost of the capital asset acquired through capital lease is \$159,850 and was fully depreciated at April 30, 2009.

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2009

### NOTE E - CAPITAL ASSETS (Continued)

#### 2. Business-type Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 2,435	\$ -	\$ -	\$ 2,435
Construction in progress	<u>2,771,802</u>	<u>425,515</u>	<u>-</u>	<u>3,197,317</u>
Total capital assets not being depreciated	<u>2,774,237</u>	<u>425,515</u>	<u>-</u>	<u>3,199,752</u>
Capital assets being depreciated				
Land improvements	209,813	-	-	209,813
Buildings	7,996,317	-	-	7,996,317
Machinery and equipment	11,522,440	53,551	-	11,575,991
Underground equipment	<u>13,642,832</u>	<u>-</u>	<u>-</u>	<u>13,642,832</u>
Total capital assets being depreciated	<u>33,371,402</u>	<u>53,551</u>	<u>-</u>	<u>33,424,953</u>
Less accumulated depreciation for				
Land improvements	64,115	6,854	-	70,969
Buildings	2,888,621	169,835	-	3,058,456
Machinery and equipment	9,509,126	104,311	-	9,613,437
Underground equipment	<u>9,306,121</u>	<u>208,200</u>	<u>-</u>	<u>9,514,321</u>
Total accumulated depreciation	<u>21,767,983</u>	<u>489,200</u>	<u>-</u>	<u>22,257,183</u>
Total capital assets being depreciated, net	<u>11,603,419</u>	<u>(435,649)</u>	<u>-</u>	<u>11,167,770</u>
Business-type activities capital assets, net	<u>\$ 14,377,656</u>	<u>\$ (10,134)</u>	<u>\$ -</u>	<u>\$ 14,367,522</u>

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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## NOTE E - CAPITAL ASSETS (Continued)

### 3. Depreciation

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

Governmental activities

Administration and general government	\$ 111,275
Police	170,469
Fire	52,801
Public works	792,101
Library	<u>80,906</u>

Total depreciation expense - governmental activities \$ 1,207,552

Business-type activities

Water	\$ 462,133
Sewer	<u>27,067</u>

Total depreciation expense - business-type activities \$ 489,200

### 4. Construction Commitments

The City has certain contracts in various funds for construction projects which were in progress at April 30, 2009. Remaining commitments under these contracts approximated \$3,270,000.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

## NOTE F - LONG-TERM DEBT

### 1. Changes in Long-Term Debt

The following is a summary of the City's long-term debt balances and transactions for the year ended April 30, 2009:

	<u>Beginning Balance</u>	<u>Additions/ Issuances</u>	<u>Reductions/ Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds					
Series 1996	\$ 2,085,000	\$ -	\$ 1,090,000	\$ 995,000	\$ 995,000
Series 2005A	9,325,000	-	-	9,325,000	140,000
Series 2007A	2,475,000	-	-	2,475,000	-
Series 2007B	4,740,000	-	-	4,740,000	-
Series 2007C	8,860,000	-	-	8,860,000	-
Bond issuance premium					
	505,991	-	40,221	465,770	40,221
Compensated absences					
	1,788,708	106,482	549	1,894,641	46,464
Other postemployment benefits					
	-	15,526	-	15,526	-
Capital lease obligation					
	54,959	-	54,959	-	-
Lawsuit settlement liability					
	72,000	2,600	-	74,600	-
Component unit note payable					
	339,471	-	-	339,471	-
Net fire and police pension obligation					
	1,409,795	646,011	-	2,055,806	-
Governmental activity long-term liabilities					
	\$ 31,655,924	\$ 770,619	\$ 1,185,729	\$ 31,240,814	\$ 1,221,685

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2009

### NOTE F - LONG-TERM DEBT

#### 1. Changes in Long-Term Debt (Continued)

	Beginning Balance	Additions/ Issuances	Reductions/ Retirements	Ending Balance	Due Within One Year
Business-type activities					
General obligation					
bonds Series					
2005B	\$ 3,590,000	\$ -	\$ 140,000	\$ 3,450,000	\$ 145,000
Note payable to					
Abbott					
Laboratories	844,931	-	95,485	749,446	100,000
Compensated					
absences					
	163,471	18,283	9,142	172,612	-
Business-type activity					
long-term					
liabilities	\$ 4,598,402	\$ 18,283	\$ 244,627	\$ 4,372,058	\$ 245,000

#### 2. 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 general government and proprietary activities. These bonds, therefore, are reported in the proprietary funds if they are expected to be repaid from proprietary revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

##### Governmental activities

\$11,160,000 General Obligation Refunding Bonds, Series 1996, dated December 17, 1996. Principal is payable on January 1 of each year. Interest is payable on July 1 and January 1 of each year at 5.75%.

\$ 995,000

\$9,325,000 General Obligation Bonds, Series 2005A, dated March 10, 2005. Principal is payable on November 1 of each year starting in 2009. Interest is payable on May 1 and November 1 of each year at rates from 3.25 to 5.00%.

9,325,000

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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## NOTE F - LONG-TERM DEBT (Continued)

### 2. General Obligation Bonds (Continued)

\$2,475,000 General Obligation Bonds, Series 2007A, dated May 9, 2007. Principal is payable on November 1 of each year starting in 2011. Interest is payable on May 1 and November 1 of each year at a rate of 4% \$ 2,475,000

\$4,740,000 General Obligation Bonds, Series 2007B, dated May 9, 2007. Principal is payable on November 1 of each year starting in 2028. Interest is payable on May 1 and November 1 of each year at rates ranging from 4.30 to 4.35%. 4,740,000

\$8,860,000 General Obligation Bonds, Series 2007C, dated August 15, 2007. Principal is payable on November 1 of each year starting in 2011. Interest is payable on May 1 and November 1 of each year at rates ranging from 5.39 to 6.01%. 8,860,000

Total governmental activity general obligation bonds outstanding 26,395,000

#### Business-type activities

\$3,860,000 General Obligation Bonds, Series 2005B, dated March 10, 2005. Principal is payable on November 1 of each year starting in 2006. Interest is payable on May 1 and November 1 of each year at rates from 3.00 to 5.00%. 3,450,000

Total general obligation bonds \$ 29,845,000

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2009

### NOTE F - LONG-TERM DEBT (Continued)

#### 2. General Obligation Bonds (Continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending <u>April 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,135,000	\$ 1,313,373	\$ 145,000	\$ 153,678
2011	235,000	1,249,920	150,000	149,030
2012	805,000	1,232,387	155,000	144,073
2013	885,000	1,197,999	160,000	138,795
2014	965,000	1,158,859	165,000	133,188
2015-2019	6,270,000	4,979,779	930,000	553,525
2020-2024	8,015,000	3,029,546	1,185,000	293,875
2025-2029	3,760,000	1,441,944	560,000	28,250
2030-2034	2,355,000	741,715	-	-
2035-2038	1,970,000	192,923	-	-
Total	<u>\$ 26,395,000</u>	<u>\$ 16,538,445</u>	<u>\$ 3,450,000</u>	<u>\$ 1,594,414</u>

#### 3. Note Payable to Abbott Laboratories

On May 1, 2007, the City entered into an agreement with Abbott Laboratories for the construction of capital assets at the City's water treatment plant. The total cost of construction was \$945,000. The City will repay this obligation through a reduction of the water rate charged to Abbott Laboratories of \$0.25, until repaid in full. The balance due to Abbott Laboratories at April 30, 2009 is \$749,446. The City estimated the annual future maturities of this liability based on Abbott Laboratories' water consumption for the year ended April 30, 2009 as follows:

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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## NOTE F - LONG-TERM DEBT (Continued)

### 3. Note Payable to Abbott Laboratories (Continued)

Year Ending <u>April 30,</u>	
2010	\$ 100,000
2011	100,000
2012	100,000
2013	100,000
2014	100,000
2015-2017	<u>249,446</u>
	<u>\$ 749,446</u>

### 4. Lawsuit Settlement Liability

In a prior year, a lawsuit was filed against the City alleging wrongful termination of a former employee. During fiscal year 2006, the City reached a settlement with the plaintiff. Under this agreement, the City is required to make monthly payments for the rest of the former employee's life. The estimated present value of these future settlement payments of \$74,600 has been recorded as a liability at April 30, 2009.

### 5. Component Unit Note Payable

The City has committed to reimburse Five Points Economic Development Corporation (the Corporation) for storm sewer and right-of-way improvements on the Corporation's property in an amount not to exceed \$700,000 and \$200,000, respectively, in five annual reimbursement payments not to exceed \$180,000 beginning in fiscal 2007. As of April 30, 2009, the final amount expended for storm sewer improvements totaled \$677,362, in which the City reimbursed the Corporation \$337,891. As of April 30, 2009, no amount was expended for right-of-way improvements. This note payable is noninterest-bearing and uncollateralized.

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2009

### NOTE F - LONG-TERM DEBT (Continued)

#### 5. Component Unit Note Payable (Continued)

At April 30, 2009, the City is obligated for future payments under the note payable as follows:

Fiscal Year Ending <u>April 30,</u>	<u>Payment on Note Payable</u>
2010	\$ <u>339,471</u>

#### 6. Guarantees of Component Unit Debt and Subsequent Event

The Corporation has obtained a loan from the Chicago Community Loan Fund, which has also been guaranteed by the City. The City's guarantees shall expire upon the Corporation's retirement of the loans. At April 30, 2009 the amount outstanding was \$372,111. On August 18, 2009, the City paid this loan in full and was formally released from its guarantee.

### NOTE G - INTERFUND TRANSFERS

Transfers are used to (1) move revenues from the fund with collection authorization to the capital project fund or enterprise fund as debt service and interest payments become due or (2) move restricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorization. Interfund transfers are recorded for permanent transfers between funds which are not expected to be repaid. Individual interfund transfers during the fiscal year ended April 30, 2009 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		
Water Fund	\$ 2,000,000	\$ -
U.S. Department of Homeland Security Grant Fund	-	37,500
Total General Fund	2,000,000	37,500

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2009

NOTE G - INTERFUND TRANSFERS (Continued)

	Transfer In	Transfer Out
<b>Special revenue funds</b>		
Downtown Tax Increment Financing Redevelopment Project Area Fund		
Lake County Brownsfield Grants Fund	\$ -	\$ 115,253
Capital Improvement Fund	-	1,081
Motor Fuel Tax Fund		
Community Development Block Grant Fund	70,000	-
Community Development Block Grant Fund		
Motor Fuel Tax Fund	-	70,000
U.S. Department of Homeland Security Grant Fund		
General Fund	37,500	-
Grant Place Operating Fund		
Grant Place Retail Center Debt Service 2007C Fund	-	34,990
Total special revenue funds	107,500	221,324
<b>Debt service funds</b>		
Grant Place Retail Center Debt Service 2007C Fund		
Grant Place Operating Fund	34,990	-
Total debt service funds	34,990	-
<b>Capital projects funds</b>		
Capital Improvement Fund		
Downtown Tax Increment Financing Redevelopment Project Area Fund	1,081	-
Lake County Brownsfield Grants Fund		
Downtown Tax Increment Financing Redevelopment Project Area Fund	115,253	-
Total capital projects funds	116,334	-
<b>Enterprise funds</b>		
Water Fund		
General Fund	-	2,000,000
Water and Sewer Expansion Fund	13,672	-
Water and Sewer Expansion Fund		
Water Fund	-	13,672
Total enterprise funds	13,672	2,013,672

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2009

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### NOTE G - INTERFUND TRANSFERS (Continued)

	<u>Transfer In</u>	<u>Transfer Out</u>
Total all funds	\$ <u>2,272,496</u>	\$ <u>2,272,496</u>
Less amounts eliminated during GASB 34 adjustments	<u>(272,496)</u>	<u>(272,496)</u>
Total transfers	\$ <u><u>2,000,000</u></u>	\$ <u><u>2,000,000</u></u>

### NOTE H - CONCENTRATION OF RISK

The City has one business from which it generates a significant amount of property tax and water and sewer revenue. Without this commercial resident, the City would be forced to obtain new revenue sources to continue to provide its current level of services.

### NOTE I - DEFINED BENEFIT PENSION PLANS

The City participates in the Illinois Municipal Retirement Fund (IMRF), a statewide multiple-employer, public employee retirement system which acts as an investment and administrative agent. The IMRF plan covers substantially all of the City's employees other than police officers and firefighters. The City also maintains two separate, single-employer retirement plans established by state statute for the City's police officers and firefighters.

#### 1. Illinois Municipal Retirement Fund

##### a. Plan Description

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

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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## NOTE 1 - DEFINED BENEFIT PENSION PLANS (Continued)

### 1. Illinois Municipal Retirement Fund (Continued)

#### b. Funding Policy

As set by statute, employees participating in IMRF are required to contribute 4.5% of their annual covered salary. The City is required by statute to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2008 was 7.58% of annual covered payroll. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

#### c. Annual Pension Cost

For 2008, the City's annual pension cost of \$336,140 for the IMRF was equal to the City's required and actual contributions.

#### Three-Year Trend Information - Illinois Municipal Retirement Fund

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
12/30/08	\$ 336,140	100 %	\$ -
12/31/07	312,269	100	-
12/31/06	354,409	100	-

The required contribution for 2008 was determined as part of the December 31, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2006 included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2006 was 24 years.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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## NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

### 1. Illinois Municipal Retirement Fund (Continued)

#### d. Funded Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the plan was 88.95% funded. The actuarial accrued liability for benefits was \$8,915,875 and the actuarial value of assets was \$7,930,239, resulting in an underfunded actuarial accrued liability (UAAL) of \$985,636. The covered payroll (annual payroll of active employees covered by the plan) was \$4,434,571, and the ratio of the UAAL to covered payroll was 22%.

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

### 2. Police and Firefighters' Pension Plans

#### a. Plan Descriptions

The Police Pension Plan and Firefighters' Pension Plan are contributory single-employer, defined benefit public employee retirement plans administered by the City and a Board of Trustees for each fund. All sworn City police officers and firefighters are participants in the Plans. The Plans are not included in the report of a public retirement system or another entity.

