

City of North Chicago, Illinois

Annual Financial Report

Year Ended April 30, 2010

City of North Chicago, Illinois

Annual Financial Report

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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, 2010, 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 (deficits), 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 or reviewed, and we were not engaged to audit or review 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 \$2,222,107, total revenues of \$2,689, and deficits of (\$4,629,709).

(Continued)

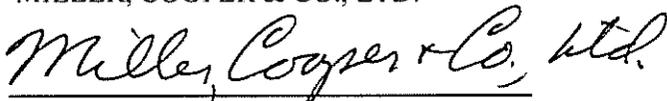
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Five Points Economic Development Corporation Component Unit financial statements been audited, based on our audit and the reports of the other auditors, the financial statements referred 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, 2010, 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 November 2, 2010 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 76 through 82 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
November 2, 2010

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, 2010.

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 \$27,881,043 (net assets).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,510,481. Of this amount, \$8,616,494 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 \$5,059,945, or 26.4 percent of total general fund expenditures.
- The City's total general obligation bonds outstanding are \$28,565,000, a decrease of \$1,280,000 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. Unaudited 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 for 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 \$6,166,012 and those of the internal service funds amounted to \$53,271.

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 agency 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 32-75 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 76-82 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 106-117 and 126-128 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 \$27,881,043 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 (i.e., 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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$28,376,785	\$31,969,378	\$ 7,070,624	\$ 8,205,108	\$35,447,409	\$40,174,486
Noncurrent assets	19,865,092	19,182,442	16,437,210	14,367,522	36,302,302	33,549,964
Total assets	48,241,877	51,151,820	23,507,834	22,572,630	71,749,711	73,724,450
Current liabilities	6,813,033	8,956,346	524,050	697,018	7,337,083	9,653,364
Long-term liabilities	31,345,726	31,240,814	5,185,859	4,372,058	36,531,585	35,612,872
Total liabilities	38,158,759	40,197,160	5,709,909	5,069,076	43,868,668	45,266,236
Net assets:						
Invested in capital assets, net of related debt	19,410,744	17,701,177	11,631,913	12,504,869	31,042,657	30,206,046
Restricted by enabling legislation	2,416,335	2,865,515	-	-	2,416,335	2,865,515
Unrestricted	(11,743,961)	(9,612,032)	6,166,012	4,998,685	(5,577,949)	(4,613,347)
Total net assets	\$10,083,118	\$10,954,660	\$17,797,925	\$17,503,554	\$27,881,043	\$28,458,214

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.

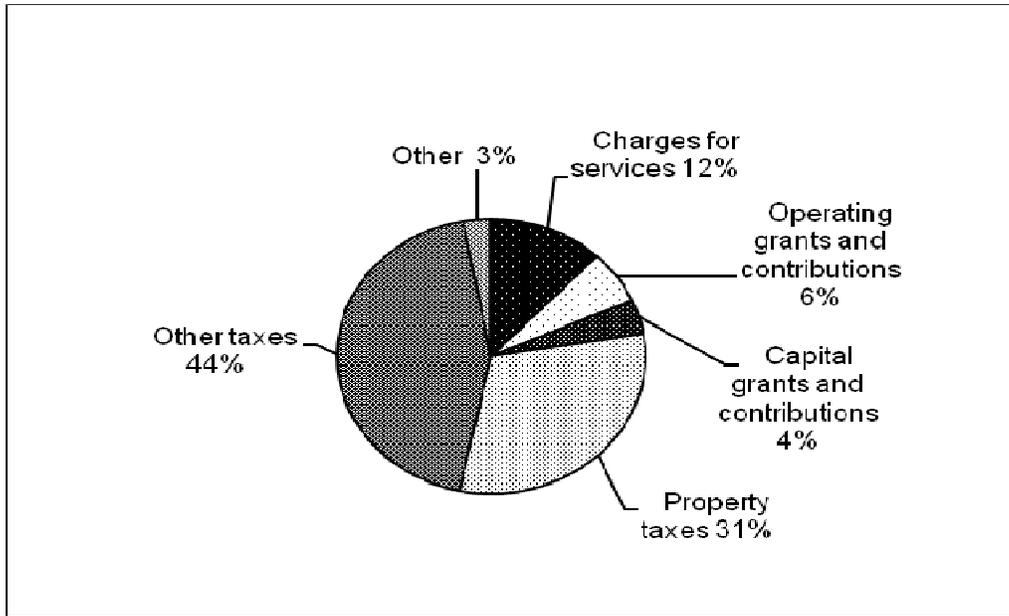
Governmental activities. The City's changes in net assets and total revenues, expenses, and transfers for governmental and business-type activities are reflected in the following:

CITY OF NORTH CHICAGO
Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 2,540,810	\$ 2,397,183	\$ 5,793,081	\$ 6,047,333	\$ 8,333,891	\$ 8,444,516
Operating grants and contributions	1,335,586	1,355,976	438,214	-	1,773,800	1,355,976
Capital grants and contributions	852,342	449,817	-	-	852,342	449,817
General revenues:						
Property taxes	6,550,547	6,841,374	117,301	-	6,667,848	6,841,374
Other taxes	9,255,898	10,382,576	-	-	9,255,898	10,382,576
Other	614,550	632,344	18,418	103,992	632,968	736,336
Total revenues	21,149,733	22,059,270	6,367,014	6,151,325	27,516,747	28,210,595
Expenses:						
Administration and general government	5,886,965	6,137,677	-	-	5,886,965	6,137,677
Police	8,722,602	8,709,754	-	-	8,722,602	8,709,754
Fire	2,731,408	3,279,224	-	-	2,731,408	3,279,224
Public works	3,185,172	3,468,186	-	-	3,185,172	3,468,186
Library	567,578	604,452	-	-	567,578	604,452
Economic development	1,636,624	1,846,466	-	-	1,636,624	1,846,466
Interest	1,290,926	1,355,176	-	-	1,290,926	1,355,176
Water	-	-	3,153,259	3,566,557	3,153,259	3,566,557
Sewer	-	-	919,384	765,456	919,384	765,456
Total expenses	24,021,275	25,400,935	4,072,643	4,332,013	28,093,918	29,732,948
Change in net assets before transfers	(2,871,542)	(3,341,665)	2,294,371	1,819,312	(577,171)	(1,522,353)
Transfers	2,000,000	2,000,000	(2,000,000)	(2,000,000)	-	-
Increase (decrease) in net assets	(871,542)	(1,341,665)	294,371	(180,688)	(577,171)	(1,522,353)
Net assets - May 1, 2009	10,954,660	12,296,325	17,503,554	17,684,242	28,458,214	29,980,567
Net assets - April 30, 2010	\$10,083,118	\$10,954,660	\$17,797,925	\$17,503,554	\$27,881,043	\$28,458,214

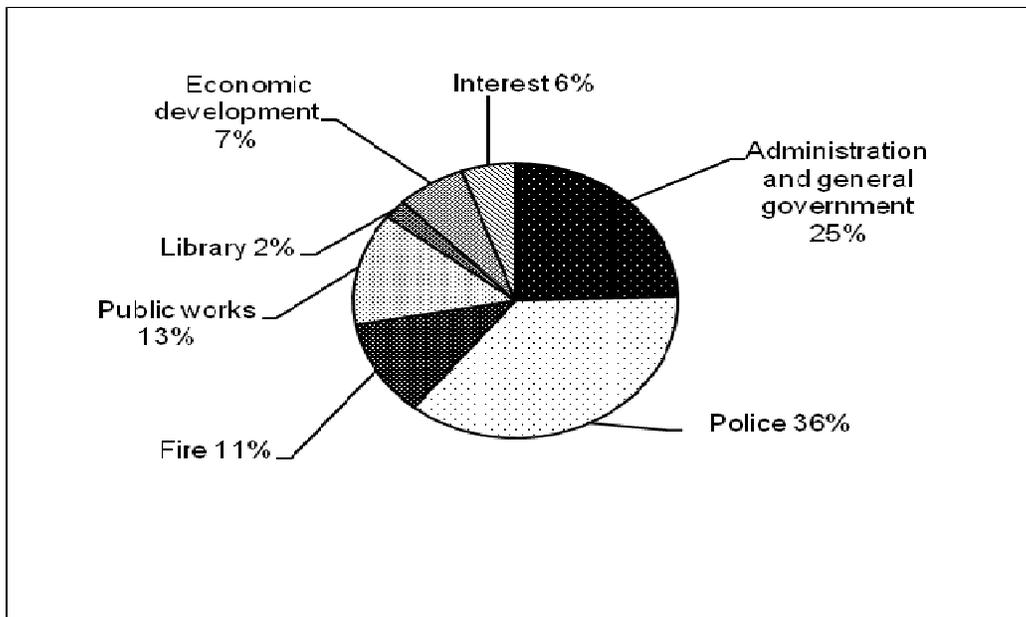
The chart below shows the percent of revenues by source for all governmental activities.

Revenues by Source - Governmental Activities



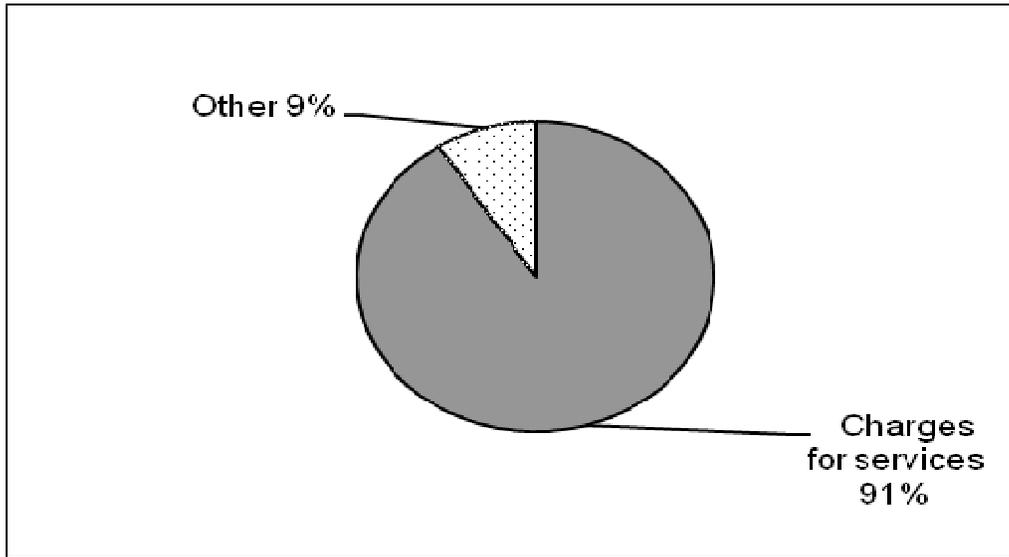
The chart below shows the expenses by function. The cost of all governmental activities was \$24,021,275. The Statement of Activities on pages 16-17 shows that \$2,540,810 was financed by those who use the services, \$2,187,928 was financed by grants and contributions, with the City's general revenues, operating transfers, and net assets financing \$19,292,537.

Expenses by Function - Governmental Activities



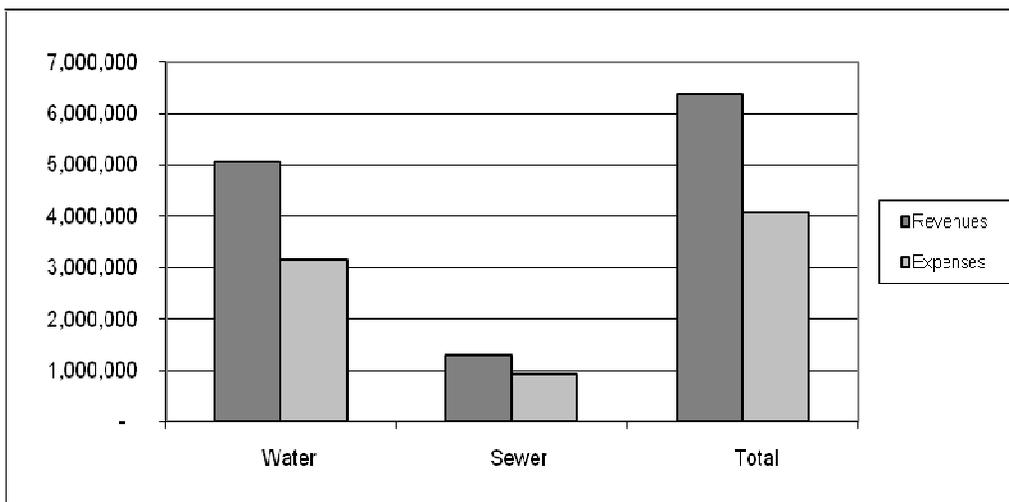
Business-type activities. The chart below shows the revenues by source for business-type activities. Total revenues for the City's business-type activities were \$6,367,014 for the year ended April 30, 2010. Ninety-one percent of the revenues come from charges paid by the users of services and two percent 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 \$6,367,014 and \$4,072,643, 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 \$21,510,481, a decrease of \$1,473,414 in comparison with the prior year. Approximately 40% of this amount (\$8,616,494) 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 (\$19,350), 2) to pay debt service (\$2,518,883), 3) for capital projects (\$2,587,957), 4) for land held for resale (\$6,167,797), and 5) reserve for due from a component unit (\$1,600,000).