	<u>Police</u>	<u>Firefighters'</u>
Retirees and beneficiaries receiving benefits	32	23
Active plan members	59	30
Total participants	<u>91</u>	<u>53</u>

The following are summaries of the plans as provided in the Illinois State Statutes.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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## NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

### 2. Police and Firefighters' Pension Plans (Continued)

#### a. Plan Descriptions (Continued)

Any police officer or firefighter who has creditable service of 20 years or more, has reached age 50, and is no longer in the service, is entitled to a yearly pension equal to one-half of the salary attached to the rank held for one year immediately prior to retirement in the case of a police officer and at the date of retirement in the case of a firefighter. The police officer pension is increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum limit of 75% of such salary. The firefighter pension is 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.

A police officer or firefighter who retires or is separated from the service after accumulating at least 8 years for a police officer and 10 years for a firefighter, but less than 20 years of creditable service, may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer or 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 55 years, by 3% of the original pension and 3% compounded annually thereafter. These benefit provisions and all other requirements are established by state statute.

#### b. Summary of Significant Accounting Policies and Plan Asset Matters

The accrual basis of accounting is utilized by the pension trust funds. Under this method, additions to net plan assets are recorded when earned and deductions from net plan assets are recorded when the time-related liabilities are incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The City's police employees participate in the Police Pension Plan. The Plan 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 City and the plan participants are obligated to fund all plan 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. The Plan is included in the City's annual financial report as a blended component unit and is reported as a pension trust fund. A copy of this pension plan audit may be obtained from the City.

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2009

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### NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

#### 2. Police and Firefighters' Pension Plans (Continued)

##### b. Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

The City's annual pension cost and net pension obligation to the Police and Firefighters' Pension Funds were obtained from the funds' most recent actuarial valuations (April 30, 2008) and are as follows:

The City's firefighter employees participate in the Firefighters' Pension Plan. The Plan functions for the benefit of these employees and is governed by a five-member Pension Board. Two members are appointed by the City's Mayor, two are elected from active participants of the Fund, and one is elected from the retired members of the Fund. The City and the plan participants are obligated to fund all plan 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. The Plan is included in the City's annual financial report as a blended component unit and is reported as a pension trust fund. A copy of this pension plan audit may be obtained from the City.

##### c. Investments

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

##### d. Actuarial Assumptions

The actuarial assumptions included (a) 8% investment rate of return, compounded annually including a 3% inflation factor, (b) projected salary increase of 5%, compounded annually including a 3% inflation factor, and (c) cost of living increases of 3% compounded annually. The actuarial cost method was entry age normal. The amortization method was level of percent of pay, closed. The amortization period was 26 years and 25 years, for the Police and Firefighters' Pension Funds, respectively. The asset valuation method was a market value method.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

## NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

### 2. Police and Firefighters' Pension Plans (Continued)

#### e. Contributions

Employee contribution rates are established by statute at 9.91% of a police officer's salary and 9.455% of a firefighter's salary. Accumulated employee contributions may be refunded without accumulated interest if an employee leaves covered employment with less than 20 years of service. The City is required to contribute the remaining amounts necessary to finance the Plans as actuarially determined by an enrolled actuary. By the year 2033, the City's contributions must accumulate to the point where the past service costs for the Plans are fully funded.

	Police	Firefighters'
Annual required contribution	\$ 716,106	\$ 508,115
Interest on net pension obligation	37,446	75,337
Adjustment to annual required contribution	(25,755)	(51,816)
Annual pension cost	727,797	531,636
Contributions made	(300,399)	(313,023)
Increase in net pension obligation	427,398	218,613
Net pension obligation at May 1, 2006	468,078	941,717
Net pension obligation at April 30, 2008	\$ 895,476	\$ 1,160,330

The difference between the total amount funded and the amount to be funded, as actuarially determined, is recorded as the net pension obligation in the statement of net assets.

#### f. Funded Status and Funding Progress

As of April 30, 2008, the most recent actuarial valuation date, the Police Pension's plan was 67.48 percent funded. The actuarial accrued liability for benefits was \$27,950,029, and the actuarial value of assets was \$18,859,428, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,090,601. The covered payroll (annual payroll of active police officers covered by the plan) was \$3,767,311, and the ratio of the UAAL to the covered payroll was 241.30%.

**City of North Chicago, Illinois**

Notes to the Financial Statements

April 30, 2009

**NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)**

2. Police and Firefighters' Pension Plans (Continued)

f. Funded Status and Funding Progress (Continued)

As of April 30, 2008, the most recent actuarial date, the Firefighters' Pension plan was 59.08 percent funded. The actuarial accrued liability for benefits was \$14,918,043, and the actuarial value of assets was \$8,813,089, resulting in a UAAL of \$6,104,954. The covered payroll (annual payroll of active firefighters covered by the plan) was \$1,737,103, and the ratio of the UAAL to the covered payroll was 351.44%.

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

g. Three-Year Trend Information - Pension Trust Funds

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Annual Required Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Police	04/30/08	\$ 727,797	\$ 727,797	41.3%	\$ 895,416
	04/30/06	544,518	544,518	44.9%	468,078
	04/30/04	412,755	412,755	59.3%	168,193
Firefighters'	04/30/08	\$ 531,636	\$ 531,636	58.9%	\$ 1,160,330
	04/30/06	434,238	434,238	64.5%	941,717
	04/30/04	314,091	314,091	80.6%	787,622

**NOTE J - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

1. Plan Description

The City provides postemployment health care insurance benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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## NOTE J - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

### 1. Plan Description (Continued)

To be eligible for benefits under the plan, an employee must qualify for retirement under one of the City's retirement plans. Elected officials are eligible for benefits if they qualify for retirement through the Illinois Municipal Retirement Fund.

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

At April 30, 2009, membership in the Plan consisted of the following:

	<u>Membership</u>
Retirees and beneficiaries receiving benefits	14
Terminated employees entitled to, but not yet receiving, benefits	-
Active employees	<u>188</u>
Total membership	<u><u>202</u></u>

### 2. Funding Policy

The City negotiates the contribution percentages between the City and employees through the union contracts and personnel policy. All retirees contribute 100% of the actuarially determined premium to the plan and the City contributes the remainder to cover the cost of providing the benefits to the retirees via the self-insurance plan (pay-as-you-go). Since the City is self-insured, this amount fluctuates on an annual basis. For the fiscal year ended April 30, 2009, retirees contributed \$33,087, and the City made no contributions. Active employees do not contribute to the plan until retirement.

### 3. Annual OPEB Cost and Net OPEB Obligation

The City first had an actuarial valuation performed for the plan as of April 30, 2009. The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer. The contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities or funding excess over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the City's Health Insurance Plan for Retired Employees as of April 30, 2009.

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2009

### NOTE J - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

#### 3. Annual OPEB Cost and Net OPEB Obligation (Continued)

	Amount
Annual Required Contribution (ARC)	\$ 48,613
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	48,613
Contributions made	(33,087)
Increase in OPEB obligation	15,526
Net OPEB obligation at May 1, 2008	-
Net OPEB obligation at April 30, 2009	\$ 15,526

#### 4. Trend Information

The City's annual OPEB Cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2009 are as follows:

#### Trend Information - Other Postemployment Benefits

Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation
04/30/09	\$ 48,613	68.10%	\$ 15,526

#### 5. Funding Policy and Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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## NOTE J - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

### 5. Funding Policy and Actuarial Assumptions (Continued)

The actuarial assumptions included (a) 5% investment rate of return, (b) projected salary increases of 5%, and (c) healthcare inflation rate of an initial 8% a year and an ultimate 6% a year. Both rates include a 3% inflation assumption. The actuarial value of assets was not determined as the City has not advanced funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2009 was 30 years.

## NOTE K - FUND EQUITY

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not available for future operating expenditures. Specific reservations of the fund balance accounts are summarized below.

1. Plan Net Assets Held in Trust for Pension Benefits - The plan net assets held in trust for pension benefits account was created to restrict the use of all resources contributed to or earned by the pension trust funds. State statutes require that such a fund balance be fully reserved.
2. Reserve for Inventory - The reserve for inventory was created to restrict the use of all resources which are not readily available to be spent.
3. Reserve for Debt Service - The reserve for debt service was created to restrict the use of all resources which are not readily available to be spent.
4. Reserve for Capital Projects - The reserve for capital projects was created to restrict the use of all resources which are not readily available to be spent.
5. Reserve for Land Held for Resale - The reserve for land held for resale was created to restrict the use of all resources which are not readily available to be spent.
6. Reserve for Due From Component Unit - The reserve for due from component unit was created to restrict the use of all resources which are not readily available to be spent.

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2009

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### NOTE L - RESTRICTIONS FOR ENABLING LEGISLATION

The government-wide statement of net assets reports \$2,865,515 of net assets restricted by enabling legislation which consists of the following:

Road maintenance (motor fuel tax)	\$	1,048,773
Drug law enforcement		68,144
Emergency phone		224,303
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2005A		575,443
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2007A		104,842
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2007B		217,906
Grant Place Retail Center Debt Service 2007C		<u>626,104</u>
Total government-wide net assets restricted by enabling legislation	\$	<u>2,865,515</u>

### NOTE M - RISK MANAGEMENT - SELF-INSURED DENTAL AND VISION

The City has established a self-insurance fund (as an internal service fund). Each participating operating fund of the City makes payments to the self-insurance fund for amounts which are necessary to fund claims. Such payments are displayed on the financial statements as revenues and expenditures/expenses (quasi-external transfers).

The City self-insures dental and vision insurance claims up to \$1,000 and \$350 per covered employee per year, respectively. The City accounts for this health insurance activity in the separate Dental and Vision Fund. As of the date of this report, the City has accrued \$35,257 in the Dental and Vision Fund relating to the City's estimate of losses resulting from these claims.

### NOTE N - OTHER COMMITMENTS AND CONTINGENCIES

#### 1. Litigation

There are several pending lawsuits and environmental matters in which the City is involved. Management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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## NOTE N - OTHER COMMITMENTS AND CONTINGENCIES (Continued)

### 2. 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.

### 3. Contingencies

The City purchased several parcels of land that have environmental remediation issues which are currently being addressed by the Environmental Protection Agency and are the responsibility of the prior land owners. However, it is reasonably possible that the City may incur future environmental obligations on these properties.

### 4. Illinois Environmental Protection Agency Agreement

The City entered into an agreement with the Illinois Environmental Protection Agency (IEPA) for the IEPA to provide a note payable to the City in the amount of \$1,314,642 to be used to reimburse the Illinois Department of Transportation (IDOT) for sanitary sewer replacement construction costs. As of April 30, 2009, the City has not received any funds from IEPA.

## NOTE O - ASSET IMPAIRMENT

Five Points Economic Development Corporation, the discretely presented component unit, identified impairment of the Grant Place Retail Center building at April 30, 2008. The value of the capital asset was determined by appraisal and required a writedown of the asset of \$4,693,756 in 2008. The value of the capital asset has not changed in 2009. In response to this, the City established a reserve of \$4,563,349 against the due from component unit balance, as the Grant Place Retail Center building is the only significant asset Five Points Economic Development Corporation has to use for repayment of this receivable balance.

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2009

**NOTE P - DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES - FIVE POINTS  
ECONOMIC DEVELOPMENT CORPORATION (THE CORPORATION) - UNAUDITED**

1. Loans Receivable

The Corporation provides loans to new or existing businesses within the City's limits to improve and rehabilitate deteriorating commercial and industrial building exteriors. Initial funding for these loans was received from the City's Community Development Block Grant Fund. Repayments of principal and any interest earned on these receivables must be used to make additional rehabilitation loans or can be spent on other qualifying activities. An allowance for doubtful accounts of \$20,000 has been recorded at April 30, 2009. The loans receivable, net of the allowance, are \$132,494 at April 30, 2009.

2. Capital Assets

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

	Beginning Balance	Increases	Decreases	Impairment	Ending Balance
Capital assets not being depreciated					
Land	\$ 243,100	\$ -	\$ -	\$ -	\$ 243,100
Construction in progress					
progress	1,356,900	563,286	-	563,286	1,356,900
Total capital assets not being depreciated	\$ 1,600,000	\$ 563,286	\$ -	\$ 563,286	\$ 1,600,000

3. Long-Term Debt and Subsequent Event

Long-term debt at April 30, 2009 was as follows:

Note payable to the Chicago Community Loan Fund. Commencing January 2008, the note requires monthly principal and interest payments of \$3,202, with a final installment of all remaining principal plus accrued interest in December 2012. The note is collateralized by the Corporation's capital assets and has been guaranteed by the City (see Note F-6). On August 18, 2009, the City paid this loan in full for the benefit of the Corporation.

	\$ 372,111
Less amounts due within one year	9,082
Total long-term debt due in more than one year	\$ 363,029

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2009

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NOTE P - DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES - FIVE POINTS  
ECONOMIC DEVELOPMENT CORPORATION (THE CORPORATION) - UNAUDITED (Continued)

3. Long-Term Debt (Continued)

Future maturities of long-term debt are as follows:

<u>Year Ending April 30,</u>	
2010	\$ 9,082
2011	9,836
2012	10,652
2013	<u>342,541</u>
Total long-term debt due	\$ <u>372,111</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of North Chicago, Illinois**

Illinois Municipal Retirement Fund

Schedule of Funding Progress

Required Supplementary Information

April 30, 2009

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2008	\$ 7,930,239	\$ 8,915,875	\$ 985,636	88.95 %	\$ 4,434,571	22.23 %
12/31/2007	9,944,011	8,488,538	(1,455,473)	117.15	4,185,915	-
12/31/2006	9,036,936	8,392,646	(644,290)	107.68	4,353,915	-

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**City of North Chicago, Illinois**

Other Postemployment Benefits

Schedule of Funding Progress

Required Supplementary Information

April 30, 2009

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c</u>
4/30/2009	\$ -	\$ 797,655	\$ 797,655	0.00 %	\$ N/A	N/A %

The City implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for prior years is not available.

N/A = Not applicable.

**City of North Chicago, Illinois**  
**Police Pension Fund and Firefighters' Pension Fund**  
**Schedules of Funding Progress**  
**Required Supplementary Information**  
April 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
<u>Police Pension Fund</u>						
4/30/2008	\$ 18,859,428	\$ 27,950,029	\$ 9,090,601	67.48 %	\$ 3,767,311	241.30 %
4/30/2007	18,844,688	29,539,637	10,694,949	63.79	3,513,086	304.43
4/30/2006	17,978,615	28,780,980	10,802,365	62.47	3,539,234	305.22
4/30/2005	16,503,532	26,127,361	9,623,829	63.17	3,279,579	293.45
4/30/2004	15,930,185	24,147,496	8,217,311	65.97	3,131,723	262.39
4/30/2003	14,650,554	22,943,237	8,292,683	63.86	2,927,555	283.26
<u>Firefighters' Pension Fund</u>						
4/30/2008	\$ 8,813,089	\$ 14,918,043	\$ 6,104,954	59.08 %	\$ 1,737,103	351.44 %
4/30/2007	8,726,775	16,218,570	7,491,795	53.81	1,769,980	423.27
4/30/2006	8,411,286	13,562,624	5,151,338	62.02	1,678,223	306.95
4/30/2005	8,219,943	14,390,266	6,170,323	57.12	1,661,045	371.47
4/30/2004	8,307,358	11,819,072	3,511,714	70.29	1,556,045	225.68
4/30/2003	7,541,673	12,939,214	5,397,541	58.29	1,354,657	398.44

# City of North Chicago, Illinois

## General Fund

### Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the year ended April 30, 2009

(With 2008 actual for comparison)

	Budget		2009 Actual	Variance	2008 Actual
	Original	Final		Positive (Negative)	
<b>Revenues</b>					
Property taxes	\$ 4,664,143	\$ 4,664,143	\$ 4,732,385	\$ 68,242	\$ 4,166,701
Taxes - other	4,136,934	4,136,934	4,105,944	(30,990)	4,237,463
Licenses and permits	405,300	405,300	443,557	38,257	511,638
Intergovernmental	5,785,400	5,785,400	6,071,569	286,169	6,142,908
Grants	-	-	5,874	5,874	28,576
Fines and fees	1,706,000	1,706,000	1,937,479	231,479	1,733,696
Interest	15,000	15,000	32,225	17,225	53,631
Miscellaneous	84,576	84,576	373,713	289,137	261,557
<b>Total revenues</b>	<b>16,797,353</b>	<b>16,797,353</b>	<b>17,702,746</b>	<b>905,393</b>	<b>17,136,170</b>
<b>Expenditures</b>					
<b>General government</b>					
Mayor's office	319,949	319,949	324,674	(4,725)	304,028
City Clerk's office	133,419	133,419	116,519	16,900	119,838
Legislative	178,834	178,834	117,293	61,541	136,577
City Treasurer	41,695	41,695	36,076	5,619	37,055
Comptroller	511,424	511,424	537,023	(25,599)	487,934
Information technology	172,255	172,255	180,128	(7,873)	142,516
Human resources	155,864	155,864	185,121	(29,257)	180,706
Building and health department	486,519	486,519	575,539	(89,020)	530,372
Buildings and grounds department	344,918	344,918	301,895	43,023	202,238
<b>Total general government</b>	<b>2,344,877</b>	<b>2,344,877</b>	<b>2,374,268</b>	<b>(29,391)</b>	<b>2,141,264</b>
Administration services	3,215,271	3,215,271	3,520,250	(304,979)	2,701,365
Highway and streets	1,193,407	1,193,407	1,202,027	(8,620)	1,006,562

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)

For the year ended April 30, 2009

(With 2008 actual for comparison)

	Budget		2009 Actual	Variance	2008 Actual
	Original	Final		Positive (Negative)	
<b>Expenditures (continued)</b>					
<b>Public safety</b>					
Police department	\$ 7,500,428	\$ 7,595,036	\$ 7,614,332	\$ (19,296)	\$ 6,700,909
Fire department	2,971,472	2,971,472	3,007,810	(36,338)	2,730,143
Total public safety	10,471,900	10,566,508	10,622,142	(55,634)	9,431,052
<b>Economic development</b>					
Community development	445,311	445,311	418,275	27,036	355,151
Economic development incentive	675,000	675,000	879,469	(204,469)	780,290
Total economic development	1,120,311	1,120,311	1,297,744	(177,433)	1,135,441
Total expenditures	18,345,766	18,440,374	19,016,431	(576,057)	16,415,684
Excess (deficiency) of revenues over expenditures	(1,548,413)	(1,643,021)	(1,313,685)	329,336	720,486
<b>Other financing sources (uses)</b>					
Transfers in	2,000,000	2,000,000	2,000,000	-	2,000,000
Transfers out	-	-	(37,500)	(37,500)	(26,302)
Total other financing sources (uses)	2,000,000	2,000,000	1,962,500	(37,500)	1,973,698
Net change in fund balance	\$ 356,979	648,815	\$ 291,836	2,694,184	2,694,184
Fund balance, beginning of year			4,446,922		1,752,738
Fund balance, end of year			\$ 5,095,737		\$ 4,446,922

(Concluded)

## City of North Chicago, Illinois

Downtown Tax Increment Financing Redevelopment Project Area Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 For the year ended April 30, 2009  
 (With 2008 actual for comparison)

	Budget		2009 Actual	Variance Favorable (Unfavorable)	2008 Actual
	Original	Final			
<b>Revenues</b>					
Interest	\$ -	\$ -	\$ 38,303	\$ -	\$ 150,575
<b>Expenditures</b>					
General government					
Other professional services	700,000	700,000	-	700,000	-
Debt service					
Issuance costs			-	-	316,434
Capital projects	2,595,000	2,595,000	448,938	2,146,062	1,559,160
Total expenditures	3,295,000	3,295,000	448,938	2,846,062	1,875,594
Deficiency of revenues over expenditures	(3,295,000)	(3,295,000)	(410,635)	(2,846,062)	(1,725,019)
<b>Other financing sources (uses)</b>					
Proceeds from debt issuance	-	-	-	-	6,431,973
Transfers out	(105,000)	(205,000)	(116,334)	-	(200,940)
Total other financing sources (uses)	(105,000)	(205,000)	(116,334)	-	6,231,033
Net change in fund balance	\$ (3,400,000)	\$ (3,500,000)	(526,969)	\$ (2,846,062)	4,506,014
Fund balance, beginning of year			9,193,557		4,687,543
Fund balance, end of year			\$ 8,666,588		\$ 9,193,557

**City of North Chicago, Illinois**  
Notes to the Required Supplementary Information  
April 30, 2009

**NOTE A - BUDGETS AND BUDGETARY ACCOUNTING**

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

Prior to May 15 of each year, the Comptroller submits to the City Council a statement of estimated receipts and disbursements for the fiscal year commencing May 1. Upon review by the City Council, an appropriation ordinance is prepared.

Public hearings are conducted to obtain taxpayer comments.

The legal authorization for expenditures is set by the appropriation ordinance.

Prior to July 31, the appropriation is legally enacted through passage of an ordinance.

The City prepares its appropriation ordinance in accordance with generally accepted accounting principles.

The level of control (level of which expenditures may not exceed budget/appropriations) is at the fund level. Budget/appropriations lapse at year-end.

All funds also have legally adopted budgets. The only change from the original budget to the final budget was an increase in equipment outlay in the General Fund in the amount of \$94,608.

Expenditures exceeded budgets in the following funds for the year ended April 30, 2009:

	Final Budget	Actual	Excess of Expenditures Over Budget
General Fund	\$ 18,440,374	\$ 19,053,931	\$ 613,557
Motor Fuel Tax Fund	1,431,364	1,487,633	56,269
Seized Drug Money (State) Fund	32,000	125,785	93,785
Downtown Tax Increment Financing Redevelopment			
Project Area Debt Service 2005A Fund	433,534	433,733	199
Downtown Tax Increment Financing Redevelopment			
Project Area Debt Service 2007A Fund	99,515	99,695	180
Downtown Tax Increment Financing Redevelopment			
Project Area Debt Service 2007B Fund	205,575	205,755	180
Grant Place Retail Center Debt Service 2007C Fund	521,872	522,092	220
DCEO Sidewalk and Bike Path Purchase Fund	1,723	2,621	898

**City of North Chicago, Illinois**  
Notes to the Required Supplementary Information  
April 30, 2009

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**NOTE A - BUDGETS AND BUDGETARY ACCOUNTING (Continued)**

Budgets were not adopted for the following funds:

- U.S. EPA Fund
- EDA Assistance Fund
- Capital Improvement Fund

The following funds were closed in fiscal year 2007-08 and do not appear in this report. There was no fund balance and no activity in fiscal year 2008-09.

- DCEO Biotech Study Grant Fund
- DCEO Fire Equipment Grant Fund
- CY Pres Fund
- DCEO Library Roof Grant Fund
- Telephone System Fund
- IEPA Brownsfield Fund
- U.S. EPA Brownsfield Fund
- Regional Transportation Authority Fund

**SUPPLEMENTARY FINANCIAL INFORMATION**

**City of North Chicago, Illinois**

General Fund

Schedule of Revenues and Other Financing Sources - Budget and Actual

For the year ended April 30, 2009

	Original and Final Budget	Actual	Variance Positive (Negative)
Property taxes			
Real estate taxes	\$ 3,575,233	\$ 3,626,084	\$ 50,851
Real estate taxes - Firefighters' and Police pensions	<u>1,088,910</u>	<u>1,106,301</u>	<u>17,391</u>
Total property taxes	<u>4,664,143</u>	<u>4,732,385</u>	<u>68,242</u>
Taxes - other			
Hotel/motel tax	225,000	208,190	(16,810)
Real estate transfer tax	325,000	97,569	(227,431)
Food and beverage tax	250,000	263,727	13,727
Foreign fire tax	85,000	92,231	7,231
Utility tax	1,550,000	1,692,677	142,677
Simplified telecommunications tax	1,200,000	1,193,180	(6,820)
Local use tax	466,934	512,309	45,375
Road and bridge tax	<u>35,000</u>	<u>46,061</u>	<u>11,061</u>
Total taxes - other	<u>4,136,934</u>	<u>4,105,944</u>	<u>(30,990)</u>
Total property taxes and taxes - other	<u>8,801,077</u>	<u>8,838,329</u>	<u>37,252</u>
Licenses and permits			
Amusement tax license	1,500	1,075	(425)
Barber license	350	550	200
Contractors license	7,500	15,815	8,315
Pet tag license	750	461	(289)
Dry cleaner license	-	250	250
Food delivery and trucks license	200	200	-
Garage/gas station license	3,500	3,755	255
Liquor license	25,000	30,300	5,300
Pool hall license	1,000	800	(200)
Restaurant license	1,500	1,175	(325)
Tobacco license	2,000	3,125	1,125

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Revenues and Other Financing Sources - Budget and Actual (Continued)

For the year ended April 30, 2009

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Licenses and permits (continued)</b>			
Business license	\$ 65,000	\$ 51,609	\$ (13,391)
Juke box and vending permits	12,000	17,245	5,245
Sign permits	1,000	2,230	1,230
Building permits	175,000	181,123	6,123
Rezoning variance permits	1,000	1,805	805
Miscellaneous permits	3,000	15,305	12,305
Vehicle stickers			
Truck	25,000	22,294	(2,706)
Other	-	4,565	4,565
Occupancy permits	50,000	41,375	(8,625)
Hazardous materials permits	30,000	48,500	18,500
Total licenses and permits	405,300	443,557	38,257
<b>Intergovernmental</b>			
State income tax	3,232,620	3,160,721	(71,899)
Sales tax	2,225,000	2,577,833	352,833
State - street maintenance (IDOT)	12,780	13,478	698
Replacement tax - state	300,000	291,556	(8,444)
North Chicago Housing Authority	15,000	27,981	12,981
Total intergovernmental	5,785,400	6,071,569	286,169
<b>Grants</b>			
IEMA public assistance program	-	5,874	5,874
<b>Fines and fees</b>			
Lien fees	20,000	33,235	13,235
Death certificate copies	2,000	2,363	363
Photocopies	7,000	5,604	(1,396)
Code books and maps	-	205	205

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Revenues and Other Financing Sources - Budget and Actual (Continued)

For the year ended April 30, 2009

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Fines and fees (continued)</b>			
<b>Fire service charges</b>			
Fire inspections	\$ 7,500	\$ 9,000	\$ 1,500
Ambulance fees	225,000	260,325	35,325
<b>Policing charges</b>			
Parking fines	25,000	19,687	(5,313)
Police fines	-	115	115
Redflex fines	-	182,562	182,562
Adjudication fines	175,000	199,634	24,634
Adjudication fines - Redflex	-	1,280	1,280
Adjudication court costs	3,500	5,610	2,110
Police services fees	75,000	35,708	(39,292)
Alarm service fees	10,000	15,542	5,542
Magistrate	190,000	227,481	37,481
Building fines and penalties	1,000	1,800	800
Cable franchise fees	100,000	115,886	15,886
Railroad parking lot pass fees	75,000	34,883	(40,117)
Community day fees	75,000	41,899	(33,101)
Garbage fees	715,000	744,660	29,660
<b>Total fines and fees</b>	<u>1,706,000</u>	<u>1,937,479</u>	<u>231,479</u>
<b>Interest</b>	<u>15,000</u>	<u>32,225</u>	<u>17,225</u>
<b>Miscellaneous</b>			
Cable land use lease	54,000	69,268	15,268
Sales of City property	5,000	4,743	(257)
Refunds/reimbursements	500	-	(500)
Miscellaneous	15,000	118,670	103,670

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Revenues and Other Financing Sources - Budget and Actual (Continued)

For the year ended April 30, 2009

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	Original and Final Budget	Actual	Variance Positive (Negative)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Miscellaneous (continued)			
Worker's compensation reimbursements	\$ 5,000	\$ 160,277	\$ 155,277
Train station lease	5,076	7,530	2,454
Cell tower lease income	-	13,225	13,225
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total miscellaneous	84,576	373,713	289,137
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total revenues	16,797,353	17,702,746	905,393
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Other financing sources			
Transfer in from Water Fund	2,000,000	2,000,000	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total revenues and other financing sources	\$ <u>18,797,353</u>	\$ <u>19,702,746</u>	\$ <u>905,393</u>

(Concluded)