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 \$5,059,945. 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 26.4 percent of total General Fund expenditures, while total fund balance represents 27.3 percent of that same amount.

The fund balance of the City's General Fund increased by \$135,558 during the current fiscal year. Key factors in this growth are as follows:

- The General Fund received additional revenue of \$153,123 from the expansion of the Red Light Photo Enforcement Program.
- The purchase of certain capital items were deferred until future years.
- Certain staff positions remained vacant and were not filled.

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 \$17,797,925, as compared to \$17,503,554 for the prior year, an increase of \$294,371. The unrestricted amount at the end of the year is \$6,166,012. 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 not sufficient to offset budgeted expenditures and other financing uses, leaving an original budgeted deficit of \$843,837. As a result, the recruitment of certain budgeted positions and capital items was deferred.

Realized revenues and other financing sources were \$19,287,631, compared to the budget of \$20,201,724, which is less than budget by \$914,093. A revenue source that fell significantly below budget estimate was State shared municipal revenues due to the downturn in economic conditions across the State. Expenditures were \$19,152,073, compared to the budget of \$21,045,561, a budget savings of \$1,893,488, or approximately 4.5 percent. Realized revenues exceeded actual expenditures, thus eliminating the need to draw upon existing fund balance.

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, 2010 amounts to \$35,847,954 (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 continued 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 \$6,220,785. These projects will be completed during fiscal year 2011.
- Various machinery and equipment acquisitions were made at a cost of \$1,673,085.

CITY OF NORTH CHICAGO Capital Assets (net of depreciation)

	Governmental		Business-type		Total	
	activities		activities			
	2010	2009	2010	2009	2010	2009
Land	\$ 2,831,841	\$ 2,831,841	\$ 2,435	\$ 2,435	\$ 2,834,276	\$ 2,834,276
Construction in progress	496,851	496,851	5,723,934	3,197,317	6,220,785	3,694,168
Land improvements	-	192	131,991	138,844	131,991	139,036
Buildings and improvements	1,840,426	1,940,369	4,768,026	4,937,861	6,608,452	6,878,230
Infrastructure	11,460,199	11,937,519	-	-	11,460,199	11,937,519
Library collections	205,635	197,681	-	-	205,635	197,681
Machinery and equipment	2,575,792	1,291,724	5,810,824	6,091,065	8,386,616	7,382,789
Total	\$ 19,410,744	\$ 18,696,177	\$ 16,437,210	\$ 14,367,522	\$ 35,847,954	\$ 33,063,699

Additional information on the City's capital assets can be found in Note E on pages 52-54 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$28,565,000. 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		Business-type		Total	
	activities		activities			
	2010	2009	2010	2009	2010	2009
General obligation bonds:						
Series 1996	\$ -	\$ 995,000	\$ -	\$ -	\$ -	\$ 995,000
Series 2005A	9,185,000	9,325,000	-	-	9,185,000	9,325,000
Series 2005B	-	-	3,305,000	3,450,000	3,305,000	3,450,000
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
Total	\$25,260,000	\$26,395,000	\$ 3,305,000	\$ 3,450,000	\$28,565,000	\$29,845,000

Additional information on the City's long-term debt can be found in Note F on pages 55-60 of this report.

Economic Factors and Next Year's Budget and Rates

The City's fiscal concerns continue to grow amid declining economic conditions that impact revenues and the cost of providing essential services. This national economic decline presents a troubling combination of developments that will likely affect our financial health over the next several years. It is likely that the ability of the City to meet our financial needs will worsen through 2011 and beyond as a result of the economy and its slow recovery. Local revenue sources have stagnated and State shared revenue forecasts have been scaled back. The effect of falling home prices will be reflected in lower than anticipated equalized assessed value. The weak housing market, lack of new construction and development, reduced State shared revenues, and unemployment, will required the City to continue to identify and implement revenues increases and expenditure reductions.

As we look to the future, fiscal demands and constraints will increase, requiring us to work even harder to maintain fiscal viability and to ensure that resources are adequate to meet our changing needs. A future item of concern is the 2010 census that is likely to have a negative impact on our State shared revenues. Preliminary estimates from the U.S. Census Bureau reflect that State population has increased 3.9% while population in North Chicago has decreased from 35,918 to 27,446, a decrease of 23.9%. Should the 2010 Census reflect this trend, the City will incur an annual drop in revenues from income, use, and motor fuel taxes of approximately \$1 million. It is estimated that the 2010 census numbers will be used by the State for municipal allocation of revenues beginning in May, 2011. The city will continue to take proactive steps to offset declining revenues by decreasing certain operating costs through process changes and efficiency measures while maintaining the current level of services.

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 contributed greatly to the Sheridan Crossing Town Center, Grant Place Retail and Business Center, and for the Sheridan Road & Martin Luther King, Jr. Drive water and sewer improvements. All of these projects will have a significant impact on future property tax and sales tax revenues.

The fiscal year 2011 budget for the General Fund does not provide for sufficient revenue to meet anticipated expenditures. The budget deficit is \$415,527. As a result, the City must continue to restrict personnel recruitment, defer certain repair and replacement of capital items, maintain non-personnel operating expenses at the current level, and manage the cost of our workforce, both salaries and fringe benefits.

The fiscal year 2011 budget for the Enterprise Fund for the City's water and wastewater operations reflects a deficit of approximately \$188,950. The enterprise activities are being influenced by a decline in processed and raw water sales attributable to the decrease in population and lack of new residential and business development. To offset the decrease in sales the City is: 1) updating the City's comprehensive water and wastewater rate plan for fiscal year 2012 and beyond, and 2) seeking new customers contiguous to City boundaries.

The unemployment rate for the City is 17.6 percent, which is an increase from the rate of 12.5 percent a year ago. The unemployment rate for the State of Illinois is 10.7 percent, which is an increase from a rate of 9.3 percent a year ago. The current national rate is 9.5 percent. The City's rate is higher than both the state and national rates due to its being a labor surplus area.

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 or on the City website at www.northchicago.org.

BASIC FINANCIAL STATEMENTS

City of North Chicago, Illinois

Statement of Net Assets (Deficit)

April 30, 2010

ASSETS	Primary Government			(Unaudited) Component Unit
	Governmental Activities	Business-type Activities	Total	Five Points Economic Development Corporation
	Current assets			
Cash and cash equivalents	\$ 9,184,995	\$ 5,986,368	\$ 15,171,363	\$ 153,893
Investments	300,000	-	300,000	-
Property taxes receivable	6,952,490	304,444	7,256,934	-
Other taxes receivable	544,565	-	544,565	-
Intergovernmental receivable	169,392	-	169,392	-
Loans receivable, net	-	-	-	128,743
Other receivables, net	3,317,559	766,611	4,084,170	-
Prepaid expenses	112,779	13,201	125,980	-
Due from component unit, net of \$5,243,958 reserve	1,607,858	-	1,607,858	-
Inventory	19,350	-	19,350	-
Land held for resale	6,167,797	-	6,167,797	-
Total current assets	28,376,785	7,070,624	35,447,409	282,636
Noncurrent assets				
Note receivable, City of North Chicago	-	-	-	339,471
Deferred bond issuance charges, net	454,348	-	454,348	-
Land and other capital assets not being depreciated	3,328,692	5,726,369	9,055,061	243,100
Capital assets, net of accumulated depreciation	16,082,052	10,710,841	26,792,893	1,356,900
Total noncurrent assets	19,865,092	16,437,210	36,302,302	1,939,471
Total assets	48,241,877	23,507,834	71,749,711	2,222,107

(Continued)

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Statement of Net Assets (Deficit)

April 30, 2010

LIABILITIES	Primary Government			(Unaudited) Component Unit
	Governmental Activities	Business-type Activities	Total	Five Points Economic Development Corporation
	Current liabilities			
Accounts payable	\$ 954,470	\$ 304,240	\$ 1,258,710	\$ -
Accrued payroll	329,591	32,667	362,258	-
Unearned revenue	4,449,561	187,143	4,636,704	-
Claims payable	31,021	-	31,021	-
Other payables	1,048,390	-	1,048,390	-
Due to primary government	-	-	-	6,851,816
Noncurrent liabilities				
Due within one year	332,541	276,545	609,086	-
Due in more than one year	31,013,185	4,909,314	35,922,499	-
Total liabilities	<u>38,158,759</u>	<u>5,709,909</u>	<u>43,868,668</u>	<u>6,851,816</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	19,410,744	11,631,913	31,042,657	-
Restricted by enabling legislation	2,416,335	-	2,416,335	-
Unrestricted	(11,743,961)	6,166,012	(5,577,949)	(4,629,709)
Total net assets (deficit)	<u>\$ 10,083,118</u>	<u>\$ 17,797,925</u>	<u>\$ 27,881,043</u>	<u>\$ (4,629,709)</u>

(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, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
Primary government				
Governmental activities				
Administration and general government	\$ 5,886,965	\$ 46,292	\$ 2,905	\$ -
Police	8,722,602	870,443	-	-
Fire	2,731,408	298,122	-	480,361
Public works	3,185,172	1,310,087	910,299	321,315
Library	567,578	15,866	39,160	10,500
Economic development	1,636,624	-	383,222	40,166
Interest	1,290,926	-	-	-
Total governmental activities	24,021,275	2,540,810	1,335,586	852,342
Business-type activities				
Water	3,153,259	4,988,466	-	-
Sewer	919,384	804,615	438,214	-
Total business-type activities	4,072,643	5,793,081	438,214	-
Total primary government	\$ 28,093,918	\$ 8,333,891	\$ 1,773,800	\$ 852,342
(Unaudited) Component unit - Five Points				
Economic Development Corporation	\$ 376,717	\$ -	\$ -	\$ -
General revenues				
Property taxes				
Other taxes				
Intergovernmental				
Capital contribution				
Miscellaneous				
Interest income				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets (deficit), beginning of year				
Net assets (deficit), 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
\$ (5,837,768)	\$ -	\$ (5,837,768)	\$ -
(7,852,159)	-	(7,852,159)	-
(1,952,925)	-	(1,952,925)	-
(643,471)	-	(643,471)	-
(502,052)	-	(502,052)	-
(1,213,236)	-	(1,213,236)	-
(1,290,926)	-	(1,290,926)	-
<u>(19,292,537)</u>	<u>-</u>	<u>(19,292,537)</u>	<u>-</u>
-	1,835,207	1,835,207	-
-	323,445	323,445	-
<u>-</u>	<u>2,158,652</u>	<u>2,158,652</u>	<u>-</u>
<u>(19,292,537)</u>	<u>2,158,652</u>	<u>(17,133,885)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(376,717)</u>
6,550,547	117,301	6,667,848	-
3,424,991	-	3,424,991	-
5,830,907	-	5,830,907	-
10,500	-	10,500	-
555,211	7,458	562,669	-
48,839	10,960	59,799	2,689
2,000,000	(2,000,000)	-	-
<u>18,420,995</u>	<u>(1,864,281)</u>	<u>16,556,714</u>	<u>2,689</u>
(871,542)	294,371	(577,171)	(374,028)
<u>10,954,660</u>	<u>17,503,554</u>	<u>28,458,214</u>	<u>(4,255,681)</u>
<u>\$ 10,083,118</u>	<u>\$ 17,797,925</u>	<u>\$ 27,881,043</u>	<u>\$ (4,629,709)</u>

City of North Chicago, Illinois

Governmental Funds

Balance Sheet

April 30, 2010

	<u>General</u>	<u>Capital Improvement</u>	<u>Downtown Tax Increment Financing Redevelopment Project Area</u>
ASSETS			
Cash and cash equivalents	\$ 1,004,920	\$ 1,182,149	\$ 2,606,419
Investments	-	-	-
Property taxes receivable	5,081,297	-	-
Other taxes receivable	544,565	-	-
Intergovernmental receivable	-	80,267	-
Other receivables	2,510,613	-	13,892
Prepaid expense	94,322	-	-
Due from other funds	-	4,663	-
Due from component unit, net of reserve	-	-	-
Inventory	19,350	-	-
Land held for resale	152,000	-	6,015,797
Total assets	<u>\$ 9,407,067</u>	<u>\$ 1,267,079</u>	<u>\$ 8,636,108</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 587,233	\$ 225,651	\$ 16,478
Accrued payroll	320,234	-	-
Unearned revenue	3,236,234	-	-
Other payables	32,071	1,010,951	-
Due to other governments	-	-	15,876
Total liabilities	<u>4,175,772</u>	<u>1,236,602</u>	<u>32,354</u>
Fund balances			
Reserved for inventory	19,350	-	-
Reserved for debt service	-	-	-
Reserved for capital projects	-	-	2,587,957
Reserved for land held for resale	152,000	-	6,015,797
Reserved for due from component unit	-	-	-
Unreserved	5,059,945	30,477	-
Total fund balances	<u>5,231,295</u>	<u>30,477</u>	<u>8,603,754</u>
Total liabilities and fund balances	<u>\$ 9,407,067</u>	<u>\$ 1,267,079</u>	<u>\$ 8,636,108</u>