# City of North Chicago, Illinois

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual

For the year ended April 30, 2009

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>General government</b>				
<b>Mayor's office</b>				
<b>Salaries and wages</b>				
Full-time salaries and wages	\$ 170,452	\$ 170,452	\$ 181,244	\$ (10,792)
Part-time salaries and wages	5,000	5,000	5,000	-
Administrative leave	-	-	3,288	(3,288)
Overtime allowances	2,000	2,000	112	1,888
<b>Total salaries and wages</b>	<b>177,452</b>	<b>177,452</b>	<b>189,644</b>	<b>(12,192)</b>
<b>Fringe benefits</b>				
IMRF match	13,451	13,451	13,578	(127)
Employer's health insurance	3,956	3,956	4,574	(618)
Employer's dental and vision insurance	2,682	2,682	7,811	(5,129)
Social security match	11,002	11,002	11,470	(468)
Medicare match	2,573	2,573	2,682	(109)
Car allowance	-	-	252	(252)
Life insurance premiums	333	333	234	99
<b>Total fringe benefits</b>	<b>33,997</b>	<b>33,997</b>	<b>40,601</b>	<b>(6,604)</b>
<b>Contractual services</b>				
Maintenance - vehicles	4,000	4,000	-	4,000
Maintenance - building	-	-	52	(52)
Telephone	3,000	3,000	3,076	(76)
Travel and training	27,000	27,000	15,964	11,036
Per diem (travel allowance)	7,500	7,500	-	7,500
Postage	1,000	1,000	492	508
Printing and publishing	3,000	3,000	-	3,000
Other professional services	8,000	8,000	43,955	(35,955)
Dues and memberships	12,000	12,000	9,046	2,954
<b>Total contractual services</b>	<b>65,500</b>	<b>65,500</b>	<b>72,585</b>	<b>(7,085)</b>

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
General government (continued)				
Mayor's office (continued)				
Commodities				
Office supplies	\$ 7,500	\$ 7,500	\$ 3,914	\$ 3,586
Gasoline and oil	2,500	2,500	1,164	1,336
Publications	1,000	1,000	-	1,000
Miscellaneous expenses	20,000	20,000	16,766	3,234
Mayor's expense account	10,000	10,000	-	10,000
Total commodities	41,000	41,000	21,844	19,156
Capital outlay				
Equipment	2,000	2,000	-	2,000
Total Mayor's office	319,949	319,949	324,674	(4,725)
City Clerk's office				
Salaries and wages				
Full-time salaries and wages	81,178	81,178	84,404	(3,226)
Fringe benefits				
IMRF match	2,729	2,729	6,076	(3,347)
Employer's health insurance	7,292	7,292	6,271	1,021
Employer's dental and vision insurance	1,788	1,788	2,168	(380)
Social security match	5,033	5,033	5,018	15
Medicare match	1,177	1,177	1,173	4
Gas allowance	-	-	389	(389)
Life insurance premiums	222	222	156	66
Total fringe benefits	18,241	18,241	21,251	(3,010)

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
General government (continued)				
City Clerk's office (continued)				
Contractual services				
Maintenance - equipment	\$ 2,000	\$ 2,000	\$ 795	\$ 1,205
Travel and training	6,000	6,000	2,182	3,818
Per diem (travel allowance)	2,000	2,000	-	2,000
Postage	500	500	122	378
Printing and publishing	12,000	12,000	728	11,272
Dues and memberships	1,000	1,000	923	77
Total contractual services	23,500	23,500	4,750	18,750
Commodities				
Office supplies	5,000	5,000	2,534	2,466
Gasoline and oil	1,500	1,500	943	557
Miscellaneous expenses	1,000	1,000	147	853
Total commodities	7,500	7,500	3,624	3,876
Capital outlay				
Equipment	3,000	3,000	2,490	510
Total City Clerk's office	133,419	133,419	116,519	16,900
Legislative				
Salaries and wages				
Full-time salaries and wages	-	-	155	(155)
Part-time salaries and wages	64,220	64,220	63,854	366
Total salaries and wages	64,220	64,220	64,009	211
Fringe benefits				
IMRF match	3,032	3,032	2,747	285
Employer's health insurance	17,634	17,634	26,496	(8,862)
Employer's dental and vision insurance	6,258	6,258	2,612	3,646

(Continued)

**City of North Chicago, Illinois**

General Fund

Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
General government (continued)				
Legislative (continued)				
Fringe benefits (continued)				
Social security match	\$ 3,982	\$ 3,982	\$ 3,683	\$ 299
Medicare match	931	931	862	69
Life insurance premiums	777	777	579	198
Total fringe benefits	<u>32,614</u>	<u>32,614</u>	<u>36,979</u>	<u>(4,365)</u>
Contractual services				
Travel and training	41,000	41,000	3,076	37,924
Per diem (travel allowance)	7,500	7,500	417	7,083
Postage	1,300	1,300	89	1,211
Printing and publishing	5,000	5,000	-	5,000
Dues and memberships	10,250	10,250	4,544	5,706
Boards and commissions	5,000	5,000	-	5,000
Total contractual services	<u>70,050</u>	<u>70,050</u>	<u>8,126</u>	<u>61,924</u>
Commodities				
Office supplies	1,450	1,450	789	661
Publications	500	500	-	500
Miscellaneous expenses	10,000	10,000	7,390	2,610
Total commodities	<u>11,950</u>	<u>11,950</u>	<u>8,179</u>	<u>3,771</u>
Total legislative	<u>178,834</u>	<u>178,834</u>	<u>117,293</u>	<u>61,541</u>
City Treasurer				
Salaries and wages				
Part-time salaries and wages	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>General government (continued)</b>				
<b>City Treasurer (continued)</b>				
<b>Fringe benefits</b>				
IMRF match	\$ -	\$ -	\$ 1,093	\$ (1,093)
Employer's health insurance	10,342	10,342	12,077	(1,735)
Employer's dental and vision insurance	894	894	998	(104)
Social security match	930	930	713	217
Medicare match	218	218	167	51
Gas allowance	-	-	72	(72)
Life insurance premiums	111	111	78	33
Total fringe benefits	12,495	12,495	15,198	(2,703)
<b>Contractual services</b>				
Travel and training	8,500	8,500	2,672	5,828
Printing and publishing	800	800	949	(149)
Dues and memberships	1,000	1,000	835	165
Total contractual services	10,300	10,300	4,456	5,844
<b>Commodities</b>				
Office supplies	1,900	1,900	244	1,656
Gasoline and oil	500	500	348	152
Miscellaneous expenses	1,500	1,500	830	670
Total commodities	3,900	3,900	1,422	2,478
Total City Treasurer	41,695	41,695	36,076	5,619
<b>Comptroller</b>				
<b>Salaries and wages</b>				
Full-time salaries and wages	332,994	332,994	351,016	(18,022)
Compensated absences	-	-	21,266	(21,266)
Overtime allowances	2,250	2,250	-	2,250
Total salaries and wages	335,244	335,244	372,282	(37,038)

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
General government (continued)				
Comptroller (continued)				
Fringe benefits				
IMRF match	\$ 25,411	\$ 25,411	\$ 24,921	\$ 490
Employer's health insurance	67,268	67,268	71,364	(4,096)
Employer's dental and vision insurance	5,364	5,364	7,205	(1,841)
Social security match	20,785	20,785	20,150	635
Medicare match	4,861	4,861	4,712	149
Life insurance premiums	666	666	624	42
Total fringe benefits	124,355	124,355	128,976	(4,621)
Contractual services				
Maintenance - equipment	1,500	1,500	1,694	(194)
Travel and training	3,325	3,325	288	3,037
Per diem (travel allowance)	800	800	-	800
Postage	7,000	7,000	3,260	3,740
Printing and publishing	20,000	20,000	15,795	4,205
Dues and memberships	2,500	2,500	1,288	1,212
Total contractual services	35,125	35,125	22,325	12,800
Commodities				
Office supplies	15,000	15,000	12,471	2,529
Publications	700	700	-	700
Miscellaneous expenses	1,000	1,000	969	31
Total commodities	16,700	16,700	13,440	3,260
Total Comptroller	511,424	511,424	537,023	(25,599)
Information technology				
Salaries and wages				
Full-time salaries and wages	77,575	77,575	80,273	(2,698)

(Continued)

**City of North Chicago, Illinois**

General Fund

Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
General government (continued)				
Information technology (continued)				
Fringe benefits				
IMRF match	\$ 5,880	\$ 5,880	\$ 5,700	\$ 180
Employer's health insurance	11,360	11,360	12,670	(1,310)
Employer's dental and vision insurance	894	894	998	(104)
Social security match	4,810	4,810	4,655	155
Medicare match	1,125	1,125	1,089	36
Life insurance premiums	111	111	78	33
Total fringe benefits	<u>24,180</u>	<u>24,180</u>	<u>25,190</u>	<u>(1,010)</u>
Contractual services				
Telephone	1,400	1,400	1,854	(454)
Travel and training	4,000	4,000	-	4,000
Other professional services	<u>27,750</u>	<u>27,750</u>	<u>32,606</u>	<u>(4,856)</u>
Total contractual services	<u>33,150</u>	<u>33,150</u>	<u>34,460</u>	<u>(1,310)</u>
Commodities				
Operating supplies	<u>37,350</u>	<u>37,350</u>	<u>40,205</u>	<u>(2,855)</u>
Total information technology	<u>172,255</u>	<u>172,255</u>	<u>180,128</u>	<u>(7,873)</u>
Human resources				
Salaries and wages				
Full-time salaries and wages	98,018	66,955	91,533	(24,578)
Overtime allowances	<u>2,000</u>	<u>2,000</u>	<u>63</u>	<u>1,937</u>
Total salaries and wages	<u>100,018</u>	<u>68,955</u>	<u>91,596</u>	<u>(22,641)</u>

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
General government (continued)				
Human resources (continued)				
Fringe benefits				
IMRF match	\$ 7,581	\$ 7,581	\$ 6,418	\$ 1,163
Employer's health insurance	15,354	15,354	8,420	6,934
Employer's dental and vision insurance	1,788	1,788	998	790
Social security match	6,201	6,201	5,520	681
Medicare match	1,450	1,450	1,291	159
Life insurance premiums	222	222	79	143
Total fringe benefits	32,596	32,596	22,726	9,870
Contractual services				
Telephone	800	800	1,252	(452)
Travel and training	2,500	2,500	2,489	11
In-house training	5,000	5,000	-	5,000
Postage	500	500	770	(270)
Printing and publishing	500	500	428	72
Other professional services	5,000	36,063	42,134	(6,071)
Dues and memberships	500	500	1,055	(555)
Total contractual services	14,800	45,863	48,128	(2,265)
Commodities				
Office supplies	1,500	1,500	1,708	(208)
Publications	500	500	400	100
Advertising-all departments	2,500	2,500	13,813	(11,313)
Employee recognition	3,500	3,500	-	3,500
Safety incentives	200	200	3,822	(3,622)
Miscellaneous expenses	250	250	2,928	(2,678)
Total commodities	8,450	8,450	22,671	(14,221)
Total human resources	155,864	155,864	185,121	(29,257)

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
General government (continued)				
Building and health department				
Salaries and wages				
Full-time salaries and wages	\$ 264,675	\$ 264,675	\$ 272,213	\$ (7,538)
Overtime allowances	10,000	10,000	2,048	7,952
Total salaries and wages	274,675	274,675	274,261	414
Fringe benefits				
IMRF match	20,820	20,820	19,467	1,353
Employer's health insurance	23,911	23,911	44,712	(20,801)
Employer's dental and vision insurance	5,364	5,364	6,664	(1,300)
Social security match	17,030	17,030	16,149	881
Medicare match	3,983	3,983	3,777	206
Life insurance premiums	666	666	468	198
Total fringe benefits	71,774	71,774	91,237	(19,463)
Contractual services				
Maintenance - vehicles	3,200	3,200	2,080	1,120
Maintenance - equipment	4,200	4,200	1,964	2,236
Telephone	5,000	5,000	2,064	2,936
Travel and training	6,500	6,500	1,378	5,122
Per diem (travel allowance)	2,500	2,500	-	2,500
Postage	2,300	2,300	1,277	1,023
Printing and publishing	3,250	3,250	2,582	668
Other professional services	51,000	51,000	101,071	(50,071)
Dues and memberships	820	820	4,008	(3,188)
Demolition	40,000	40,000	76,371	(36,371)
Total contractual services	118,770	118,770	192,795	(74,025)
Commodities				
Office supplies	10,000	10,000	8,300	1,700
Gasoline and oil	7,600	7,600	8,087	(487)

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
General government (continued)				
Building and health department (continued)				
Commodities (continued)				
Operating supplies	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Uniforms	1,500	1,500	846	654
Publications	700	700	-	700
Miscellaneous expense	500	500	13	487
Total commodities	21,300	21,300	17,246	4,054
Total building and health department	486,519	486,519	575,539	(89,020)
Building and grounds department				
Salaries and wages				
Full-time salaries and wages	97,407	97,407	102,014	(4,607)
Overtime allowances	6,000	6,000	181	5,819
Workers' compensation	-	-	7,060	(7,060)
Total salaries and wages	103,407	103,407	109,255	(5,848)
Fringe benefits				
IMRF match	7,838	7,838	7,668	170
Employer's health insurance	11,298	11,298	11,674	(376)
Employer's dental and vision insurance	2,682	2,682	3,539	(857)
Social security match	6,411	6,411	6,072	339
Medicare match	1,499	1,499	1,420	79
Life insurance premiums	333	333	234	99
Total fringe benefits	30,061	30,061	30,607	(546)
Contractual services				
Maintenance - buildings	93,800	93,800	89,910	3,890
Maintenance - grounds	2,500	2,500	-	2,500
Drinking water	1,600	1,600	1,356	244
Other professional services	18,500	18,500	5,699	12,801
Total contractual services	116,400	116,400	96,965	19,435