The accompanying notes are an integral part of this statement.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,322,208	\$ 9,115,696
300,000	300,000
1,871,193	6,952,490
-	544,565
89,125	169,392
800,912	3,325,417
3,464	97,786
45,780	50,443
1,600,000	1,600,000
-	19,350
-	6,167,797
<u>\$ 9,032,682</u>	<u>\$ 28,342,936</u>
\$ 125,108	\$ 954,470
9,357	329,591
1,213,327	4,449,561
5,368	1,048,390
34,567	50,443
<u>1,387,727</u>	<u>6,832,455</u>
-	19,350
2,518,883	2,518,883
-	2,587,957
-	6,167,797
1,600,000	1,600,000
<u>3,526,072</u>	<u>8,616,494</u>
<u>7,644,955</u>	<u>21,510,481</u>
<u>\$ 9,032,682</u>	<u>\$ 28,342,936</u>

City of North Chicago, Illinois

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

April 30, 2010

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

Total fund balances - governmental funds	\$ 21,510,481
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	19,410,744
Long-term liabilities, including bonds payable, note payables, 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.	(30,891,378)
The net assets of the internal service funds are included in the governmental activities in the statement of net assets.	<u>53,271</u>
Net assets of governmental activities	<u><u>\$ 10,083,118</u></u>

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, 2010

	<u>General</u>	<u>Capital Improvement</u>	<u>Downtown Tax Increment Financing Redevelopment Project Area</u>
Revenues			
Property taxes	\$ 4,643,611	\$ -	\$ -
Taxes - other	3,278,944	-	-
Licenses and permits	376,314	-	-
Intergovernmental	5,701,734	-	-
Grants	3,834	315,309	-
Fines and fees	2,148,630	-	-
Interest	8,345	22,756	3,310
Miscellaneous	371,258	-	66,344
Total revenues	<u>16,532,670</u>	<u>338,065</u>	<u>69,654</u>
Expenditures			
Current			
General government	2,430,143	-	-
Administration services	3,214,110	-	-
Highway and streets	1,474,233	326,361	-
Public safety	10,836,785	-	-
Culture and recreation	-	-	-
Economic development	1,192,060	-	-
Debt service			
Principal retirement	-	-	-
Interest and other	-	-	-
Capital outlay	-	-	91,616
Total expenditures	<u>19,147,331</u>	<u>326,361</u>	<u>91,616</u>
Excess (deficiency) of revenues over expenditures	<u>(2,614,661)</u>	<u>11,704</u>	<u>(21,962)</u>
Other financing sources (uses)			
Capital contribution	-	-	10,500
Loan proceeds	754,961	-	-
Transfers in	2,000,000	11,206	-
Transfers out	(4,742)	-	(51,372)
Total other financing sources	<u>2,750,219</u>	<u>11,206</u>	<u>(40,872)</u>
Change in fund balances	135,558	22,910	(62,834)
Fund balances, beginning of year	<u>5,095,737</u>	<u>7,567</u>	<u>8,666,588</u>
Fund balances, end of year	<u>\$ 5,231,295</u>	<u>\$ 30,477</u>	<u>\$ 8,603,754</u>

The accompanying notes are an integral part of this statement.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,906,936	\$ 6,550,547
146,047	3,424,991
-	376,314
1,035,638	6,737,372
962,320	1,281,463
15,866	2,164,496
14,220	48,631
117,609	555,211
<u>4,198,636</u>	<u>21,139,025</u>
-	2,430,143
696,926	3,911,036
907,258	2,707,852
758,283	11,595,068
484,173	484,173
444,564	1,636,624
1,135,000	1,135,000
1,315,813	1,315,813
70,575	162,191
<u>5,812,592</u>	<u>25,377,900</u>
<u>(1,613,956)</u>	<u>(4,238,875)</u>
-	10,500
-	754,961
240,475	2,251,681
<u>(195,567)</u>	<u>(251,681)</u>
<u>44,908</u>	<u>2,765,461</u>
(1,569,048)	(1,473,414)
<u>9,214,003</u>	<u>22,983,895</u>
<u>\$ 7,644,955</u>	<u>\$ 21,510,481</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, 2010

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

Net change in fund balances - total governmental funds \$ (1,473,414)

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. 714,567

The issuance of long-term debt 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. 380,039

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. (500,285)

Internal service funds are reported separately in the fund financial statements. 7,551

Change in net assets - governmental activities \$ (871,542)

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Proprietary Funds Statement of Net Assets April 30, 2010

ASSETS	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water	Sewer	Total	Internal Service Funds
	Current assets			
Cash and cash equivalents	\$ 3,286,236	\$ 2,700,132	\$ 5,986,368	\$ 69,299
Property tax receivable	148,319	156,125	304,444	-
Other receivables, net	620,518	146,093	766,611	-
Prepaid expense	8,776	4,425	13,201	14,993
Total current assets	4,063,849	3,006,775	7,070,624	84,292
Noncurrent assets				
Land and other capital assets not being depreciated	1,415,417	4,310,952	5,726,369	-
Capital assets, net of accumulated depreciation	10,575,024	135,817	10,710,841	-
Total noncurrent assets	11,990,441	4,446,769	16,437,210	-
Total assets	16,054,290	7,453,544	23,507,834	84,292

(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, 2010

LIABILITIES	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water	Sewer	Total	Internal Service Funds
	Current liabilities			
Accounts payable	\$ 221,132	\$ 83,108	\$ 304,240	\$ -
Accrued payroll	23,140	9,527	32,667	-
Unearned revenue	91,275	95,868	187,143	-
Note payable to Abbott				
Laboratories	100,000	-	100,000	-
Loan payable	-	26,545	26,545	-
Bonds payable	73,077	76,923	150,000	-
Claims payable	-	-	-	31,021
Total current liabilities	508,624	291,971	800,595	31,021
Noncurrent liabilities				
Compensated absences payable	109,952	73,464	183,416	-
Note payable to Abbott				
Laboratories	535,655	-	535,655	-
Loan payable	-	1,035,243	1,035,243	-
Bonds payable	1,537,051	1,617,949	3,155,000	-
Total noncurrent liabilities	2,182,658	2,726,656	4,909,314	-
Total liabilities	2,691,282	3,018,627	5,709,909	31,021
NET ASSETS				
Invested in capital assets, net of related debt	9,941,804	1,690,109	11,631,913	-
Unrestricted	3,421,204	2,744,808	6,166,012	53,271
Total net assets	\$ 13,363,008	\$ 4,434,917	\$ 17,797,925	\$ 53,271

(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, 2010

	Business-Type Activities - Enterprise Funds			Governmental
	Water	Sewer	Total	Activities - Internal Service Funds
Operating revenues				
Charges for sales and services	\$ 4,988,466	\$ 804,615	\$ 5,793,081	\$ 313,325
Miscellaneous	7,458	-	7,458	-
Total operating revenues	4,995,924	804,615	5,800,539	313,325
Operating expenses				
Operations	2,615,384	810,974	3,426,358	305,982
Depreciation	463,007	29,601	492,608	-
Total operating expenses	3,078,391	840,575	3,918,966	305,982
Operating income (loss)	1,917,533	(35,960)	1,881,573	7,343
Nonoperating revenues (expenses)				
Property taxes	57,044	60,257	117,301	-
Grant proceeds	-	438,214	438,214	-
Interest income	7,181	3,779	10,960	208
Interest expense	(74,868)	(78,809)	(153,677)	-
Total nonoperating revenues (expenses)	(10,643)	423,441	412,798	208
Income before operating transfers	1,906,890	387,481	2,294,371	7,551

(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, 2010

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Activities - Internal Service Funds</u>
Operating transfers				
Transfers out	\$ <u>(2,000,000)</u>	\$ <u>-</u>	\$ <u>(2,000,000)</u>	\$ <u>-</u>
Total operating transfers	<u>(2,000,000)</u>	<u>-</u>	<u>(2,000,000)</u>	<u>-</u>
Change in net assets	(93,110)	387,481	294,371	7,551
Net assets, beginning of year	<u>13,456,118</u>	<u>4,047,436</u>	<u>17,503,554</u>	<u>45,720</u>
Net assets, end of year	<u>\$ <u>13,363,008</u></u>	<u>\$ <u>4,434,917</u></u>	<u>\$ <u>17,797,925</u></u>	<u>\$ <u>53,271</u></u>

(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, 2010

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Activities - Internal Service Funds</u>
Cash flows from operating activities				
Cash received from customers	\$ 4,938,860	\$ 741,286	\$ 5,680,146	\$ 338,483
Cash payments for goods and services	(1,418,546)	(562,376)	(1,980,922)	(340,211)
Cash payments to employees	(1,286,046)	(521,898)	(1,807,944)	-
Net cash provided by (used in) operating activities	<u>2,234,268</u>	<u>(342,988)</u>	<u>1,891,280</u>	<u>(1,728)</u>
Cash flows from noncapital financing activities				
Property tax revenues	57,044	60,257	117,301	-
Grant proceeds	-	438,214	438,214	-
Interfund borrowing	2,811	-	2,811	-
Operating transfers out	(2,000,000)	-	(2,000,000)	-
Net cash provided by (used in) noncapital financing activities	<u>(1,940,145)</u>	<u>498,471</u>	<u>(1,441,674)</u>	<u>-</u>
Cash flows from capital and related financing activities				
Purchase of equipment and infrastructure	(1,350,111)	(1,212,185)	(2,562,296)	-
Payment of note payable	(113,791)	-	(113,791)	-
Payment of bond principal	(70,641)	(74,359)	(145,000)	-
Proceeds from loan payable	-	1,061,788	1,061,788	-
Interest paid	(74,868)	(78,809)	(153,677)	-
Net cash used in capital and related financing activities	<u>(1,609,411)</u>	<u>(303,565)</u>	<u>(1,912,976)</u>	<u>-</u>
Cash flows from investing activities				
Interest received	7,181	3,779	10,960	208
Net cash provided by investing activities	<u>7,181</u>	<u>3,779</u>	<u>10,960</u>	<u>208</u>
NET DECREASE				
CASH AND CASH EQUIVALENTS	(1,308,107)	(144,303)	(1,452,410)	(1,520)
Cash and cash equivalents, beginning of year	<u>4,594,343</u>	<u>2,844,435</u>	<u>7,438,778</u>	<u>70,819</u>
Cash and cash equivalents, end of year	<u>\$ 3,286,236</u>	<u>\$ 2,700,132</u>	<u>\$ 5,986,368</u>	<u>\$ 69,299</u>

(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, 2010

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Activities - Internal Service Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 1,917,533	\$ (35,960)	\$ 1,881,573	\$ 7,343
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	463,007	29,601	492,608	-
Increase in property tax receivables	(148,319)	(156,125)	(304,444)	-
Increase (decrease) in other receivables	(20)	(3,072)	(3,092)	25,158
Increase in prepaid expense	(8,776)	(4,425)	(13,201)	(14,993)
Decrease in accounts payable	(96,997)	(277,257)	(374,254)	-
Increase in accrued payroll	9,905	4,238	14,143	-
Increase in unearned revenue	91,275	95,868	187,143	-
Increase in compensated absences payable	6,660	4,144	10,804	-
Decrease in due to other funds	-	-	-	(15,000)
Decrease in claims payable	-	-	-	(4,236)
Net cash provided by (used in) operating activities	<u>\$ 2,234,268</u>	<u>\$ (342,988)</u>	<u>\$ 1,891,280</u>	<u>\$ (1,728)</u>

(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, 2010

	Pension Trust Funds			Agency Fund
	Police Pension	Firefighters' Pension	Total	Temporary Escrow
ASSETS				
Cash and cash equivalents	\$ 113,513	\$ 22,180	\$ 135,693	\$ 1,237
Investments	16,659,244	8,738,235	25,397,479	-
Interest receivable	73,078	5,284	78,362	-
Prepaid expense	500	1,006	1,506	-
Due from other agencies	-	495	495	-
	<u>16,846,335</u>	<u>8,767,200</u>	<u>25,613,535</u>	<u>1,237</u>
LIABILITIES				
Accounts payable	7,590	6,444	14,034	-
Escrow funds payable	-	-	-	1,237
	<u>7,590</u>	<u>6,444</u>	<u>14,034</u>	<u>1,237</u>
PLAN NET ASSETS				
Plan net assets held in trust for pension benefits	<u>\$ 16,838,745</u>	<u>\$ 8,760,756</u>	<u>\$ 25,599,501</u>	<u>\$ -</u>

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, 2010

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
Additions			
Contributions			
Employer	\$ 637,702	\$ 479,595	\$ 1,117,297
Plan members	<u>380,299</u>	<u>185,802</u>	<u>566,101</u>
Total contributions	<u>1,018,001</u>	<u>665,397</u>	<u>1,683,398</u>
Investment earnings			
Interest and dividends	363,956	212,117	576,073
Net change in fair value of investments	<u>1,729,165</u>	<u>701,770</u>	<u>2,430,935</u>
Total investment earnings	2,093,121	913,887	3,007,008
Less investment expenses	<u>81,350</u>	<u>25,746</u>	<u>107,096</u>
Net investment income	<u>2,011,771</u>	<u>888,141</u>	<u>2,899,912</u>
Total additions	<u>3,029,772</u>	<u>1,553,538</u>	<u>4,583,310</u>
Deductions			
Administration	53,975	36,966	90,941
Benefits	1,414,858	843,394	2,258,252
Refunds of contributions	<u>30,133</u>	<u>21,160</u>	<u>51,293</u>
Total deductions	<u>1,498,966</u>	<u>901,520</u>	<u>2,400,486</u>
Change in net assets	1,530,806	652,018	2,182,824
Net assets held in trust for pension benefits			
Beginning of year	<u>15,307,939</u>	<u>8,108,738</u>	<u>23,416,677</u>
End of year	<u>\$ 16,838,745</u>	<u>\$ 8,760,756</u>	<u>\$ 25,599,501</u>

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois
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April 30, 2010

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City of North Chicago, Illinois

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City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

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 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 indirect control over the actions of the Corporation. The financial statements presented for this component unit have not been audited or reviewed.