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
<b>General government (continued)</b>				
<b>Building and grounds department (continued)</b>				
Commodities				
Pest control	\$ 32,300	\$ 32,300	\$ 33,024	\$ (724)
Maintenance supplies	50,000	50,000	28,225	21,775
Operating supplies	10,000	10,000	1,926	8,074
Uniforms	2,250	2,250	1,893	357
Miscellaneous	500	500	-	500
<b>Total commodities</b>	<b>95,050</b>	<b>95,050</b>	<b>65,068</b>	<b>29,982</b>
<b>Total building and grounds department</b>	<b>344,918</b>	<b>344,918</b>	<b>301,895</b>	<b>43,023</b>
<b>Total general government</b>	<b>2,344,877</b>	<b>2,344,877</b>	<b>2,374,268</b>	<b>(29,391)</b>
<b>Administration services</b>				
Contractual services				
Unemployment insurance	40,000	40,000	27,038	12,962
Maintenance of equipment	45,000	45,000	33,679	11,321
Workers' compensation	575,052	575,052	682,444	(107,392)
Liability insurance	489,859	489,859	624,192	(134,333)
Telephone	150,000	150,000	134,797	15,203
Utilities	200,000	200,000	242,208	(42,208)
Postage	11,500	11,500	6,159	5,341
Landfill and rolloff (garbage)	11,000	11,000	-	11,000
Printing and publishing	16,500	13,350	1,637	11,713
Auditing services	60,800	63,950	63,950	-
Payroll service	-	15,000	13,105	1,895
Engineering services	106,800	106,800	111,641	(4,841)
Retainer fees	24,000	24,000	24,000	-
Medical services	48,960	48,960	35,682	13,278

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Administration services (continued)				
Contractual services (continued)				
Other professional services	\$ 54,800	\$ 39,800	\$ 20,642	\$ 19,158
Refuse collection	735,000	735,000	742,550	(7,550)
Grantsmanship contract	50,000	50,000	-	50,000
Codification of ordinances	5,000	5,000	-	5,000
Government affairs services	-	-	21,000	(21,000)
Redflex traffic systems fees	-	-	92,973	(92,973)
Dues and memberships	-	-	120	(120)
Lawsuits and attorney fees	300,000	300,000	341,722	(41,722)
Public relations	50,000	50,000	30,817	19,183
Public relations - community day	75,000	75,000	45,754	29,246
100th Anniversary Celebration	50,000	50,000	-	50,000
Reimbursements	30,000	30,000	30,000	-
Lake Bluff sales tax sharing	-	-	12,862	(12,862)
Two percent fire department foreign tax	85,000	85,000	92,231	(7,231)
Bad debt expense	-	-	9,659	(9,659)
Total contractual services	3,214,271	3,214,271	3,440,862	(226,591)
Commodities				
Office supplies	1,000	1,000	446	554
Miscellaneous expense	-	-	809	(809)
Total commodities	1,000	1,000	1,255	(255)
Capital outlay				
Equipment	-	-	78,133	(78,133)
Total administration services	3,215,271	3,215,271	3,520,250	(304,979)

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Highway and streets				
Street department				
Salaries and wages				
Full-time salaries and wages	\$ 493,809	\$ 493,809	\$ 483,971	\$ 9,838
Sick leave sell back	-	-	1,679	(1,679)
Administrative leave	-	-	273	(273)
Overtime allowances	9,000	9,000	21,166	(12,166)
Workers' compensation	-	-	17,961	(17,961)
Total salaries and wages	502,809	502,809	525,050	(22,241)
Fringe benefits				
IMRF match	38,113	38,113	37,148	965
Employer's health insurance	101,081	101,081	108,772	(7,691)
Employer's dental and vision insurance	9,834	9,834	8,607	1,227
Social security match	31,174	31,174	29,476	1,698
Medicare match	7,291	7,291	6,893	398
Life insurance premiums	1,221	1,221	1,014	207
Total fringe benefits	188,714	188,714	191,910	(3,196)
Contractual services				
Maintenance - building	20,000	12,000	7,731	4,269
Maintenance - vehicles	50,000	63,000	65,523	(2,523)
Maintenance - equipment	12,000	21,333	17,163	4,170
Maintenance - streets	20,000	23,667	17,974	5,693
Maintenance - grounds	21,000	3,000	6,528	(3,528)
Other maintenance	1,800	1,800	1,163	637
Telephone	3,000	3,000	2,646	354
Street lighting	10,000	10,000	6,435	3,565
Rentals	70,000	70,000	62,674	7,326
Travel and training	3,000	3,000	807	2,193
Postage	700	700	184	516

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Highways and streets (continued)				
Street department (continued)				
Contractual services (continued)				
Printing and publishing	\$ 2,300	\$ 2,300	\$ -	\$ 2,300
Medical services	1,000	1,000	379	621
Other professional services	152,484	152,484	126,586	25,898
Total contractual services	367,284	367,284	315,793	51,491
Commodities				
Office supplies	3,500	3,500	2,850	650
Gasoline and oil	60,000	60,000	92,039	(32,039)
Maintenance and supplies	22,500	22,500	18,650	3,850
Operating supplies	23,000	23,000	36,112	(13,112)
Uniforms	23,500	23,500	18,660	4,840
Miscellaneous expenses	2,100	2,100	963	1,137
Total commodities	134,600	134,600	169,274	(34,674)
Total highway and streets	1,193,407	1,193,407	1,202,027	(8,620)
Public safety				
Police department				
Salaries and wages				
Full-time salaries and wages	4,414,358	4,414,358	4,087,468	326,890
Part-time salaries and wages	131,456	131,456	122,578	8,878
Administrative leave	-	-	63,771	(63,771)
Compensated absences	-	-	22,199	(22,199)
Holiday taken	-	-	124,995	(124,995)
Police special detail	-	-	51,714	(51,714)
Overtime allowances	63,000	63,000	92,077	(29,077)
Police overtime	624,000	624,000	639,404	(15,404)
Sick leave sell back	-	-	3,467	(3,467)
Workers' compensation	-	-	184,682	(184,682)
Total salaries and wages	5,232,814	5,232,814	5,392,355	(159,541)

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Public safety (continued)				
Police department (continued)				
Fringe benefits				
IMRF match	\$ 63,505	\$ 63,505	\$ 57,846	\$ 5,659
Employer pension contribution	622,122	622,122	612,054	10,068
Employer's health insurance	537,840	537,840	549,418	(11,578)
Employer's dental and vision insurance	68,838	68,838	34,662	34,176
Social security match	54,795	54,795	55,962	(1,167)
Medicare match	73,432	73,432	69,658	3,774
Life insurance premiums	8,547	8,547	8,599	(52)
Total fringe benefits	1,429,079	1,429,079	1,388,199	40,880
Contractual services				
Uniform allowance	13,500	13,500	10,800	2,700
Maintenance - vehicle	65,300	95,300	153,108	(57,808)
Maintenance - equipment	58,570	58,570	51,902	6,668
Other maintenance	700	700	508	192
Telephone	24,600	24,600	17,569	7,031
Rentals	14,000	14,000	-	14,000
Travel and training	80,990	40,990	22,993	17,997
Per diem (travel allowance)	8,500	8,500	8,243	257
Postage	5,050	5,050	657	4,393
Printing and publishing	22,445	22,445	15,521	6,924
Other professional services	133,605	133,605	206,962	(73,357)
Dues and memberships	2,700	2,700	2,770	(70)
Animal control	12,325	12,325	9,139	3,186
Other communication service	15,000	15,000	2,345	12,655
Total contractual services	457,285	447,285	502,517	(55,232)

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Public safety (continued)				
Police department (continued)				
Commodities				
Office supplies	\$ 26,600	\$ 26,600	\$ 22,163	\$ 4,437
Gasoline and oil	81,600	81,600	99,012	(17,412)
Maintenance supplies	850	850	-	850
Operating supplies	41,070	51,070	55,993	(4,923)
Uniforms	42,000	42,000	31,248	10,752
Prisoner meals	7,500	7,500	2,393	5,107
Publications	3,025	3,025	-	3,025
Reimbursements	5,000	5,000	8,393	(3,393)
Investigative expenses	15,000	15,000	17,068	(2,068)
Crime prevention	20,500	20,500	134	20,366
Miscellaneous	1,000	1,000	-	1,000
Total commodities	244,145	254,145	236,404	17,741
Capital outlay				
Vehicles	96,746	96,746	-	96,746
Equipment	40,359	134,967	94,857	40,110
Total capital outlay	137,105	231,713	94,857	136,856
Total police department	7,500,428	7,595,036	7,614,332	(19,296)
Fire department				
Salaries and wages				
Full-time salaries and wages	1,901,340	1,901,340	1,764,314	137,026
Part-time salaries and wages	-	-	3,807	(3,807)
Fire overtime	112,000	112,000	204,765	(92,765)
Holiday taken	-	-	57,403	(57,403)
Fire lieutenant pay	-	-	3,467	(3,467)

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Public safety (continued)				
Fire department (continued)				
Salaries and wages (continued)				
Overtime allowances	\$ 2,000	\$ 2,000	\$ 145	\$ 1,855
Sick leave buy back	-	-	5,060	(5,060)
Workers' compensation	-	-	36,736	(36,736)
Total salaries and wages	2,015,340	2,015,340	2,075,697	(60,357)
Fringe benefits				
IMRF match	3,128	3,128	2,987	141
Employer pension contribution	466,788	466,788	459,037	7,751
Employer's health insurance	219,100	219,100	288,375	(69,275)
Employer's dental and vision insurance	29,502	29,502	29,180	322
Social security match	2,559	2,559	2,306	253
Medicare match	23,742	23,742	22,412	1,330
Life insurance premiums	3,663	3,663	4,512	(849)
Total fringe benefits	748,482	748,482	808,809	(60,327)
Contractual services				
Maintenance - vehicles	39,500	39,500	30,178	9,322
Maintenance - equipment	15,550	15,550	7,482	8,068
Telephone	7,500	7,500	6,029	1,471
Rentals	1,500	1,500	2,872	(1,372)
Travel and training	30,000	30,000	9,131	20,869
Per diem (travel allowance)	5,500	5,500	-	5,500
Postage	250	250	140	110
Printing and publishing	7,000	7,000	6,047	953
Other professional service	25,000	25,000	856	24,144
Linen services	1,000	1,000	-	1,000
Dues and memberships	8,600	8,600	11,090	(2,490)
Total contractual services	141,400	141,400	73,825	67,575

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Public safety (continued)				
Fire department (continued)				
Commodities				
Office supplies	\$ 3,500	\$ 1,500	\$ 1,273	\$ 227
Gasoline and oil	15,500	15,500	16,400	(900)
Maintenance supplies	2,000	4,000	3,022	978
Operating supplies	6,000	6,000	4,345	1,655
Ambulance operating supplies	8,000	8,000	5,532	2,468
Uniforms	10,000	10,000	4,186	5,814
Publications	750	750	3,900	(3,150)
Hazardous material enforcement	20,000	20,000	-	20,000
Reimbursements	500	500	321	179
Total commodities	66,250	66,250	38,979	27,271
Capital outlay				
Vehicles	-	-	10,500	(10,500)
Total fire department	2,971,472	2,971,472	3,007,810	(36,338)
Total public safety	10,471,900	10,566,508	10,622,142	(55,634)
Economic development				
Community development				
Salaries and wages				
Full-time salaries and wages	311,207	296,207	291,354	4,853
Overtime allowances	6,000	6,000	2,086	3,914
Total salaries and wages	317,207	302,207	293,440	8,767

(Continued)

**City of North Chicago, Illinois**

General Fund

Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Economic development (continued)				
Community development (continued)				
Fringe benefits				
IMRF match	\$ 24,044	\$ 24,044	\$ 20,656	\$ 3,388
Employer's health insurance	20,888	20,888	17,914	2,974
Employer's dental and vision insurance	5,364	5,364	2,947	2,417
Social security match	19,667	19,667	17,467	2,200
Medicare match	4,600	4,600	4,085	515
Life insurance premiums	666	666	358	308
Total fringe benefits	<u>75,229</u>	<u>75,229</u>	<u>63,427</u>	<u>11,802</u>
Contractual services				
Telephone	4,000	4,000	2,952	1,048
Travel and training	4,000	4,000	2,969	1,031
Postage	2,000	2,000	695	1,305
Printing and publishing	3,000	3,000	931	2,069
Other professional services	30,000	45,000	44,245	755
Dues and memberships	2,675	2,675	3,098	(423)
Total contractual services	<u>45,675</u>	<u>60,675</u>	<u>54,890</u>	<u>5,785</u>
Commodities				
Office supplies	5,700	5,700	5,568	132
Gasoline and oil	500	500	573	(73)
Miscellaneous expense	500	500	300	200
Publications	500	500	77	423
Total commodities	<u>7,200</u>	<u>7,200</u>	<u>6,518</u>	<u>682</u>
Total community development	<u>445,311</u>	<u>445,311</u>	<u>418,275</u>	<u>27,036</u>

(Continued)

# City of North Chicago, Illinois

## General Fund

### Schedule of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the year ended April 30, 2009

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	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Economic development (continued)				
Economic development incentive	<u>\$ 675,000</u>	<u>\$ 675,000</u>	<u>\$ 879,469</u>	<u>\$ (204,469)</u>
Total economic development	<u>1,120,311</u>	<u>1,120,311</u>	<u>1,297,744</u>	<u>(177,433)</u>
Total expenditures	<u>18,345,766</u>	<u>18,440,374</u>	<u>19,016,431</u>	<u>(576,057)</u>
Other financing uses				
Transfer to U.S. Department of Homeland Security Grant Fund	<u>-</u>	<u>-</u>	<u>37,500</u>	<u>(37,500)</u>
Total expenditures and other financing uses	<u>\$ 18,345,766</u>	<u>\$ 18,440,374</u>	<u>\$ 19,053,931</u>	<u>\$ (613,557)</u>

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(Concluded)

**City of North Chicago, Illinois**

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2009

	<u>Special Revenue Funds</u>			
	<u>Library</u>	<u>Motor Fuel Tax</u>	<u>AT &amp; T Foundation Grant</u>	<u>Community Development Block Grant</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 478,818	\$ 770,862	\$ 15,015	\$ 84,414
Investments	-	300,000	-	-
Property tax receivable	612,456	-	-	-
Intergovernmental receivable	-	71,725	-	-
Other receivables	43,454	16,282	-	846,394
Due from other funds	-	-	-	-
Due from component unit, net of reserve	-	-	-	7,858
 Total assets	 \$ <u>1,134,728</u>	 \$ <u>1,158,869</u>	 \$ <u>15,015</u>	 \$ <u>938,666</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 41,306	\$ 107,164	\$ -	\$ 69,876
Accrued payroll	2,452	2,932	-	-
Unearned revenue	348,203	-	15,015	-
Other payables	-	-	-	315
Due to other funds	-	-	-	1,790
 Total liabilities	 <u>391,961</u>	 <u>110,096</u>	 <u>15,015</u>	 <u>71,981</u>
<b>Fund balances</b>				
Reserved for debt service	-	-	-	-
Reserved for due from component unit	-	-	-	7,858
Unreserved	742,767	1,048,773	-	858,827
 Total fund balances	 <u>742,767</u>	 <u>1,048,773</u>	 <u>-</u>	 <u>866,685</u>
 Total liabilities and fund balances	 \$ <u>1,134,728</u>	 \$ <u>1,158,869</u>	 \$ <u>15,015</u>	 \$ <u>938,666</u>

Special Revenue Funds (Continued)

COPS Equipment and Technology	Federal Forfeited Property (DEA)	E911 Emergency	Seized Drug Money (State)	U. S. Department of Homeland Security Grant	Grant Place Capital
\$ -	\$ 4,066	\$ 206,231	\$ 64,078	\$ -	\$ 1,396,350
-	-	-	-	-	-
-	-	-	-	62,492	-
-	-	38,411	-	12,847	-
-	-	-	-	-	-
-	-	-	-	-	1,600,000
<u>\$ -</u>	<u>\$ 4,066</u>	<u>\$ 244,642</u>	<u>\$ 64,078</u>	<u>\$ 75,339</u>	<u>\$ 2,996,350</u>
\$ -	\$ -	\$ 20,339	\$ -	\$ -	\$ 30,476
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	50,686	-
-	-	20,339	-	50,686	30,476
-	-	-	-	-	-
-	-	-	-	-	1,600,000
-	4,066	224,303	64,078	24,653	1,365,874
-	4,066	224,303	64,078	24,653	2,965,874
<u>\$ -</u>	<u>\$ 4,066</u>	<u>\$ 244,642</u>	<u>\$ 64,078</u>	<u>\$ 75,339</u>	<u>\$ 2,996,350</u>

(Continued)

# City of North Chicago, Illinois

Nonmajor Governmental Funds

Combining Balance Sheet (Continued)

April 30, 2009

	Special Revenue Funds (Continued)		Debt Service Funds
	Grant Place Operating	Total Nonmajor Special Revenue Funds	Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2005A
<b>ASSETS</b>			
Cash and cash equivalents	\$ 73,895	\$ 3,093,729	\$ 357,654
Investments	-	300,000	-
Property tax receivable	-	612,456	487,540
Intergovernmental receivable	-	134,217	-
Other receivables	-	957,388	-
Due from other funds	-	-	200
Due from component unit, net of reserve	-	1,607,858	-
 Total assets	<u>\$ 73,895</u>	<u>\$ 6,705,648</u>	<u>\$ 845,394</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$ 35,386	\$ 304,547	\$ -
Accrued payroll	-	5,384	-
Unearned revenue	-	363,218	269,951
Other payables	3,519	3,834	-
Due to other funds	34,990	87,466	-
 Total liabilities	<u>73,895</u>	<u>764,449</u>	<u>269,951</u>
 <b>Fund balances</b>			
Reserved for debt service	-	-	575,443
Reserved for due from component unit	-	1,607,858	-
Unreserved	-	4,333,341	-
 Total fund balances	<u>-</u>	<u>5,941,199</u>	<u>575,443</u>
 Total liabilities and fund balances	<u>\$ 73,895</u>	<u>\$ 6,705,648</u>	<u>\$ 845,394</u>

Debt Service Funds (Continued)

Debt Service	Downtown Tax Increment Financing Redevelopment Project Area Debt Service 2007A	Downtown Tax Increment Financing Redevelopment Project Area Debt Service 2007B	Grant Place Retail Center Debt Service 2007C	Total Nonmajor Debt Service Funds
\$ 1,293,713	\$ 104,842	\$ 217,906	\$ 591,114	\$ 2,565,229
-	-	-	-	-
1,052,213	-	-	-	1,539,753
-	-	-	-	-
-	-	-	-	-
-	-	-	34,990	35,190
-	-	-	-	-
<u>2,345,926</u>	<u>104,842</u>	<u>217,906</u>	<u>626,104</u>	<u>4,140,172</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
598,223	-	-	-	868,174
-	-	-	-	-
-	-	-	-	-
<u>598,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>868,174</u>
1,747,703	104,842	217,906	626,104	3,271,998
-	-	-	-	-
-	-	-	-	-
<u>1,747,703</u>	<u>104,842</u>	<u>217,906</u>	<u>626,104</u>	<u>3,271,998</u>
<u>\$ 2,345,926</u>	<u>\$ 104,842</u>	<u>\$ 217,906</u>	<u>\$ 626,104</u>	<u>\$ 4,140,172</u>

(Continued)

**City of North Chicago, Illinois**

Nonmajor Governmental Funds

Combining Balance Sheet (Continued)

April 30, 2009

	<u>Capital Project Funds</u>		
	<u>U.S. EPA</u>	<u>EDA Assistance</u>	<u>Abbott Laboratories Grant</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 24,849	\$ -	\$ 21,600
Investments	-	-	-
Property taxes receivable	-	-	-
Intergovernmental receivable	-	-	-
Other receivables	-	-	-
Due from other funds	-	-	-
Due from component unit, net of reserve	-	-	-
 Total assets	 <u>\$ 24,849</u>	 <u>\$ -</u>	 <u>\$ 21,600</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$ 24,849	\$ -	\$ 15,554
Accrued payroll	-	-	-
Unearned revenue	-	-	6,006
Other payables	-	-	-
Due to other funds	-	-	40
 Total liabilities	 <u>24,849</u>	 <u>-</u>	 <u>21,600</u>
<b>Fund balances</b>			
Reserved for debt service	-	-	-
Reserved for due from component unit	-	-	-
Unreserved	-	-	-
 Total fund balances	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Total liabilities and fund balances	 <u>\$ 24,849</u>	 <u>\$ -</u>	 <u>\$ 21,600</u>

Capital Project Funds (Continued)				Total
Lake County Brownsfield Grants	DCEO Sidewalk and Bike Path Purchase	DCEO Sheridan Road Acquisition Grant	Total Nonmajor Capital Project Funds	Nonmajor Governmental Funds
\$ -	\$ -	\$ 19,556	\$ 66,005	\$ 5,724,963
-	-	-	-	300,000
-	-	-	-	2,152,209
61,518	-	-	61,518	195,735
-	-	-	-	957,388
-	-	-	-	35,190
-	-	-	-	1,607,858
<u>\$ 61,518</u>	<u>\$ -</u>	<u>\$ 19,556</u>	<u>\$ 127,523</u>	<u>\$ 10,973,343</u>
\$ -	\$ -	\$ -	\$ 40,403	\$ 344,950
-	-	-	-	5,384
-	-	18,750	24,756	1,256,148
-	-	-	-	3,834
61,518	-	-	61,558	149,024
<u>61,518</u>	<u>-</u>	<u>18,750</u>	<u>126,717</u>	<u>1,759,340</u>
-	-	-	-	3,271,998
-	-	-	-	1,607,858
-	-	806	806	4,334,147
-	-	806	806	9,214,003
<u>\$ 61,518</u>	<u>\$ -</u>	<u>\$ 19,556</u>	<u>\$ 127,523</u>	<u>\$ 10,973,343</u>

(Concluded)

# City of North Chicago, Illinois

## Nonmajor Governmental Funds

### Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the year ended April 30, 2009

	Special Revenue Funds			
	Library	Motor Fuel Tax	AT & T Foundation Grant	Community Development Block Grant
Revenues				
Property taxes	\$ 600,760	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	937,290	-	-
Grants	44,002	-	5,374	368,810
Fines and fees	16,147	-	-	-
Interest	8,303	20,125	-	677
Miscellaneous	-	-	-	18,123
Total revenues	669,212	957,415	5,374	387,610
Expenditures				
Current				
Administration	-	-	-	33,812
Highway and streets	-	1,487,633	-	-
Public safety	-	-	5,374	-
Culture and recreation	523,546	-	-	-
Economic development	-	-	-	260,489
Bad debt	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and other	-	-	-	-
Capital outlay	90,387	-	-	-
Total expenditures	613,933	1,487,633	5,374	294,301
Excess (deficiency) of revenues over expenditures	55,279	(530,218)	-	93,309
Other financing sources and uses				
Transfers in (out)	-	70,000	-	(70,000)
Net change in fund balances	55,279	(460,218)	-	23,309
Fund balance, beginning of year	687,488	1,508,991	-	843,376
Fund balance, end of year	\$ 742,767	\$ 1,048,773	\$ -	\$ 866,685

Special Revenue Funds (Continued)

<u>COPS Equipment and Technology</u>	<u>Federal Forfeited Property (DEA)</u>	<u>E911 Emergency</u>	<u>Seized Drug Money (State)</u>	<u>U. S. Department of Homeland Security Grant</u>	<u>Grant Place Capital</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	120,950	-	-	-
-	-	-	84,113	-	-
35,653	-	-	-	231,242	-
-	-	-	-	-	-
-	50	2,191	948	-	22,402
-	-	-	-	12,847	-
<u>35,653</u>	<u>50</u>	<u>123,141</u>	<u>85,061</u>	<u>244,089</u>	<u>22,402</u>
-	-	-	-	-	-
-	-	-	-	-	-
35,653	-	73,807	125,785	256,936	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	563,285
-	-	-	-	-	-
-	-	-	-	-	-
-	-	22,446	-	-	-
<u>35,653</u>	<u>-</u>	<u>96,253</u>	<u>125,785</u>	<u>256,936</u>	<u>563,285</u>
-	50	26,888	(40,724)	(12,847)	(540,883)
-	-	-	-	37,500	-
-	50	26,888	(40,724)	24,653	(540,883)
-	4,016	197,415	104,802	-	3,506,757
<u>\$ -</u>	<u>\$ 4,066</u>	<u>\$ 224,303</u>	<u>\$ 64,078</u>	<u>\$ 24,653</u>	<u>\$ 2,965,874</u>

(Continued)

# City of North Chicago, Illinois

## Nonmajor Governmental Funds

### Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Continued)

For the year ended April 30, 2009

	<u>Special Revenue Funds (Continued)</u>		<u>Debt Service Funds</u>
	Grant Place Operating	Total Nonmajor Special Revenue Funds	Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2005A
Revenues			
Property taxes	\$ -	\$ 600,760	\$ 342,388
Taxes - other	-	120,950	-
Intergovernmental	-	1,021,403	-
Grants	-	685,081	-
Fines and fees	-	16,147	-
Interest	458	55,154	5,954
Miscellaneous	42,959	73,929	-
Total revenues	<u>43,417</u>	<u>2,573,424</u>	<u>348,342</u>
Expenditures			
Current			
Administration	-	33,812	-
Highway and streets	-	1,487,633	-
Public safety	-	497,555	-
Culture and recreation	-	523,546	-
Economic development	35,863	296,352	-
Bad debt	-	563,285	-
Debt service			
Principal retirement	-	-	-
Interest and other	-	-	433,733
Capital outlay	-	112,833	-
Total expenditures	<u>35,863</u>	<u>3,515,016</u>	<u>433,733</u>
Excess (deficiency) of revenues over expenditures	7,554	(941,592)	(85,391)
Other financing sources and uses			
Transfers in (out)	<u>(34,990)</u>	<u>2,510</u>	<u>-</u>
Net change in fund balances	(27,436)	(939,082)	(85,391)
Fund balance, beginning of year	<u>27,436</u>	<u>6,880,281</u>	<u>660,834</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 5,941,199</u>	<u>\$ 575,443</u>

Debt Service Funds (Continued)

Debt Service	Downtown Tax Increment Financing Redevelopment Project Area Debt Service 2007A	Downtown Tax Increment Financing Redevelopment Project Area Debt Service 2007B	Grant Place Retail Center Debt Service 2007C	Total Nonmajor Debt Service Funds
\$ 1,165,841	\$ -	\$ -	\$ -	\$ 1,508,229
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
22,619	2,744	5,680	13,351	50,348
-	-	-	-	-
<u>1,188,460</u>	<u>2,744</u>	<u>5,680</u>	<u>13,351</u>	<u>1,558,577</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,090,000	-	-	-	1,090,000
120,372	99,695	205,755	522,092	1,381,647
-	-	-	-	-
<u>1,210,372</u>	<u>99,695</u>	<u>205,755</u>	<u>522,092</u>	<u>2,471,647</u>
(21,912)	(96,951)	(200,075)	(508,741)	(913,070)
-	-	-	34,990	34,990
(21,912)	(96,951)	(200,075)	(473,751)	(878,080)
<u>1,769,615</u>	<u>201,793</u>	<u>417,981</u>	<u>1,099,855</u>	<u>4,150,078</u>
<u>\$ 1,747,703</u>	<u>\$ 104,842</u>	<u>\$ 217,906</u>	<u>\$ 626,104</u>	<u>\$ 3,271,998</u>

(Continued)

**City of North Chicago, Illinois**

Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Continued)