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, 2010

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, 2010

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, grant proceeds, 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, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The *Capital Improvement Fund* 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 benefits. 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, 2010

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 annual appropriation exceeded the annual budget by approximately 6%.

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, 2010

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, 2010

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 \$2,260,372 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, 2010

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 2009 levy year are payable in two installments on or about June 1, 2010 and September 1, 2010.

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, 2010

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, note 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, 2010

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	\$ (25,260,000)
Note payable to Lake Forest Bank	(654,961)
Note payable to State of Illinois	(100,000)
Component unit note payable	(339,471)
Bond issuance premium	(425,549)
Deferred bond issuance charges	454,348
Compensated absences payable	(2,076,956)
Other postemployment benefits	(30,291)
Lawsuit settlement liability	(66,800)
Net pension obligation	<u>(2,391,698)</u>

Net adjustment to reduce total fund balances - governmental funds to net assets of governmental activities \$ (30,891,378)

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	\$ (1,315,145)
Capital outlay capitalized	<u>2,029,712</u>

Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets - governmental \$ 714,567

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

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 provides current financial resources to governmental funds, while the repayment of the principal of long-term debt 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	\$ 1,135,000
Issuance of long-term debt	<u>(754,961)</u>
Net long-term debt adjustment to decrease net change in fund balances - funds to arrive at change in net assets - governmental activities	\$ <u>380,039</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	\$ (182,315)
Amortization of bond issuance premium	40,221
Amortization of deferred bond issuance charges	(31,917)
Accrued interest	16,583
Other postemployment benefits	(14,765)
Lawsuit settlement liability	7,800
Net fire and police pension fund obligation	<u>(335,892)</u>
Net current adjustment to increase net change in fund balances - total funds to arrive at change in net assets - governmental activities	\$ <u>(500,285)</u>

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

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 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, 2010

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

As of April 30, 2010, 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	\$ <u>15,471,363</u>	\$ <u>25,533,172</u>	\$ <u>41,004,535</u>

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	\$ 6,400
Deposits with financial institutions - City	12,024,080
Deposits with financial institutions - Police and Firefighters' Pension Funds	1,465,618
Investments - City	3,440,883
Investments - Police and Firefighters' Pension Funds	<u>24,067,554</u>
Total	<u>\$ 41,004,535</u>

As of April 30, 2010, 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	\$ <u>3,440,883</u>	\$ <u>3,440,883</u>	\$ <u>-</u>

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

As of April 30, 2010, 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	\$ 7,652,572	\$ -	\$ 1,405,935	\$ 2,056,841	\$ 4,189,796
Money Market Mutual Funds	1,926,538	1,926,538	-	-	-
Deposits with Financial Institutions	<u>1,329,925</u>	<u>1,329,925</u>			
	<u>\$ 10,909,035</u>	<u>\$ 3,256,463</u>	<u>\$ 1,405,935</u>	<u>\$ 2,056,841</u>	<u>\$ 4,189,796</u>

	<u>Fair Value</u>
* The Illinois Funds	\$ 22
* Equity Mutual Funds	408,660
* Insurance Company Contracts	5,374,316
Equity Securities	<u>8,705,446</u>
	<u>\$ 14,488,444</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 Pension Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity while at the same time matching investment maturities to projected fund liabilities. The Pension Fund does not have a formal written policy with regards to interest rate risk.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

1. Interest Rate Risk (Continued)

The Firefighters' Pension Fund investment policy limits its exposure to interest rate risk by structuring the portfolio to "provide sufficient liquidity to enable the Plan to meet all anticipated operating requirements."

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, 2010, 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 or collateralized as of April 30, 2010.

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 or collateralized as of April 30, 2010.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

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, 2010, the Police Pension Fund's investments in Securities America money market mutual funds of \$893,648, Sunlife/Keyport Financial Insurance Contracts of \$1,527,719, and AXA Equitable Insurance Contracts of \$1,190,887 that represent 5% or more of plan net assets. The Firefighters' Pension Fund's investments in Triad Advisors money market mutual fund of \$826,283, as well as, various agency securities are investments (other than those issued or guaranteed by the U.S. Government) that represent 5% or more of plan net assets. Agency investments represent a large portion of the portfolio; however the investments are diversified by maturity date and issuing organization.

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, 2010 are shown as follows:

	Due From	Due To
Special revenue funds		
Downtown Tax Incremental Financing Redevelopment Project Area Fund	\$ -	\$ 15,876
Grant Place Operating Fund	-	34,567
Total General Fund	-	50,443
Debt service funds		
Grant Place Retail Center Debt Service 2007C Fund	34,567	-

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

NOTE D - INTERFUND RECEIVABLES AND PAYABLES (Continued)

	<u>Due From</u>	<u>Due To</u>
Capital projects funds		
Capital Improvement Fund	\$ 4,663	\$ -
Lake County Brownsfield Grants Fund	11,213	-
Total Debt Service Funds	<u>15,876</u>	<u>-</u>
 Total all funds	 50,443	 50,443
 Less amounts eliminated during GASB 34 adjustments	 <u>(50,443)</u>	 <u>(50,443)</u>
 Total internal balances as shown on the statement of net assets	 <u>\$ -</u>	 <u>\$ -</u>

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2010 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	496,851	-	-	496,851
 Total capital assets not being depreciated	 3,328,692	 -	 -	 3,328,692
 Capital assets being depreciated				
Land improvements	145,900	-	-	145,900
Buildings and improvements	4,543,559	-	-	4,543,559
Infrastructure	27,774,781	337,266	-	28,112,047
Library collections	819,785	55,040	71,187	803,638
Machinery and equipment	6,141,321	1,637,406	187,190	7,591,537
 Total capital assets being depreciated	 39,425,346	 2,029,712	 258,377	 41,196,681
 Less accumulated depreciation for				
Land improvements	145,708	192	-	145,900
Buildings and improvements	2,603,190	99,943	-	2,703,133
Infrastructure	15,837,262	814,586	-	16,651,848
Library collections	622,104	47,086	71,187	598,003
Machinery and equipment	4,849,597	353,338	187,190	5,015,745
 Total accumulated depreciation	 24,057,861	 1,315,145	 258,377	 25,114,629
 Total capital assets being depreciated, net	 15,367,485	 714,567	 -	 16,082,052
 Governmental activities capital assets, net	 \$ 18,696,177	 \$ 714,567	 -	 \$ 19,410,744

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

NOTE E - CAPITAL ASSETS (Continued)

2. Business-type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 2,435	\$ -	\$ -	\$ 2,435
Construction in progress	3,197,317	2,526,617	-	5,723,934
Total capital assets not being depreciated	3,199,752	2,526,617	-	5,726,369
Capital assets being depreciated				
Land improvements	209,813	-	-	209,813
Buildings	7,996,317	-	-	7,996,317
Machinery and equipment	11,575,991	35,679	5,301	11,606,369
Underground equipment	13,642,832	-	-	13,642,832
Total capital assets being depreciated	33,424,953	35,679	5,301	33,455,331
Less accumulated depreciation for				
Land improvements	70,969	6,853	-	77,822
Buildings	3,058,456	169,835	-	3,228,291
Machinery and equipment	9,613,437	134,787	5,301	9,742,923
Underground equipment	9,514,321	181,133	-	9,695,454
Total accumulated depreciation	22,257,183	492,608	5,301	22,744,490
Total capital assets being depreciated, net	11,167,770	(456,929)	-	10,710,841
Business-type activities capital assets, net	\$ 14,367,522	\$ 2,069,688	\$ -	\$ 16,437,210

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

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	\$ 138,687
Police	165,212
Fire	113,255
Public works	814,586
Library	<u>83,405</u>
Total depreciation expense - governmental activities	\$ <u>1,315,145</u>
Business-type activities	
Water	\$ 463,007
Sewer	<u>29,601</u>
Total depreciation expense - business-type activities	\$ <u>492,608</u>

4. Construction Commitments

The City has certain contracts in various funds for construction projects which were in progress at April 30, 2010. Remaining commitments under these contracts approximated \$697,000.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

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, 2010:

	Beginning Balance	Additions/ Issuances	Reductions/ Retirements	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds					
Series 1996	\$ 995,000	\$ -	\$ 995,000	\$ -	\$ -
Series 2005A	9,325,000	-	140,000	9,185,000	235,000
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	465,770	-	40,221	425,549	40,221
Compensated absences	1,894,641	228,779	46,464	2,076,956	28,220
Other postemployment benefits	15,526	14,765	-	30,291	-
Lawsuit settlement liability	74,600	-	7,800	66,800	9,100
Note payable to Lake Forest Bank	-	654,961	-	654,961	-
Note payable to State of Illinois	-	100,000	-	100,000	20,000
Component unit note payable	339,471	-	-	339,471	-
Net fire and police pension obligation	2,055,806	335,892	-	2,391,698	-
Governmental activity long-term liabilities	\$ 31,240,814	\$ 1,334,397	\$ 1,229,485	\$ 31,345,726	\$ 332,541

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

NOTE F - LONG-TERM DEBT (Continued)

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	\$ 3,450,000	\$ -	\$ 145,000	\$ 3,305,000	\$ 150,000
Note payable to					
Abbott					
Laboratories	749,446	-	113,791	635,655	100,000
Note payable to					
Illinois Environ-					
mental Protection					
Agency	-	1,061,788	-	1,061,788	26,545
Compensated					
absences	172,612	21,608	10,804	183,416	-
Business-type activity					
long-term					
liabilities	\$ 4,372,058	\$ 1,083,396	\$ 269,595	\$ 5,185,859	\$ 276,545

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:

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

NOTE F - LONG-TERM DEBT (Continued)

2. General Obligation Bonds (continued)

Governmental activities

\$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%.	\$ 9,185,000
\$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%.	<u>8,860,000</u>
Total governmental activities general obligation bonds outstanding	<u>25,260,000</u>

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%.	<u>3,305,000</u>
Total general obligation bonds	<u>\$ 28,565,000</u>

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

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 April 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	1,055,000	1,114,414	170,000	126,900
2016-2020	6,825,000	4,651,347	975,000	508,500
2021-2025	7,170,000	2,626,670	1,245,000	233,125
2026-2030	3,430,000	1,246,053	285,000	7,125
2031-2035	2,455,000	640,195	-	-
2036-2038	1,435,000	107,228	-	-
Total	<u>\$ 25,260,000</u>	<u>\$ 15,225,072</u>	<u>\$ 3,305,000</u>	<u>\$ 1,440,736</u>

3. Note Payable to Lake Forest Bank

In November 2009, the City entered into a master commitment with Lake Forest Bank in the total amount of \$979,973 to be used for financing the acquisition of police vehicles, public works vehicles, and IT hardware and relocation. Each equipment acquisition will become a five year term note at the time the City completes the acquisition of each type of equipment. Interest only payments will be due quarterly on draws under the master commitment and principal and interest will be due quarterly based on a five year amortization schedule for the term notes when applicable. Interest is charged at 4.0%. The balance due under the master commitment at April 30, 2010 is \$654,961. The master commitment has not converted to a term note as of April 30, 2010.

4. Note Payable to State of Illinois

In June 2009, the City entered into an agreement with the State of Illinois under an Ambulance Revolving Loan Program in the total amount of \$100,000 to be used for financing the purchase of an ambulance. Five annual principal payments of \$20,000 will commence on November 1, 2010. The note is noninterest bearing.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

NOTE F - LONG-TERM DEBT (Continued)

5. Note Payable to Abbott Laboratories

In May 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, 2010 is \$635,655. The City estimated the current portion of this liability to be \$100,000 based on prior history of credits issued ranging between approximately \$95,000 and \$113,000.

6. Note Payable to Illinois Environmental Protection Agency

In December 2009, 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. Semi-annual principal payments will commence on April 10, 2011. The note is noninterest bearing. The balance due to IEPA at April 30, 2010 is \$1,061,788.

7. Lawsuit Settlement Liability

During fiscal year 2006, the City reached a settlement for an alleged wrongful termination of a former employee. 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 \$66,800 has been recorded as a liability at April 30, 2010.

8. 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, 2010, the final amount expended for storm sewer improvements totaled \$677,362, in which the City reimbursed the Corporation \$337,891. As of April 30, 2010, 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, 2010

NOTE F - LONG-TERM DEBT (Continued)

8. Component Unit Note Payable (Continued)

At April 30, 2010, the City is obligated for future payments, net of reimbursements, under the note payable as follows:

Fiscal Year Ending <u>April 30,</u>	<u>Payment on Note Payable</u>
2011	\$ <u>339,471</u>

9. Guarantees of Component Unit Debt

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, 2010 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, 2010 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	-	4,742
Total General Fund	2,000,000	4,742

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

NOTE G - INTERFUND TRANSFERS (Continued)

	<u>Transfer In</u>	<u>Transfer Out</u>
Special revenue funds		
Downtown Tax Increment Financing Redevelopment Project Area Fund		
Lake County Brownsfield Grants Fund	\$ 40,166	\$ -
Capital Improvement Fund	11,206	-
Motor Fuel Tax Fund		
Community Development Block Grant Fund	125,000	-
Community Development Block Grant Fund		
Motor Fuel Tax Fund	-	125,000
Grant Place Operating Fund		36,000
U.S. Department of Homeland Security Grant Fund		
General Fund	4,742	-
Grant Place Operating Fund		
Community Development Block Grant Fund	36,000	-
Grant Place Retail Center Debt Service 2007C Fund	34,567	-
Total special revenue funds	<u>251,681</u>	<u>161,000</u>
Debt service funds		
Grant Place Retail Center Debt Service 2007C Fund		
Grant Place Operating Fund	-	34,567
Total debt service funds	<u>-</u>	<u>34,567</u>
Capital projects funds		
Capital Improvement Fund		
Downtown Tax Increment Financing Redevelopment Project Area Fund	-	11,206
Lake County Brownsfield Grants Fund		
Downtown Tax Increment Financing Redevelopment Project Area Fund	-	40,166
Total capital projects funds	<u>-</u>	<u>51,372</u>
Enterprise funds		
Water Fund		
General Fund	-	2,000,000
Total enterprise funds	<u>-</u>	<u>2,000,000</u>
Total all funds	<u>2,251,681</u>	<u>2,251,681</u>
Less amounts eliminated during GASB 34 adjustments	<u>(251,681)</u>	<u>(251,681)</u>
Total transfers	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

NOTE H - CONCENTRATION OF RISK - REVENUE SOURCE

The City has one resident business from which it generates a significant amount of property tax and water and sewer revenue. Without this commercial entity, 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.

b. Funding Policy

As set by statute, the City's regular plan members are required to contribute 4.5% of their annual covered salary. The statute requires employers 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 2009 was 6.25% 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.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

1. Illinois Municipal Retirement Fund (Continued)

c. Annual Pension Cost

For the year ending, December 31, 2009, the City's annual pension cost of \$303,408 for the regular plan was equal to the City's required and actual contributions.

<u>Three-Year Trend Information for the Regular Plan</u>			
<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>
12/30/09	\$ 303,408	100%	\$ -
12/30/08	336,140	100%	-
12/31/07	312,269	100%	-

The required contribution for 2009 was determined as part of the December 31, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007 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 10% per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3% annually. The actuarial value of the City's regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor between the actuarial and market value of assets. The City's regular 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, 2007 was 23 years.

d. Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the regular plan was 88.63% funded. The actuarial accrued liability for benefits was \$9,814,442 and the actuarial value of assets was \$8,698,499, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,115,943. The covered payroll (annual payroll of active employees covered by the plan) was \$4,854,524, and the ratio of the UAAL to covered payroll was 23%. In conjunction with the December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect 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. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30 year basis.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

1. Illinois Municipal Retirement Fund (Continued)

d. Funded Status and Funding Progress (Continued)

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. Separate reports are issued for the Police Pension Plan and Firefighters' Pension Plan and may be obtained by writing to the City of North Chicago at 1850 Lewis Avenue, North Chicago, Illinois 60064.

	<u>Police</u>	<u>Firefighters'</u>
Retirees and beneficiaries currently receiving benefits and terminated members entitled to but not yet receiving benefits	31	25
Active plan members	<u>57</u>	<u>29</u>
Total participants	<u><u>88</u></u>	<u><u>54</u></u>

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

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.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

2. Police and Firefighters' Pension Plans (Continued)

a. Plan Descriptions (Continued)

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, 2010

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 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.

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.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

2. Police and Firefighters' Pension Plans (Continued)

e. Contributions (Continued)

The City's annual pension cost and net pension obligation to the Police and Firefighters' Pension Funds were estimated from the funds' most recent actuarial valuations (April 30, 2008) and estimate of the actuary through April 30, 2010 as follows:

	Police	Firefighters'
Annual required contribution	\$ 676,292	\$ 508,616
Interest on net pension obligation	48,579	62,092
Adjustment to annual required contribution	-	-
Annual pension cost	724,871	570,708
Contributions made	(637,702)	(479,595)
Increase in net pension obligation	87,169	91,113
Net pension obligation at May 1, 2009	971,573	1,241,843
Net pension obligation at April 30, 2010	\$ 1,058,742	\$ 1,332,956

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 67.5 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%.

As of April 30, 2008, the most recent actuarial date, the Firefighters' Pension plan was 59.1 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%.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

2. Police and Firefighters' Pension Plans (Continued)

f. Funded Status and Funding Progress (Continued)

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.

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.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

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

1. Plan Description (Continued)

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 vested plan members	86
Active nonvested plan members	<u>102</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, 2010.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

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

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

	<u>Amount</u>
Annual Required Contribution (ARC)	\$ 47,594
Interest on net OPEB obligation	776
Adjustment to annual required contribution	(518)
Annual OPEB cost	47,852
Contributions made	(33,087)
Increase in OPEB obligation	14,765
Net OPEB obligation at May 1, 2009	15,526
Net OPEB obligation at April 30, 2010	\$ 30,291

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 2010 are as follows:

<u>Trend Information - Other Postemployment Benefits</u>				
<u>Fiscal</u>		<u>Annual</u>	<u>Percentage</u>	<u>Net</u>
<u>Year</u>		<u>OPEB</u>	<u>of OPEB</u>	<u>OPEB</u>
<u>Ending</u>		<u>Cost</u>	<u>Contributed</u>	<u>Obligation</u>
04/30/10	\$	47,852	69.10%	\$ 30,291
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.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

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

5. Funding Policy and Actuarial Assumptions (Continued)

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.

The following simplifying assumptions were made:

Contribution rates:	
City	N/A
Plan members	0.00%
Actuarial valuation date	4/30/2010
Actuarial cost method	Entry age
Amortization period	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases	5.00%
Healthcare inflation rate	8.00% initial 6.00% ultimate
Mortality, Turnover, Disability, Retirement	Same rate utilized for IMRF, Police and Fire Pension Funds
Percentage of active employees assumed to elect benefit	20%

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

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

5. Funding Policy and Actuarial Assumptions (Continued)

Employer provided benefit

Explicit (eligible disabled employees): 100% premium for life

Implicit: 20% of premium to age 65
Premium: (50% of \$7,212/yr + 50% of \$11,691/yr)

*Includes inflation at 3.00%

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.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

NOTE K - FUND EQUITY (Continued)

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.

NOTE L - RESTRICTIONS FOR ENABLING LEGISLATION

The government-wide statement of net assets reports \$2,416,335 of net assets restricted by enabling legislation which consists of the following:

Road maintenance (motor fuel tax)	\$ 1,191,589
Drug law enforcement	29,558
Emergency phone	33,166
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2005A	522,539
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2007A	42,884
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2007B	52,366
Grant Place Retail Center Debt Service 2007C	<u>274,233</u>
Total government-wide net assets restricted by enabling legislation	\$ <u>2,146,335</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 \$31,021 in the Dental and Vision Fund relating to the City's estimate of losses resulting from these claims.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2010

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.

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.

NOTE O - ASSET IMPAIRMENT

Five Points Economic Development Corporation, a 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 materially changed in 2010. In response to this, the City established a reserve of \$5,243,957 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, 2010

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

1. Loans Receivable

The non-profit 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, 2010. The loans receivable, net of the allowance, are \$128,743 at April 30, 2010.

2. Capital Assets

Capital asset activity for the year ended April 30, 2010 was as follows:

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

REQUIRED SUPPLEMENTARY INFORMATION

City of North Chicago, Illinois

Illinois Municipal Retirement Fund

Schedule of Funding Progress

Required Supplementary Information

April 30, 2010

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
12/31/2009	\$ 8,698,499	\$ 9,814,442	\$ 1,115,943	88.63 %	\$ 4,854,524	22.99 %
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	-

On a market value basis, the actuarial value of assets as of December 31, 2009 is \$8,434,641. On a market basis, the funded ratio would be 85.94%.

City of North Chicago, Illinois

Other Postemployment Benefits

Schedule of Funding Progress

Required Supplementary Information

April 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
4/30/2009	\$ -	\$ 797,655	\$ 797,655	0.00 %

The City implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for prior years is not available and no valuation was performed for fiscal year ended April 30, 2010.

City of North Chicago, Illinois
Police Pension Fund and Firefighters' Pension Fund
Schedules of Funding Progress
Required Supplementary Information
April 30, 2010

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, 2010

(With 2009 actual for comparison)

	Budget		2010 Actual	Variance from	2009 Actual
	Original	Final		Final Budget Positive (Negative)	
Revenues					
Property taxes	\$ 4,892,169	\$ 4,892,169	\$ 4,643,611	\$ (248,558)	\$ 4,732,385
Taxes - other	3,979,790	3,979,790	3,278,944	(700,846)	4,105,944
Licenses and permits	325,450	325,450	376,314	50,864	443,557
Intergovernmental	5,814,242	5,814,242	5,701,734	(112,508)	6,071,569
Grants	-	-	3,834	3,834	5,874
Fines and fees	1,966,300	1,966,300	2,148,630	182,330	1,937,479
Interest	30,000	30,000	8,345	(21,655)	32,225
Miscellaneous	213,800	213,800	371,258	157,458	373,713
Total revenues	17,221,751	17,221,751	16,532,670	(689,081)	17,702,746
Expenditures					
General government					
Mayor's office	382,610	382,610	315,748	66,862	324,674
City Clerk's office	145,148	145,148	142,187	2,961	116,519
Legislative	185,623	185,623	116,180	69,443	117,293
City Treasurer	43,308	43,308	33,688	9,620	36,076
Comptroller	544,755	544,755	572,059	(27,304)	537,023
Information technology	193,591	539,042	227,576	311,466	180,128
Human resources	190,369	190,369	154,479	35,890	185,121
Building and health department	598,728	598,728	557,668	41,060	575,539
Buildings and grounds department	408,014	408,014	310,558	97,456	301,895
Total general government	2,692,146	3,037,597	2,430,143	607,454	2,374,268
Administration services	3,833,281	3,833,281	3,214,110	619,171	3,520,250
Highway and streets	1,279,215	1,670,997	1,474,233	196,764	1,202,027

(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, 2010

(With 2009 actual for comparison)

	Budget		2010 Actual	Variance from	2009 Actual
	Original	Final		Final Budget Positive (Negative)	
Expenditures (continued)					
Public safety					
Police department	\$ 7,872,899	\$ 8,115,639	\$ 7,635,841	\$ 479,798	\$ 7,614,332
Fire department	3,231,096	3,231,096	3,200,944	30,152	3,007,810
Total public safety	11,103,995	11,346,735	10,836,785	509,950	10,622,142
Economic development					
Community development	480,039	480,039	376,890	103,149	418,275
Economic development incentive	675,000	675,000	815,170	(140,170)	879,469
Total economic development	1,155,039	1,155,039	1,192,060	(37,021)	1,297,744
Total expenditures	20,063,676	21,043,649	19,147,331	1,896,318	19,016,431
Excess (deficiency) of revenues over expenditures	(2,841,925)	(3,821,898)	(2,614,661)	1,207,237	(1,313,685)
Other financing sources (uses)					
Loan proceeds	979,973	979,973	754,961	(225,012)	0
Transfers in	2,000,000	2,000,000	2,000,000	-	2,000,000
Transfers out	(1,912)	(1,912)	(4,742)	(2,830)	(37,500)
Total other financing sources (uses)	2,978,061	2,978,061	2,750,219	(227,842)	1,962,500
Net change in fund balance		\$ (843,837)	135,558	\$ 979,395	648,815
Fund balance, beginning of year			5,095,737		4,446,922
Fund balance, end of year			\$ 5,231,295		\$ 5,095,737

(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, 2010
 (With 2009 actual for comparison)

	<u>Original and Final Budget</u>	<u>2010 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2009 Actual</u>
Revenues				
Refunds/reimbursements	\$ -	\$ 66,344	\$ -	\$ -
Interest	<u>10,000</u>	<u>3,310</u>	<u>-</u>	<u>38,303</u>
Total revenues	<u>10,000</u>	<u>69,654</u>	<u>-</u>	<u>38,303</u>
Expenditures				
General government				
Other professional services	700,000	-	700,000	-
Capital projects	<u>2,722,360</u>	<u>91,616</u>	<u>2,630,744</u>	<u>448,938</u>
Total expenditures	<u>3,422,360</u>	<u>91,616</u>	<u>3,330,744</u>	<u>448,938</u>
Deficiency of revenues over expenditures	<u>(3,412,360)</u>	<u>(21,962)</u>	<u>(3,330,744)</u>	<u>(410,635)</u>
Other financing sources (uses)				
Capital contributions	-	10,500	-	-
Transfers out	<u>(205,000)</u>	<u>(51,372)</u>	<u>-</u>	<u>(116,334)</u>
Total other financing sources (uses)	<u>(205,000)</u>	<u>(40,872)</u>	<u>-</u>	<u>(116,334)</u>
Net change in fund balance	<u><u>\$ (3,617,360)</u></u>	<u>(62,834)</u>	<u><u>\$ (3,330,744)</u></u>	<u>(526,969)</u>
Fund balance, beginning of year		<u>8,666,588</u>		<u>9,193,557</u>
Fund balance, end of year		<u><u>\$ 8,603,754</u></u>		<u><u>\$ 8,666,588</u></u>

City of North Chicago, Illinois
Notes to the Required Supplementary Information
April 30, 2010

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 \$979,973.