For the year ended April 30, 2009

	<u>Capital Project Funds</u>		
	<u>U.S. EPA</u>	<u>EDA Assistance</u>	<u>Abbott Laboratories Grant</u>
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ -
Taxes - other	-	-	-
Intergovernmental	-	-	-
Grants	-	-	18,994
Fines and fees	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>18,994</u>
<b>Expenditures</b>			
<b>Current</b>			
Administration	40	832	-
Highway and streets	-	-	-
Public safety	-	-	-
Culture and recreation	-	-	-
Economic development	-	-	18,994
Bad debt - grant award	-	-	-
<b>Debt service</b>			
Principal retirement	-	-	-
Interest and other	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>40</u>	<u>832</u>	<u>18,994</u>
Excess (deficiency) of revenues over expenditures	(40)	(832)	-
<b>Other financing sources</b>			
Transfers in (out)	-	-	-
Net change in fund balances	(40)	(832)	-
Fund balance, beginning of year	<u>40</u>	<u>832</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital Project Funds (Continued)				Total
Lake County Brownsfield Grants	DCEO Sidewalk and Bike Path Purchase	DCEO Sheridan Road Acquisition Grant	Total Nonmajor Capital Project Funds	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,108,989
-	-	-	-	120,950
-	-	-	-	1,021,403
116,688	1,716	-	137,398	822,479
-	-	-	-	16,147
-	-	157	157	105,659
-	-	-	-	73,929
<u>116,688</u>	<u>1,716</u>	<u>157</u>	<u>137,555</u>	<u>4,269,556</u>
-	905	-	1,777	35,589
-	-	-	-	1,487,633
-	-	-	-	497,555
-	-	-	-	523,546
233,376	-	-	252,370	548,722
-	-	-	-	563,285
-	-	-	-	1,090,000
-	-	-	-	1,381,647
-	1,716	-	1,716	114,549
<u>233,376</u>	<u>2,621</u>	<u>-</u>	<u>255,863</u>	<u>6,242,526</u>
(116,688)	(905)	157	(118,308)	(1,972,970)
<u>115,253</u>	<u>-</u>	<u>-</u>	<u>115,253</u>	<u>152,753</u>
(1,435)	(905)	157	(3,055)	(1,820,217)
<u>1,435</u>	<u>905</u>	<u>649</u>	<u>3,861</u>	<u>11,034,220</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 806</u>	<u>\$ 806</u>	<u>\$ 9,214,003</u>

(Concluded)

# City of North Chicago, Illinois

## Water Fund

### Schedule of Revenues, Expenses, and Changes in Net Assets - Budget and Actual

For the year ended April 30, 2009

	Original <sup>1</sup> and Final Budget	Actual	Variance Positive (Negative)
<b>Operating revenues</b>			
Charges for sales and services	\$ 5,365,514	\$ 5,145,331	\$ (220,183)
Miscellaneous	5,305	5,912	607
Total operating revenues	<u>5,370,819</u>	<u>5,151,243</u>	<u>(219,576)</u>
<b>Operating expenses</b>			
Operations	4,854,094	3,027,438	1,826,656
Depreciation	437,018	462,133	(25,115)
Total operating expenses	<u>5,291,112</u>	<u>3,489,571</u>	<u>1,801,541</u>
Operating income	<u>79,707</u>	<u>1,661,672</u>	<u>1,581,965</u>
<b>Nonoperating revenues (expenses)</b>			
Interest income	58,500	65,229	6,729
Principal retirement	(76,986)	-	76,986
Interest expense	(68,205)	(76,986)	(8,781)
Total nonoperating revenue (expenses)	<u>(86,691)</u>	<u>(11,757)</u>	<u>74,934</u>
Income before operating transfers	<u>(6,984)</u>	<u>1,649,915</u>	<u>1,656,899</u>
<b>Operating transfers</b>			
Transfers in	-	13,672	13,672
Transfers out	(2,000,000)	(2,000,000)	-
Total operating transfers	<u>(2,000,000)</u>	<u>(1,986,328)</u>	<u>13,672</u>
Change in net assets	<u>\$ (2,006,984)</u>	(336,413)	<u>\$ 1,670,571</u>
Net assets, beginning of year		<u>13,792,531</u>	
Net assets, end of year		<u>\$ 13,456,118</u>	

<sup>1</sup> The only change from the original budget to the final budget was a planned transfer to the Water and Sewer Expansion Fund of \$1,680,000 that was amended to become a planned capital improvement within this fund.

# City of North Chicago, Illinois

## Water Fund

### Schedule of Operating Revenues - Budget and Actual

For the year ended April 30, 2009

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	Original and Final Budget	Actual	Variance Positive (Negative)
Operating revenues			
Charges for sales and services			
Industrial water	\$ 2,140,000	\$ 1,956,800	\$ (183,200)
Abbott park water	840,212	975,234	135,022
Abbott raw water	708,000	646,941	(61,059)
Residential water	1,240,000	1,191,527	(48,473)
Commercial water	330,000	297,809	(32,191)
Water resumption	5,305	5,300	(5)
Meter sales	10,609	12,155	1,546
Tie-in fees	26,523	200	(26,323)
Water assessment	2,652	200	(2,452)
Water penalty	42,436	39,388	(3,048)
Raw water equipment	19,777	19,777	-
Total charges for sales and services	5,365,514	5,145,331	(220,183)
Miscellaneous	5,305	5,912	607
Total operating revenues	\$ <u>5,370,819</u>	\$ <u>5,151,243</u>	\$ <u>(219,576)</u>

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**City of North Chicago, Illinois**

Water Fund

Schedule of Operating Expenses - Budget and Actual

For the year ended April 30, 2009

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Operations</b>			
Salaries and wages			
Full-time salaries and wages	\$ 922,414	\$ 895,548	\$ 26,866
Overtime allowances	32,000	108,309	(76,309)
Compensated absences	-	1,439	(1,439)
Total salaries and wages	<u>954,414</u>	<u>1,005,296</u>	<u>(50,882)</u>
Fringe benefits			
IMRF match	72,345	71,292	1,053
Employer's health insurance	147,452	110,697	36,755
Employer's dental and vision insurance	16,986	10,646	6,340
Social security match	59,174	59,025	149
Medicare match	13,839	13,804	35
Life insurance premiums	2,109	2,332	(223)
Total fringe benefits	<u>311,905</u>	<u>267,796</u>	<u>44,109</u>
Contractual services			
Maintenance - buildings	20,250	2,960	17,290
Maintenance - vehicles	9,500	4,993	4,507
Maintenance - equipment	53,000	41,288	11,712
Maintenance - utility system	90,000	75,093	14,907
Other maintenance	155,500	155,349	151
Telephone	12,000	9,283	2,717
Utilities	868,150	895,365	(27,215)
Rentals	1,350	1,479	(129)
Travel and training	7,725	3,805	3,920
Per diem (travel allowance)	500	-	500
Postage	5,000	7,616	(2,616)
Printing and publishing	4,775	4,893	(118)
Engineering services	44,500	15,519	28,981
Foss Park easements	6,000	-	6,000
Other professional services	90,900	99,235	(8,335)

(Continued)

# City of North Chicago, Illinois

## Water Fund

### Schedule of Operating Expenses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Original <sup>1</sup> and Final Budget	Actual	Variance Positive (Negative)
<b>Operations (continued)</b>			
Contractual services (continued)			
Dues and memberships	\$ 450	\$ 175	\$ 275
Sludge treatment	35,000	32,632	2,368
Intake inspection	30,000	-	30,000
Total contractual services	<u>1,434,600</u>	<u>1,349,685</u>	<u>84,915</u>
Commodities			
Office supplies	6,000	8,015	(2,015)
Gasoline and oil	21,000	19,085	1,915
Maintenance supplies	123,000	108,735	14,265
Operating supplies	136,350	188,411	(52,061)
Uniforms	11,825	10,923	902
Miscellaneous expenses	3,000	4,122	(1,122)
Total commodities	<u>301,175</u>	<u>339,291</u>	<u>(38,116)</u>
Bad debt expense	<u>-</u>	<u>15,658</u>	<u>(15,658)</u>
Capital outlay			
Underground equipment	1,680,000	-	1,680,000
Other improvements	-	28,910	(28,910)
Equipment	87,000	12,587	74,413
Meters	85,000	8,215	76,785
Total capital outlay	<u>1,852,000</u>	<u>49,712</u>	<u>1,802,288</u>
Total operations	4,854,094	3,027,438	1,826,656
Depreciation	<u>437,018</u>	<u>462,133</u>	<u>(25,115)</u>
Total operations	<u>\$ 5,291,112</u>	<u>\$ 3,489,571</u>	<u>\$ 1,801,541</u>

<sup>1</sup> The only change from the original budget to the final budget was a planned transfer to the Water and Sewer Expansion Fund of \$1,680,000 that was amended to become a planned capital improvement within this fund.

(Concluded)

# City of North Chicago, Illinois

## Sewer Fund

### Schedule of Revenues, Expenses, and Changes in Net Assets - Budget and Actual

For the year ended April 30, 2009

	Original <sup>1</sup> and Final Budget	Actual	Variance Positive (Negative)
<b>Operating revenues</b>			
Charges for sales and services	\$ 965,000	\$ 902,002	\$ (62,998)
Total operating revenues	<u>965,000</u>	<u>902,002</u>	<u>(62,998)</u>
<b>Operating expenses</b>			
Operations	3,450,896	657,350	2,793,546
Depreciation	28,864	27,067	1,797
Total operating expenses	<u>3,479,760</u>	<u>684,417</u>	<u>2,795,343</u>
Operating income	<u>(2,514,760)</u>	<u>217,585</u>	<u>2,732,345</u>
<b>Nonoperating revenues (expenses)</b>			
Proceeds from bond issuance	2,700,000	-	(2,700,000)
Interest income	33,000	32,851	(149)
Principal retirement	(192,172)	-	192,172
Interest expense	(153,103)	(81,039)	72,064
Total nonoperating revenues (expenses)	<u>2,387,725</u>	<u>(48,188)</u>	<u>(2,435,913)</u>
Changes in net assets	<u>\$ (127,035)</u>	169,397	<u>296,432</u>
Net assets, beginning of year		<u>3,878,039</u>	
Net assets, end of year		<u>\$ 4,047,436</u>	

<sup>1</sup> The only change from the original budget to the final budget was a planned transfer to the Water and Sewer Expansion Fund of \$2,700,000 that was amended to become a planned capital improvement within this fund.

**City of North Chicago, Illinois**  
**Sewer Fund**  
**Schedule of Operating Revenues - Budget and Actual**  
For the year ended April 30, 2009

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	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues			
Charges for sales and services			
Residential sewer	\$ 320,000	\$ 295,705	\$ (24,295)
Industrial sewer	570,000	534,493	(35,507)
Penalties	10,000	10,769	769
Commercial sewer	<u>65,000</u>	<u>61,035</u>	<u>(3,965)</u>
Total charges for sales and services	<u>965,000</u>	<u>902,002</u>	<u>(62,998)</u>
Total operating revenues	<u>\$ 965,000</u>	<u>\$ 902,002</u>	<u>\$ (62,998)</u>

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**City of North Chicago, Illinois**  
**Sewer Fund**  
**Schedule of Operating Expenses - Budget and Actual**  
**For the year ended April 30, 2009**

	Original <sup>1</sup> and Final Budget	Actual	Variance Positive (Negative)
<b>Operations</b>			
Salaries and wages			
Full-time salaries and wages	\$ 341,837	\$ 318,581	\$ 23,256
Overtime allowances	27,000	63,070	(36,070)
Compensated absences	-	7,703	(7,703)
Total salaries and wages	<u>368,837</u>	<u>389,354</u>	<u>(20,517)</u>
Fringe benefits			
IMRF match	27,958	27,121	837
Workers' compensation	-	1,425	(1,425)
Employer's health insurance	55,650	50,970	4,680
Employer's dental and vision insurance	6,258	6,333	(75)
Social security match	22,868	22,352	516
Medicare match	5,348	5,227	121
Life insurance premiums	777	798	(21)
Total fringe benefits	<u>118,859</u>	<u>114,226</u>	<u>4,633</u>
Contractual services			
Maintenance - building	2,500	-	2,500
Maintenance - vehicles	11,000	10,456	544
Maintenance - equipment	11,500	10,749	751
Maintenance - utility system	7,500	44,747	(37,247)
Other maintenance	1,500	46	1,454
Rentals	3,000	2,522	478
Travel and training	1,000	-	1,000
Per diem (travel allowance)	200	-	200
Landfill and garbage	45,000	-	45,000
Engineering services	5,000	-	5,000
Other professional services	55,000	34,173	20,827
Dues and memberships	200	-	200
Total contractual services	<u>143,400</u>	<u>102,693</u>	<u>40,707</u>

(Continued)

# City of North Chicago, Illinois

## Sewer Fund

### Schedule of Operating Expenses - Budget and Actual (Continued)

For the year ended April 30, 2009

	Original <sup>1</sup> and Final Budget	Actual	Variance Positive (Negative)
Operations (continued)			
Commodities			
Office supplies	\$ 1,000	\$ 360	\$ 640
Maintenance supplies	50,000	35,434	14,566
Operating supplies	4,800	2,446	2,354
Uniforms	8,000	1,733	6,267
Miscellaneous	2,000	900	1,100
Total commodities	65,800	40,873	24,927
Bad debt expense	-	5,394	(5,394)
Capital outlay			
Underground equipment	2,700,000	-	2,700,000
Vehicles	45,000	-	45,000
Equipment	9,000	4,810	4,190
Total capital outlay	2,754,000	4,810	2,749,190
Total operations	3,450,896	657,350	2,793,546
Depreciation	28,864	27,067	1,797
Total operations	\$ 3,479,760	\$ 684,417	\$ 2,795,343

<sup>1</sup> The only change from the original budget to the final budget was a planned transfer to the Water and Sewer Expansion Fund of \$2,700,000 that was amended to become a planned capital improvement within this fund.