Expenditures exceeded budgets in the following funds for the year ended April 30, 2010:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Budget</u>
Seized Drug Money (State) Fund	\$ 105,006	\$ 168,253	\$ 63,247
U.S. Department of Homeland Security Grant Fund	519,964	539,151	19,187
Downtown Tax Increment Financing Redevelopment			
Project Area Debt Service 2007A Fund	99,550	99,595	45
Downtown Tax Increment Financing Redevelopment			
Project Area Debt Service 2007B Fund	205,610	205,655	45
Grant Place Retail Center Debt Service 2007C Fund	521,908	521,992	84

Budget was not adopted for the Federal Forfeited Property (DEA) 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, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Property taxes			
Real estate taxes	\$ 3,749,903	\$ 3,556,257	\$ (193,646)
Real estate taxes - Firefighters' and Police pensions	<u>1,142,266</u>	<u>1,087,354</u>	<u>(54,912)</u>
Total property taxes	<u>4,892,169</u>	<u>4,643,611</u>	<u>(248,558)</u>
Taxes - other			
Hotel/motel tax	225,000	165,289	(59,711)
Real estate transfer tax	100,000	56,851	(43,149)
Food and beverage tax	250,000	229,115	(20,885)
Foreign fire tax	85,000	-	(85,000)
Utility tax	1,550,000	1,264,076	(285,924)
Simplified telecommunications tax	1,200,000	1,094,769	(105,231)
Local use tax	529,790	422,959	(106,831)
Road and bridge tax	<u>40,000</u>	<u>45,885</u>	<u>5,885</u>
Total taxes - other	<u>3,979,790</u>	<u>3,278,944</u>	<u>(700,846)</u>
Total property taxes and taxes - other	<u>8,871,959</u>	<u>7,922,555</u>	<u>(949,404)</u>
Licenses and permits			
Amusement tax license	750	2,000	1,250
Barber license	500	1,710	1,210
Contractors license	15,000	12,850	(2,150)
Pet tag license	750	1,015	265
Dry cleaner license	2,500	2,094	(406)
Food delivery and trucks license	200	-	(200)
Garage/gas station license	4,750	4,800	50
Liquor license	26,500	26,400	(100)
Pool hall license	1,000	1,000	-
Restaurant license	5,000	4,275	(725)
Tobacco license	2,000	1,325	(675)

(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, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Licenses and permits (continued)			
Business license	\$ 56,500	\$ 74,054	\$ 17,554
Juke box and vending permits	15,000	8,600	(6,400)
Sign permits	1,000	8,840	7,840
Building permits	100,000	108,658	8,658
Rezoning variance permits	1,000	2,500	1,500
Miscellaneous permits	3,000	16,395	13,395
Vehicle stickers			
Truck	25,000	29,230	4,230
Other	-	5,415	5,415
Occupancy permits	35,000	35,153	153
Hazardous materials permits	30,000	30,000	-
	<u>325,450</u>	<u>376,314</u>	<u>50,864</u>
Intergovernmental			
State income tax	3,250,579	2,770,241	(480,338)
Sales tax	2,265,000	2,661,577	396,577
State - street maintenance (IDOT)	13,663	13,948	285
Replacement tax - state	270,000	242,085	(27,915)
North Chicago Housing Authority	15,000	13,883	(1,117)
	<u>5,814,242</u>	<u>5,701,734</u>	<u>(112,508)</u>
Grants	<u>-</u>	<u>3,834</u>	<u>3,834</u>
Fines and fees			
Lien fees	20,000	39,941	19,941
Death certificate copies	2,000	316	(1,684)
Photocopies	7,000	4,810	(2,190)
Code books and maps	-	125	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, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Fines and fees (continued)			
Fire service charges			
Fire inspections	\$ 7,500	\$ 12,850	\$ 5,350
Ambulance fees	250,000	255,272	5,272
Policing charges			
Parking fines	35,000	35,832	832
Police fines	-	25	25
Redflex fines	210,000	335,685	125,685
Adjudication fines	200,000	210,520	10,520
Adjudication fines - Redflex	4,800	920	(3,880)
Adjudication court costs	5,000	6,060	1,060
Police services fees	40,000	62,032	22,032
Alarm service fees	15,000	21,716	6,716
Magistrate	190,000	197,653	7,653
Building fines and penalties	-	1,100	1,100
Cable franchise fees	100,000	97,693	(2,307)
Railroad parking lot pass fees	75,000	52,588	(22,412)
Community day fees	75,000	50,755	(24,245)
Garbage fees	730,000	762,737	32,737
Total fines and fees	<u>1,966,300</u>	<u>2,148,630</u>	<u>182,330</u>
Interest	<u>30,000</u>	<u>8,345</u>	<u>(21,655)</u>
Miscellaneous			
Cable land use lease	75,000	70,590	(4,410)
Sales of City property	5,000	-	(5,000)
Refunds/reimbursements	-	4,265	4,265
Miscellaneous	115,000	214,419	99,419

(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, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous (continued)			
Worker's compensation reimbursements	\$ 5,000	\$ 68,094	\$ 63,094
Train station lease	<u>13,800</u>	<u>13,890</u>	<u>90</u>
Total miscellaneous	<u>213,800</u>	<u>371,258</u>	<u>157,458</u>
Total revenues	<u>17,221,751</u>	<u>16,532,670</u>	<u>(689,081)</u>
Other financing sources			
Loan proceeds	979,973	754,961	(225,012)
Transfer in from Water Fund	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Total other financing sources	<u>2,979,973</u>	<u>2,754,961</u>	<u>(225,012)</u>
Total revenues and other financing sources	<u>\$ 20,201,724</u>	<u>\$ 19,287,631</u>	<u>\$ (914,093)</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, 2010

	Budget		Actual	Variance from
	Original	Final		Final Budget
				Positive (Negative)
General government				
Mayor's office				
Salaries and wages				
Full-time salaries and wages	\$ 189,143	\$ 189,143	\$ 168,258	\$ 20,885
Part-time salaries and wages	5,000	5,000	5,000	-
Overtime allowances	2,000	2,000	-	2,000
Total salaries and wages	196,143	196,143	173,258	22,885
Fringe benefits				
IMRF match	12,259	12,259	13,224	(965)
Employer's health insurance	-	-	7,449	(7,449)
Employer's dental and vision insurance	2,469	2,469	4,338	(1,869)
Social security match	12,161	12,161	10,474	1,687
Medicare match	2,844	2,844	2,450	394
Life insurance premiums	234	234	254	(20)
Total fringe benefits	29,967	29,967	38,189	(8,222)
Contractual services				
Maintenance - vehicles	4,000	4,000	2,106	1,894
Telephone	3,000	3,000	2,366	634
Travel and training	34,500	34,500	18,258	16,242
Postage	1,000	1,000	610	390
Printing and publishing	3,000	3,000	3,925	(925)
Other professional services	58,000	58,000	45,310	12,690
Dues and memberships	12,000	12,000	9,794	2,206
Total contractual services	115,500	115,500	82,369	33,131
Commodities				
Office supplies	7,500	7,500	5,463	2,037
Gasoline and oil	2,500	2,500	1,642	858
Publications	1,000	1,000	492	508
Public relations	-	-	120	(120)

(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, 2010

	Budget		Actual	Variance from
	Original	Final		Final Budget Positive (Negative)
General government (continued)				
Mayor's office (continued)				
Commodities (continued)				
Miscellaneous expenses	\$ 20,000	\$ 20,000	\$ 14,115	\$ 5,885
Mayor's expense account	10,000	10,000	100	9,900
Total commodities	41,000	41,000	21,932	19,068
Total Mayor's office	382,610	382,610	315,748	66,862
City Clerk's office				
Salaries and wages				
Full-time salaries and wages	100,847	100,847	101,822	(975)
Fringe benefits				
IMRF match	6,303	6,303	7,600	(1,297)
Employer's health insurance	4,181	4,181	3,674	507
Employer's dental and vision insurance	1,646	1,646	2,335	(689)
Social security match	6,253	6,253	6,056	197
Medicare match	1,462	1,462	1,416	46
Life insurance premiums	156	156	169	(13)
Total fringe benefits	20,001	20,001	21,250	(1,249)
Contractual services				
Maintenance - equipment	2,000	2,000	1,069	931
Travel and training	6,000	6,000	1,308	4,692
Postage	300	300	35	265
Printing and publishing	6,000	6,000	9,045	(3,045)
Dues and memberships	1,000	1,000	977	23
Total contractual services	15,300	15,300	12,434	2,866

(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, 2010

	Budget		Actual	Variance from
	Original	Final		Final Budget
				Positive (Negative)
General government (continued)				
City Clerk's office (continued)				
Commodities				
Office supplies	\$ 3,000	\$ 3,000	\$ 3,116	\$ (116)
Gasoline and oil	1,500	1,500	1,220	280
Miscellaneous expenses	1,000	1,000	152	848
Total commodities	5,500	5,500	4,488	1,012
Capital outlay				
Equipment	3,500	3,500	2,193	1,307
Total City Clerk's office	145,148	145,148	142,187	2,961
Legislative				
Salaries and wages				
Part-time salaries and wages	65,440	65,440	66,993	(1,553)
Fringe benefits				
IMRF match	2,500	2,500	2,379	121
Employer's health insurance	24,370	24,370	21,454	2,916
Employer's dental and vision insurance	5,761	5,761	4,048	1,713
Social security match	4,057	4,057	3,871	186
Medicare match	949	949	906	43
Life insurance premiums	546	546	592	(46)
Total fringe benefits	38,183	38,183	33,250	4,933
Contractual services				
Travel and training	48,500	48,500	5,535	42,965
Postage	1,300	1,300	67	1,233
Printing and publishing	5,000	5,000	-	5,000
Dues and memberships	10,250	10,250	4,022	6,228

(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, 2010

	Budget		Actual	Variance from
	Original	Final		Final Budget
				Positive (Negative)
General government (continued)				
Legislative (continued)				
Fringe benefits (continued)				
Boards and commissions	\$ 5,000	\$ 5,000	\$ 1,900	\$ 3,100
Total contractual services	70,050	70,050	11,524	58,526
Commodities				
Office supplies	1,450	1,450	661	789
Publications	500	500	-	500
Miscellaneous expenses	10,000	10,000	3,752	6,248
Total commodities	11,950	11,950	4,413	7,537
Total legislative	185,623	185,623	116,180	69,443
City Treasurer				
Salaries and wages				
Part-time salaries and wages	15,000	15,000	15,000	-
Fringe benefits				
IMRF match	938	938	1,115	(177)
Employer's health insurance	11,121	11,121	10,035	1,086
Employer's dental and vision insurance	823	823	1,145	(322)
Social security match	930	930	697	233
Medicare match	218	218	163	55
Life insurance premiums	78	78	85	(7)
Total fringe benefits	14,108	14,108	13,240	868
Contractual services				
Travel and training	8,500	8,500	2,130	6,370
Printing and publishing	900	900	590	310
Dues and memberships	1,000	1,000	499	501
Total contractual services	10,400	10,400	3,219	7,181

(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, 2010

	Budget		Actual	Variance from
	Original	Final		Final Budget
				Positive (Negative)
General government (continued)				
City Treasurer (continued)				
Commodities				
Office supplies	\$ 1,900	\$ 1,900	\$ 964	\$ 936
Gasoline and oil	500	500	435	65
Miscellaneous expenses	1,400	1,400	830	570
Total commodities	3,800	3,800	2,229	1,571
Total City Treasurer	43,308	43,308	33,688	9,620
Comptroller				
Salaries and wages				
Full-time salaries and wages	372,203	372,203	366,033	6,170
Compensated absences	-	-	6,953	(6,953)
Overtime allowances	2,250	2,250	-	2,250
Total salaries and wages	374,453	374,453	372,986	1,467
Fringe benefits				
IMRF match	23,403	23,403	27,625	(4,222)
Employer's health insurance	61,847	61,847	96,357	(34,510)
Employer's dental and vision insurance	4,938	4,938	8,987	(4,049)
Social security match	23,216	23,216	21,042	2,174
Medicare match	5,430	5,430	4,911	519
Life insurance premiums	468	468	657	(189)
Total fringe benefits	119,302	119,302	159,579	(40,277)
Contractual services				
Maintenance - equipment	2,000	2,000	1,604	396
Telephone	1,000	1,000	-	1,000
Travel and training	7,500	7,500	86	7,414
Postage	5,000	5,000	5,082	(82)
Printing and publishing	19,000	19,000	12,447	6,553
Dues and memberships	2,500	2,500	1,463	1,037
Total contractual services	37,000	37,000	20,682	16,318

(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, 2010

	Budget		Actual	Variance from
	Original	Final		Final Budget
				Positive (Negative)
General government (continued)				
Comptroller (continued)				
Commodities				
Office supplies	\$ 12,000	\$ 12,000	\$ 16,623	\$ (4,623)
Publications	1,000	1,000	-	1,000
Miscellaneous expenses	1,000	1,000	2,189	(1,189)
Total commodities	14,000	14,000	18,812	(4,812)
Total Comptroller	544,755	544,755	572,059	(27,304)
Information technology				
Salaries and wages				
Full-time salaries and wages	84,357	84,357	82,655	1,702
Fringe benefits				
IMRF match	5,272	5,272	6,419	(1,147)
Employer's health insurance	13,018	13,018	11,601	1,417
Employer's dental and vision insurance	823	823	1,145	(322)
Social security match	5,230	5,230	4,805	425
Medicare match	1,223	1,223	1,124	99
Life insurance premiums	78	78	85	(7)
Total fringe benefits	25,644	25,644	25,179	465
Contractual services				
Telephone	2,300	2,300	2,293	7
Postage	200	200	214	(14)
Travel and training	500	500	-	500
Other professional services	34,250	34,250	36,297	(2,047)
Total contractual services	37,250	37,250	38,804	(1,554)
Commodities				
Operating supplies	46,340	46,340	45,156	1,184

(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, 2010

	Budget		Actual	Variance from Final Budget Positive (Negative)
	Original	Final		
General government (continued)				
Information technology (continued)				
Debt service				
Loan principal and interest	\$ -	\$ -	\$ 221	\$ (221)
Capital Outlay				
Equipment	-	345,451	35,561	309,890
Total information technology	193,591	539,042	227,576	311,466
Human resources				
Salaries and wages				
Full-time salaries and wages	122,147	122,147	74,297	47,850
Overtime allowances	2,000	2,000	286	1,714
Total salaries and wages	124,147	124,147	74,583	49,564
Fringe benefits				
IMRF match	7,759	7,759	5,329	2,430
Employer's health insurance	8,414	8,414	4,517	3,897
Employer's dental and vision insurance	1,646	1,646	1,145	501
Social security match	7,697	7,697	4,521	3,176
Medicare match	1,800	1,800	1,057	743
Life insurance premiums	156	156	85	71
Total fringe benefits	27,472	27,472	16,654	10,818
Contractual services				
Telephone	1,500	1,500	2,380	(880)
Travel and training	5,000	5,000	2,359	2,641
In-house training	7,500	7,500	3,410	4,090
Postage	500	500	583	(83)
Printing and publishing	1,500	1,500	939	561
Other professional services	7,500	7,500	43,247	(35,747)
Dues and memberships	1,000	1,000	850	150
Total contractual services	24,500	24,500	53,768	(29,268)

(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, 2010

	Budget		Actual	Variance from
	Original	Final		Final Budget
General government (continued)				
Human resources (continued)				
Commodities				
Office supplies	\$ 5,000	\$ 5,000	\$ 2,859	\$ 2,141
Publications	500	500	1,388	(888)
Advertising-all departments	5,000	5,000	2,098	2,902
Employee recognition	1,500	1,500	-	1,500
Public relations	1,500	1,500	-	1,500
Safety incentives	500	500	2,386	(1,886)
Miscellaneous expenses	250	250	743	(493)
Total commodities	14,250	14,250	9,474	4,776
Total human resources	190,369	190,369	154,479	35,890
Building and health department				
Salaries and wages				
Full-time salaries and wages	287,236	287,236	257,246	29,990
Overtime allowances	10,000	10,000	3,028	6,972
Total salaries and wages	297,236	297,236	260,274	36,962
Fringe benefits				
IMRF match	18,577	18,577	19,013	(436)
Employer's health insurance	56,570	56,570	33,960	22,610
Employer's dental and vision insurance	4,938	4,938	7,594	(2,656)
Social security match	18,429	18,429	15,300	3,129
Medicare match	4,310	4,310	3,578	732
Life insurance premiums	468	468	507	(39)
Total fringe benefits	103,292	103,292	79,952	23,340
Contractual services				
Maintenance - vehicles	4,500	4,500	6,655	(2,155)
Maintenance - equipment	4,600	4,600	1,483	3,117
Telephone	4,000	4,000	2,802	1,198

(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, 2010

	Budget		Actual	Variance from
	Original	Final		Final Budget
				Positive (Negative)
General government (continued)				
Building and health department (continued)				
Contractual services (continued)				
Travel and training	\$ 8,500	\$ 8,500	\$ 4,611	\$ 3,889
Postage	2,300	2,300	3,298	(998)
Printing and publishing	3,250	3,250	3,025	225
Other professional services	42,693	42,693	51,089	(8,396)
Dues and memberships	1,450	1,450	80	1,370
Demolition	100,000	100,000	130,790	(30,790)
Total contractual services	171,293	171,293	203,833	(32,540)
Commodities				
Office supplies	10,000	10,000	5,930	4,070
Gasoline and oil	7,600	7,600	5,012	2,588
Operating supplies	1,000	1,000	-	1,000
Uniforms	1,500	1,500	1,148	352
Publications	1,000	1,000	40	960
Miscellaneous expense	1,000	1,000	-	1,000
Total commodities	22,100	22,100	12,130	9,970
Capital Outlay				
Equipment	4,807	4,807	1,479	3,328
Total building and health departmen	598,728	598,728	557,668	41,060
Building and grounds department				
Salaries and wages				
Full-time salaries and wages	109,287	109,287	98,062	11,225
Overtime allowances	6,000	6,000	4,458	1,542
Total salaries and wages	115,287	115,287	102,520	12,767

(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, 2010

	Budget		Actual	Variance from
	Original	Final		Final Budget
				Positive (Negative)
General government (continued)				
Building and grounds department (continued)				
Fringe benefits				
IMRF match	\$ 7,205	\$ 7,205	\$ 7,329	\$ (124)
Employer's health insurance	12,949	12,949	11,540	1,409
Employer's dental and vision insurance	2,469	2,469	4,318	(1,849)
Social security match	7,148	7,148	6,098	1,050
Medicare match	1,672	1,672	1,426	246
Life insurance premiums	234	234	254	(20)
Total fringe benefits	31,677	31,677	30,965	712
Contractual services				
Maintenance - buildings	120,700	120,700	103,561	17,139
Maintenance - grounds	2,500	2,500	-	2,500
Drinking water	1,600	1,600	778	822
Other professional services	41,200	41,200	10,871	30,329
Total contractual services	166,000	166,000	115,210	50,790
Commodities				
Pest control	32,300	32,300	33,174	(874)
Maintenance supplies	50,000	50,000	25,010	24,990
Operating supplies	10,000	10,000	544	9,456
Uniforms	2,250	2,250	3,135	(885)
Miscellaneous	500	500	-	500
Total commodities	95,050	95,050	61,863	33,187
Total building and grounds department	408,014	408,014	310,558	97,456
Total general government	2,692,146	3,037,597	2,430,143	607,454

(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, 2010

	Budget		Actual	Variance from
	Original	Final		Final Budget
				Positive (Negative)
Administration services				
Contractual services				
Medical insurance opt-out program	\$ 10,000	\$ 10,000	\$ -	\$ 10,000
Unemployment insurance	40,000	40,000	47,983	(7,983)
Maintenance of equipment	45,000	45,000	35,190	9,810
Workers' compensation	806,000	806,000	445,641	360,359
Workers' compensation deductible	-	-	3,027	(3,027)
Liability insurance	535,000	535,000	625,587	(90,587)
Telephone	150,000	150,000	154,198	(4,198)
Utilities	200,000	200,000	242,868	(42,868)
Postage	11,500	11,500	1,238	10,262
Landfill and rolloff (garbage)	11,000	11,000	-	11,000
Printing and publishing	16,500	16,500	-	16,500
Auditing services	65,100	65,100	63,893	1,207
Payroll service	29,981	29,981	43,114	(13,133)
Engineering services	114,000	114,000	114,000	-
Retainer fees	24,000	24,000	24,000	-
Medical services	48,000	48,000	24,926	23,074
Other professional services	60,200	60,200	45,626	14,574
Refuse collection	750,000	750,000	747,352	2,648
Codification of ordinances	5,000	5,000	-	5,000
Government affairs services	84,000	84,000	89,250	(5,250)
Redflex traffic systems fees	117,000	117,000	112,535	4,465
Lawsuits and attorney fees	310,000	310,000	198,115	111,885
Public relations	50,000	50,000	32,507	17,493
Public relations - community day	75,000	75,000	46,900	28,100
100th Anniversary Celebration	50,000	50,000	31,513	18,487
Reimbursements	30,000	30,000	30,000	-
Lake Bluff sales tax sharing	-	-	16,138	(16,138)
Two percent fire department foreign tax	85,000	85,000	-	85,000
Bad debt expense	-	-	2,043	(2,043)
Total contractual services	3,722,281	3,722,281	3,177,644	544,637

(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, 2010

	Budget		Actual	Variance from
	Original	Final		Final Budget
				Positive (Negative)
Administration services (continued)				
Commodities				
Office supplies	\$ 1,000	\$ 1,000	\$ 324	\$ 676
Miscellaneous expense	10,000	10,000	4,980	5,020
Total commodities	11,000	11,000	5,304	5,696
Capital outlay				
Equipment	100,000	100,000	31,162	68,838
Total administration services	3,833,281	3,833,281	3,214,110	619,171
Highway and streets				
Street department				
Salaries and wages				
Full-time salaries and wages	572,074	572,074	470,361	101,713
Sick leave sell back	-	-	3,136	(3,136)
Overtime allowances	9,000	9,000	11,583	(2,583)
Workers' compensation	-	-	8,065	(8,065)
Total salaries and wages	581,074	581,074	493,145	87,929
Fringe benefits				
IMRF match	36,317	36,317	36,685	(368)
Employer's health insurance	101,059	101,059	111,441	(10,382)
Employer's dental and vision insurance	9,876	9,876	9,130	746
Social security match	36,027	36,027	28,501	7,526
Medicare match	8,426	8,426	6,666	1,760
Life insurance premiums	936	936	1,092	(156)
Total fringe benefits	192,641	192,641	193,515	(874)

(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, 2010

	Budget		Actual	Variance from
	Original	Final		Final Budget
				Positive (Negative)
Highway and streets (continued)				
Street department (continued)				
Contractual services				
Maintenance - building	\$ 12,000	\$ 12,000	\$ 5,529	\$ 6,471
Maintenance - vehicles	70,000	70,000	56,865	13,135
Maintenance - equipment	15,500	15,500	24,167	(8,667)
Maintenance - streets	35,000	35,000	37,202	(2,202)
Maintenance - grounds	11,000	11,000	1,180	9,820
Other maintenance	1,800	1,800	-	1,800
Telephone	3,000	3,000	2,947	53
Street lighting	7,500	7,500	11,844	(4,344)
Rentals	27,500	27,500	14,351	13,149
Travel and training	3,000	3,000	89	2,911
Postage	700	700	8	692
Printing and publishing	2,000	2,000	-	2,000
Medical services	500	500	446	54
Other professional services	160,000	160,000	127,557	32,443
Total contractual services	349,500	349,500	282,185	67,315
Commodities				
Office supplies	3,500	3,500	1,561	1,939
Gasoline and oil	75,000	75,000	69,065	5,935
Maintenance and supplies	25,000	25,000	11,267	13,733
Operating supplies	25,000	25,000	5,968	19,032
Uniforms	25,000	25,000	15,089	9,911
Miscellaneous expenses	2,500	2,500	250	2,250
Total commodities	156,000	156,000	103,200	52,800
Debt service				
Loan principal and interest	-	-	2,318	(2,318)