(Concluded)

# City of North Chicago, Illinois

## Internal Service Funds

### Combining Schedule of Net Assets

April 30, 2009

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	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 38,157	\$ 32,662	\$ 70,819
Other receivables	<u>25,158</u>	<u>-</u>	<u>25,158</u>
Total assets	<u>63,315</u>	<u>32,662</u>	<u>95,977</u>
<b>LIABILITIES</b>			
Due to other funds	-	15,000	15,000
Claims payable	<u>35,257</u>	<u>-</u>	<u>35,257</u>
Total liabilities	<u>35,257</u>	<u>15,000</u>	<u>50,257</u>
<b>NET ASSETS</b>			
Unrestricted	<u>\$ 28,058</u>	<u>\$ 17,662</u>	<u>\$ 45,720</u>

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**City of North Chicago, Illinois**  
**Internal Service Funds**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Assets**  
For the year ended April 30, 2009

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	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal</u>
Operating revenues			
Charges for sales and services	\$ 131,827	\$ 175,914	\$ 307,741
Operating expenses			
Operations	<u>136,521</u>	<u>162,730</u>	<u>299,251</u>
Operating income (loss)	(4,694)	13,184	8,490
Nonoperating revenues			
Interest income	<u>683</u>	<u>112</u>	<u>795</u>
Change in net assets	(4,011)	13,296	9,285
Net assets, beginning of year	<u>32,069</u>	<u>4,366</u>	<u>36,435</u>
Net assets, end of year	<u>\$ 28,058</u>	<u>\$ 17,662</u>	<u>\$ 45,720</u>

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# City of North Chicago, Illinois

## Internal Service Funds

### Combining Schedule of Cash Flows

For the year ended April 30, 2009

	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities			
Cash received from other funds	\$ 106,669	\$ 175,914	\$ 282,583
Cash payments for goods and services	<u>(124,507)</u>	<u>(147,730)</u>	<u>(272,237)</u>
Net cash provided by (used in) operating activities	<u>(17,838)</u>	<u>28,184</u>	<u>10,346</u>
Cash flows from investing activities			
Interest received	<u>683</u>	<u>112</u>	<u>795</u>
Net cash provided by investing activities	<u>683</u>	<u>112</u>	<u>795</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,155)	28,296	11,141
Cash and cash equivalents, beginning of year	<u>55,312</u>	<u>4,366</u>	<u>59,678</u>
Cash and cash equivalents, end of year	<u>\$ 38,157</u>	<u>\$ 32,662</u>	<u>\$ 70,819</u>
Reconciliation of operating income (loss) to net cash used in operating activities			
Operating income (loss)	\$ (4,694)	\$ 13,184	\$ 8,490
Adjustments to reconcile operating income (loss) to net cash used in operating activities			
Increase in other receivables	(25,158)	-	(25,158)
Increase in due to other funds	-	15,000	15,000
Increase in claims payable	<u>12,014</u>	<u>-</u>	<u>12,014</u>
Net cash provided by (used in) operating activities	<u>\$ (17,838)</u>	<u>\$ 28,184</u>	<u>\$ 10,346</u>

**City of North Chicago, Illinois**  
Capital Assets Used in the Operation of Governmental Funds  
Schedule by Source  
For the year ended April 30, 2009

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Governmental funds capital assets

Land	\$ 2,831,841
Construction in progress	496,851
Land improvements	145,900
Buildings and improvements	4,543,559
Infrastructure	27,774,781
Library collections	819,785
Machinery and equipment	<u>6,141,321</u>
 Total governmental funds capital assets	 <u>\$ 42,754,038</u>

Investments in governmental funds capital assets by source

From current revenues	\$ 36,736,545
Debt issuance	2,837,212
Capital projects funds	1,059,237
Grants and donations	<u>2,121,044</u>
 Total governmental funds capital assets	 <u>\$ 42,754,038</u>

**City of North Chicago, Illinois**

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity

For the year ended April 30, 2009

	FUNCTION AND ACTIVITY					Total Capital Assets
	General Government	Police	Fire	Public Works	Library	
Land	\$ 1,130,744	\$ -	\$ 49,131	\$ 1,580,000	\$ 71,966	\$ 2,831,841
Construction in progress	-	-	-	496,851	-	496,851
Land improvements	120,000	-	7,700	8,800	9,400	145,900
Buildings and improvements	1,848,640	3,000	687,202	749,276	1,255,441	4,543,559
Infrastructure	-	-	-	27,774,781	-	27,774,781
Library collections	-	-	-	-	819,785	819,785
Machinery and equipment	<u>504,179</u>	<u>2,519,089</u>	<u>1,532,530</u>	<u>1,451,934</u>	<u>133,589</u>	<u>6,141,321</u>
Total by function and activity	<u>\$ 3,603,563</u>	<u>\$ 2,522,089</u>	<u>\$ 2,276,563</u>	<u>\$ 32,061,642</u>	<u>\$ 2,290,181</u>	<u>\$ 42,754,038</u>

**City of North Chicago, Illinois**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
For the year ended April 30, 2009

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FUNCTION AND ACTIVITY	<u>Capital assets</u> <u>May 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Capital assets</u> <u>April 30, 2009</u>
General government	\$ 3,598,358	\$ 5,205	\$ -	\$ 3,603,563
Police	2,425,484	202,890	106,285	2,522,089
Fire	2,300,658	68,405	92,500	2,276,563
Public works	31,307,477	754,165	-	32,061,642
Library	<u>2,389,769</u>	<u>112,831</u>	<u>212,419</u>	<u>2,290,181</u>
 Total capital assets	 <u>\$ 42,021,746</u>	 <u>\$ 1,143,496</u>	 <u>\$ 411,204</u>	 <u>\$ 42,754,038</u>

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**OTHER SUPPLEMENTARY INFORMATION**

**City of North Chicago, Illinois**  
**General Obligation Refunding Bonds Series 1996**  
**Schedule of Annual Debt Service Requirements**  
April 30, 2009

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General Obligation Refunding Bonds  
Series 1996

Date December 17, 1996  
Issuance \$11,160,000  
Due January 1, as set forth below  
Registration Fully registered  
Paying Agent Amalgamated Bank of Chicago  
Chicago, Illinois  
Interest Dates January 1 and July 1

Fiscal Year Ended April 30,	Interest Rate	Principal	Interest	Annual Debt Service
2010	5.75%	\$ 995,000	\$ 57,213	\$ 1,052,213

**City of North Chicago, Illinois**  
**General Obligation Bonds Series 2005A**  
**Schedule of Annual Debt Service Requirements**  
April 30, 2009

General Obligation Bonds  
Series 2005A

Date March 10, 2005  
Issuance \$9,325,000  
Due November 1, as set forth below  
Registration Fully registered  
Paying Agent Amalgamated Bank of Chicago  
Chicago, Illinois  
Interest Dates May 1 and November 1

Fiscal Year Ended April 30,	Interest Rate	Principal	Interest	Annual Debt Service
2010	3.250%	\$ 140,000	\$ 430,743	\$ 570,743
2011	3.375%	235,000	424,503	659,503
2012	3.500%	475,000	412,225	887,225
2013	3.625%	510,000	394,669	904,669
2014	3.750%	550,000	375,113	925,113
2015	4.000%	595,000	352,900	947,900
2016	5.000%	640,000	325,000	965,000
2017	5.000%	680,000	292,000	972,000
2018	5.000%	750,000	256,250	1,006,250
2019	5.000%	815,000	217,125	1,032,125
2020	5.000%	875,000	174,875	1,049,875
2021	5.000%	945,000	129,375	1,074,375
2022	5.000%	1,020,000	80,250	1,100,250
2023	5.000%	1,095,000	27,375	1,122,375
		<u>\$ 9,325,000</u>	<u>\$ 3,892,403</u>	<u>\$ 13,217,403</u>

**City of North Chicago, Illinois**  
**General Obligation Bonds Series 2005B**  
**Schedule of Annual Debt Service Requirements**  
April 30, 2009

General Obligation Bonds  
Series 2005B

Date March 10, 2005  
Issuance \$3,860,000  
Due November 1, as set forth below  
Registration Fully registered  
Paying Agent Amalgamated Bank of Chicago  
Chicago, Illinois  
Interest Dates May 1 and November 1

Fiscal Year Ended April 30,	Interest Rate	Principal	Interest	Annual Debt Service
2010	3.10%	\$ 145,000	\$ 153,678	\$ 298,678
2011	3.20%	150,000	149,030	299,030
2012	3.30%	155,000	144,073	299,073
2013	3.40%	160,000	138,795	298,795
2014	3.50%	165,000	133,188	298,188
2015	4.00%	170,000	126,900	296,900
2016	4.00%	175,000	120,000	295,000
2017	5.00%	185,000	111,875	296,875
2018	5.00%	195,000	102,375	297,375
2019	5.00%	205,000	92,375	297,375
2020	5.00%	215,000	81,875	296,875
2021	5.00%	225,000	70,875	295,875
2022	5.00%	235,000	59,375	294,375
2023	5.00%	250,000	47,250	297,250
2024	5.00%	260,000	34,500	294,500
2025	5.00%	275,000	21,125	296,125
2026	5.00%	285,000	7,125	292,125
		<u>\$ 3,450,000</u>	<u>\$ 1,594,414</u>	<u>\$ 5,044,414</u>

**City of North Chicago, Illinois**  
**General Obligation Bonds Series 2007A**  
**Schedule of Annual Debt Service Requirements**  
April 30, 2009

General Obligation Bonds  
Series 2007A

Date May 9, 2007  
Issuance \$2,475,000  
Due November 1, as set forth below  
Registration Fully registered  
Paying Agent Amalgamated Bank of Chicago  
Chicago, Illinois  
Interest Dates May 1 and November 1

Fiscal Year Ended April 30,	Interest Rate	Principal	Interest	Annual Debt Service
2010	4.00%	\$ -	\$ 99,000	\$ 99,000
2011	4.00%	-	99,000	99,000
2012	4.00%	135,000	99,000	234,000
2013	4.00%	150,000	93,600	243,600
2014	4.00%	160,000	87,600	247,600
2015	4.00%	170,000	81,200	251,200
2016	4.00%	180,000	74,400	254,400
2017	4.00%	195,000	67,200	262,200
2018	4.00%	210,000	59,400	269,400
2019	4.00%	220,000	51,000	271,000
2020	4.00%	240,000	42,200	282,200
2021	4.00%	255,000	32,600	287,600
2022	4.00%	270,000	22,400	292,400
2023	4.00%	290,000	11,600	301,600
		<u>\$ 2,475,000</u>	<u>\$ 920,200</u>	<u>\$ 3,395,200</u>

**City of North Chicago, Illinois**  
**General Obligation Bonds Series 2007B**  
**Schedule of Annual Debt Service Requirements**  
April 30, 2009

General Obligation Bonds  
Series 2007B

Date May 9, 2007  
Issuance \$4,740,000  
Due November 1, as set forth below  
Registration Fully registered  
Paying Agent Amalgamated Bank of Chicago  
Chicago, Illinois  
Interest Dates May 1 and November 1

Fiscal Year Ended April 30,	Interest Rate	Principal	Interest	Annual Debt Service
2010	4.300%	\$ -	\$ 205,060	\$ 205,060
2011	4.300%	-	205,060	205,060
2012	4.300%	-	205,060	205,060
2013	4.300%	-	205,060	205,060
2014	4.300%	-	205,060	205,060
2015	4.300%	-	205,060	205,060
2016	4.300%	-	205,060	205,060
2017	4.300%	-	205,060	205,060
2018	4.300%	-	205,060	205,060
2019	4.300%	-	205,060	205,060
2020	4.300%	-	205,060	205,060
2021	4.300%	-	205,060	205,060
2022	4.300%	-	205,060	205,060
2023	4.300%	-	205,060	205,060
2024	4.300%	-	205,060	205,060
2025	4.300%	-	205,060	205,060
2026	4.300%	-	205,060	205,060
2027	4.300%	-	205,060	205,060
2028	4.300%	-	205,060	205,060

(Continued)

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2007B (Continued)  
 Schedule of Annual Debt Service Requirements  
April 30, 2009

General Obligation Bonds  
 Series 2007B (Continued)

Fiscal Year Ended April 30,	Interest Rate	Principal	Interest	Annual Debt Service
2029	4.300%	\$ 415,000	\$ 205,060	\$ 620,060
2030	4.300%	435,000	187,215	622,215
2031	4.300%	450,000	168,510	618,510
2032	4.300%	470,000	149,160	619,160
2033	4.350%	490,000	128,950	618,950
2034	4.350%	510,000	107,880	617,880
2035	4.350%	535,000	85,695	620,695
2036	4.350%	555,000	62,423	617,423
2037	4.350%	580,000	38,280	618,280
2038	4.350%	300,000	6,525	306,525
		<u>\$ 4,740,000</u>	<u>\$ 5,035,838</u>	<u>\$ 9,775,838</u>

**City of North Chicago, Illinois**  
**General Obligation Bonds Series 2007C**  
**Schedule of Annual Debt Service Requirements**  
April 30, 2009

Taxable General Obligation Bonds  
Series 2007C

Date August 15, 2007  
Issuance \$8,860,000  
Due November 1, as set forth below  
Registration Fully registered  
Paying Agent Amalgamated Bank of Chicago  
Chicago, Illinois  
Interest Dates May 1 and November 1

Fiscal Year Ended April 30,	Interest Rate	Principal	Interest	Annual Debt Service
2010	5.390%	\$ -	\$ 521,357	\$ 521,357
2011	5.390%	-	521,357	521,357
2012	5.490%	195,000	516,102	711,102
2013	5.810%	225,000	504,670	729,670
2014	5.810%	255,000	491,086	746,086
2015	5.810%	290,000	475,254	765,254
2016	5.810%	325,000	457,388	782,388
2017	5.810%	345,000	437,925	782,925
2018	5.810%	405,000	416,137	821,137
2019	5.810%	450,000	391,300	841,300
2020	5.810%	495,000	363,847	858,847
2021	5.810%	550,000	333,490	883,490
2022	5.810%	600,000	300,083	900,083
2023	6.010%	660,000	263,480	923,480
2024	6.010%	720,000	222,671	942,671
2025	6.010%	765,000	178,046	943,046
2026	6.010%	810,000	130,718	940,718
2027	6.010%	860,000	80,534	940,534
2028	6.010%	910,000	27,346	937,346
		<u>\$ 8,860,000</u>	<u>\$ 6,632,791</u>	<u>\$ 15,492,791</u>

# City of North Chicago, Illinois

Legal Debt Margin

April 30, 2009

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The City is a home rule municipality. Article VII, Section 6(k) of the 1970 Illinois Constitution governs computation of the legal debt margin.

"The General Assembly may limit by law the amount and require referendum approval of debt to be incurred by home rule municipalities, payable from ad valorem property tax receipts, only in excess of the following percentages of the assessed value of its taxable property...(2) if its population is more than 25,000 and less than 500,000 an aggregate of one percent...indebtedness which is outstanding on the effective date (July 1, 1971) of this constitution or which is thereafter approved by referendum...shall not be included in the foregoing amounts."

To date, the General Assembly has set no limits for home rule municipalities.