(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, 2010

	Budget		Actual	Variance from
	Original	Final		Final Budget
				Positive (Negative)
Highways and streets (continued)				
Street department (continued)				
Capital outlay				
Vehicles	\$ -	\$ 391,782	\$ 396,872	\$ (5,090)
Equipment	-	-	2,998	(2,998)
	-	391,782	399,870	(8,088)
Total highway and streets	1,279,215	1,670,997	1,474,233	196,764
Public safety				
Police department				
Salaries and wages				
Full-time salaries and wages	4,777,553	4,777,553	4,207,668	569,885
Part-time salaries and wages	131,616	131,616	132,277	(661)
Administrative leave	-	-	5,280	(5,280)
Holiday taken	-	-	148,419	(148,419)
Police special detail	-	-	55,156	(55,156)
Overtime allowances	63,500	63,500	108,999	(45,499)
Police overtime	636,000	636,000	511,715	124,285
Sick leave sell back	-	-	9,661	(9,661)
Workers' compensation	-	-	127,844	(127,844)
Total salaries and wages	5,608,669	5,608,669	5,307,019	301,650
Fringe benefits				
IMRF match	54,974	54,974	69,553	(14,579)
Employer pension contribution	652,607	652,607	637,702	14,905
Employer's health insurance	610,727	610,727	562,708	48,019
Employer's dental and vision insurance	64,194	64,194	44,235	19,959
Social security match	62,695	62,695	65,096	(2,401)
Medicare match	78,714	78,714	69,581	9,133
Life insurance premiums	6,084	6,084	7,456	(1,372)
Total fringe benefits	1,529,995	1,529,995	1,456,331	73,664

(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, 2010

	Budget		Actual	Variance from
	Original	Final		Final Budget Positive (Negative)
Public safety (continued)				
Police department (continued)				
Contractual services				
Uniform allowance	\$ 13,500	\$ 13,500	\$ 10,125	\$ 3,375
Maintenance - building	5,000	5,000	-	5,000
Maintenance - vehicle	75,300	75,300	92,915	(17,615)
Maintenance - equipment	62,950	62,950	73,228	(10,278)
Other maintenance	700	700	-	700
Telephone	24,600	24,600	15,504	9,096
Rentals	16,350	16,350	-	16,350
Travel and training	88,490	88,490	14,089	74,401
Postage	5,000	5,000	1,064	3,936
Printing and publishing	22,000	22,000	11,785	10,215
Other professional services	134,375	134,375	173,092	(38,717)
Dues and memberships	2,700	2,700	1,850	850
Animal control	12,000	12,000	1,092	10,908
Other communication service	15,000	15,000	-	15,000
Total contractual services	477,965	477,965	394,744	83,221
Commodities				
Office supplies	25,000	25,000	25,921	(921)
Gasoline and oil	81,600	81,600	88,370	(6,770)
Maintenance supplies	14,000	14,000	-	14,000
Operating supplies	42,670	42,670	29,166	13,504
Uniforms	41,000	41,000	47,022	(6,022)
Prisoner meals	7,500	7,500	2,449	5,051
Publications	3,000	3,000	-	3,000
Reimbursements	10,000	10,000	2,344	7,656
Investigative expenses	10,000	10,000	18,745	(8,745)
Crime prevention	20,500	20,500	8,531	11,969
Miscellaneous	1,000	1,000	-	1,000
Total commodities	256,270	256,270	222,548	33,722
				(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, 2010

	Budget		Actual	Variance from Final Budget Positive (Negative)
	Original	Final		
Public safety (continued)				
Police department (continued)				
Debt service				
Loan principal and interest	\$ -	\$ -	\$ 1,364	\$ (1,364)
Capital outlay				
Vehicles	-	242,740	242,768	(28)
Equipment	-	-	11,067	(11,067)
Total capital outlay	-	242,740	253,835	(11,095)
Total police department	7,872,899	8,115,639	7,635,841	479,798
Fire department				
Salaries and wages				
Full-time salaries and wages	2,047,363	2,047,363	1,904,208	143,155
Fire overtime	108,000	108,000	146,973	(38,973)
Holiday taken	-	-	55,763	(55,763)
Fire lieutenant pay	-	-	3,326	(3,326)
Overtime allowances	2,000	2,000	8,868	(6,868)
Sick leave buy back	-	-	8,175	(8,175)
Workers' compensation	2	2	3,768	(3,766)
Total salaries and wages	2,157,365	2,157,365	2,131,081	26,284
Fringe benefits				
IMRF match	2,898	2,898	2,901	(3)
Employer pension contribution	489,659	489,659	479,595	10,064
Employer's health insurance	291,429	291,429	293,874	(2,445)
Employer's dental and vision insurance	27,159	27,159	39,091	(11,932)
Social security match	2,875	2,875	2,175	700
Medicare match	25,287	25,287	23,575	1,712
Life insurance premiums	2,574	2,574	3,192	(618)
Total fringe benefits	841,881	841,881	844,403	(2,522)

(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, 2010

	<u>Budget</u>		<u>Actual</u>	Variance from
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
Public safety (continued)				
Fire department (continued)				
Contractual services				
Maintenance - vehicles	\$ 39,500	\$ 39,500	\$ 14,658	\$ 24,842
Maintenance - equipment	20,050	20,050	13,138	6,912
Telephone	6,000	6,000	6,272	(272)
Rentals	2,200	2,200	2,169	31
Travel and training	35,500	35,500	28,746	6,754
Postage	300	300	161	139
Printing and publishing	7,000	7,000	5,224	1,776
Medical services	1,000	1,000	-	1,000
Other professional service	25,000	25,000	9,318	15,682
Linen services	1,000	1,000	-	1,000
Dues and memberships	1,850	1,850	2,068	(218)
Total contractual services	<u>139,400</u>	<u>139,400</u>	<u>81,754</u>	<u>57,646</u>
Commodities				
Office supplies	6,000	6,000	2,582	3,418
Gasoline and oil	15,500	15,500	13,302	2,198
Maintenance supplies	3,000	3,000	2,561	439
Operating supplies	6,000	6,000	3,496	2,504
Ambulance operating supplies	8,000	8,000	5,810	2,190
Uniforms	10,000	10,000	3,888	6,112
Publications	750	750	-	750
Hazardous material enforcement	12,500	12,500	578	11,922
Reimbursements	500	500	1,146	(646)
Total commodities	<u>62,250</u>	<u>62,250</u>	<u>33,363</u>	<u>28,887</u>
Debt service				
Loan principal and interest	<u>200</u>	<u>200</u>	<u>343</u>	<u>(143)</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, 2010

	Budget		Actual	Variance from
	Original	Final		Final Budget
				Positive (Negative)
Public safety (continued)				
Fire department (continued)				
Capital outlay				
Vehicles	\$ 30,000	\$ 30,000	\$ 110,000	\$ (80,000)
Total fire department	3,231,096	3,231,096	3,200,944	30,152
Total public safety	11,103,995	11,346,735	10,836,785	509,950
Economic development				
Community development				
Salaries and wages				
Full-time salaries and wages	347,765	347,765	286,730	61,035
Overtime allowances	4,000	4,000	336	3,664
Total salaries and wages	351,765	351,765	287,066	64,699
Fringe benefits				
IMRF match	21,985	21,985	21,523	462
Employer's health insurance	22,498	22,498	26,123	(3,625)
Employer's dental and vision insurance	4,938	4,938	3,410	1,528
Social security match	21,809	21,809	17,004	4,805
Medicare match	5,101	5,101	3,977	1,124
Life insurance premiums	468	468	423	45
Total fringe benefits	76,799	76,799	72,460	4,339
Contractual services				
Telephone	3,500	3,500	1,642	1,858
Travel and training	4,000	4,000	3,983	17
Postage	1,800	1,800	935	865
Printing and publishing	2,500	2,500	2,393	107
Other professional services	30,000	30,000	-	30,000
Dues and memberships	2,675	2,675	2,736	(61)
Total contractual services	44,475	44,475	11,689	32,786

(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, 2010

	Budget		Actual	Variance from
	Original	Final		Final Budget
				Positive (Negative)
Economic development (continued)				
Community development (continued)				
Commodities				
Office supplies	\$ 5,500	\$ 5,500	\$ 4,765	\$ 735
Gasoline and oil	500	500	387	113
Miscellaneous expense	500	500	523	(23)
Publications	500	500	-	500
Total commodities	7,000	7,000	5,675	1,325
Total community development	480,039	480,039	376,890	103,149
Economic development incentive	675,000	675,000	815,170	(140,170)
Total economic development	1,155,039	1,155,039	1,192,060	(37,021)
Total expenditures	20,063,676	21,043,649	19,147,331	1,896,318
Other financing uses				
Transfer to U.S. Department of Homeland Security Grant Fund	1,912	1,912	4,742	(2,830)
Total expenditures and other financing uses	\$ 20,065,588	\$ 21,045,561	\$ 19,152,073	\$ 1,893,488

(Concluded)

NONMAJOR GOVERNMENTAL FUNDS

City of North Chicago, Illinois

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2010

	Special Revenue Funds			
	Library	Motor Fuel Tax	AT & T Foundation Grant	Community Development Block Grant
ASSETS				
Cash and cash equivalents	\$ 597,344	\$ 820,400	\$ 12,110	\$ 103,632
Investments	-	300,000	-	-
Property tax receivable	646,049	-	-	-
Intergovernmental receivable	-	77,912	-	-
Other receivables	36,676	5,817	-	723,974
Prepaid expense	431	3,033	-	-
Due from other funds	-	-	-	-
Due from component unit, net of reserve	-	-	-	-
 Total assets	 <u>\$ 1,280,500</u>	 <u>\$ 1,207,162</u>	 <u>\$ 12,110</u>	 <u>\$ 827,606</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 23,663	\$ 10,354	\$ -	\$ 26,533
Accrued payroll	4,138	5,219	-	-
Unearned revenue	397,252	-	12,110	-
Other payables	-	-	-	53
Due to other funds	-	-	-	-
 Total liabilities	 <u>425,053</u>	 <u>15,573</u>	 <u>12,110</u>	 <u>26,586</u>
Fund balances (Deficit)				
Reserved for debt service	-	-	-	-
Reserved for due from component unit	-	-	-	-
Unreserved	855,447	1,191,589	-	801,020
 Total fund balances	 <u>855,447</u>	 <u>1,191,589</u>	 <u>-</u>	 <u>801,020</u>
 Total liabilities and fund balances	 <u>\$ 1,280,500</u>	 <u>\$ 1,207,162</u>	 <u>\$ 12,110</u>	 <u>\$ 827,606</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>
\$ 4,077	\$ 271,720	\$ 25,481	\$ -	\$ 688,082
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	34,445	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	1,600,000
<u>\$ 4,077</u>	<u>\$ 306,165</u>	<u>\$ 25,481</u>	<u>\$ -</u>	<u>\$ 2,288,082</u>
\$ -	\$ 2,999	\$ -	\$ -	\$ 1,496
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	2,999	-	-	1,496
-	-	-	-	-
-	-	-	-	1,600,000
4,077	303,166	25,481	-	686,586
4,077	303,166	25,481	-	2,286,586
<u>\$ 4,077</u>	<u>\$ 306,165</u>	<u>\$ 25,481</u>	<u>\$ -</u>	<u>\$ 2,288,082</u>

(Continued)

City of North Chicago, Illinois

Nonmajor Governmental Funds

Combining Balance Sheet (Continued)

April 30, 2010

	<u>Special Revenue Funds (Continued)</u>		<u>Debt Service Funds</u>
	<u>Grant Place Operating</u>	<u>Total Nonmajor Special Revenue Funds</u>	<u>Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2005A</u>
ASSETS			
Cash and cash equivalents	\$ 47,895	\$ 2,570,741	\$ 264,102
Investments	-	300,000	-
Property tax receivable	-	646,049	671,443
Intergovernmental receivable	-	77,912	-
Other receivables	-	800,912	-
Prepaid expense	-	3,464	-
Due from other funds	-	-	-
Due from component unit, net of reserve	-	1,600,000	-
Total assets	\$ <u>47,895</u>	\$ <u>5,999,078</u>	\$ <u>935,545</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 8,013	\$ 73,058	\$ -
Accrued payroll	-	9,357	-
Unearned revenue	-	409,362	413,006
Other payables	5,315	5,368	-
Due to other funds	34,567	34,567	-
Total liabilities	<u>47,895</u>	<u>531,712</u>	<u>413,006</u>
Fund balances (Deficit)			
Reserved for debt service	-	-	522,539
Reserved for due from component unit	-	1,600,000	-
Unreserved	-	3,867,366	-
Total fund balances	<u>-</u>	<u>5,467,366</u>	<u>522,539</u>
Total liabilities and fund balances	\$ <u>47,895</u>	\$ <u>5,999,078</u>	\$ <u>935,545</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
\$ 1,285,553	\$ 5,348	\$ 12,462	\$ 104,713	\$ 1,672,178
-	-	-	-	-
-	97,804	103,555	352,342	1,225,144
-	-	-	-	-
-	-	-	-	-
-	-	-	34,567	34,567
-	-	-	-	-
<u>\$ 1,285,553</u>	<u>\$ 103,152</u>	<u>\$ 116,017</u>	<u>\$ 491,622</u>	<u>\$ 2,931,889</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	60,268	63,651	217,389	754,314
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>60,268</u>	<u>63,651</u>	<u>217,389</u>	<u>754,314</u>
1,285,553	103,152	116,017	491,622	2,518,883
-	-	-	-	-
<u>-</u>	<u>(60,268)</u>	<u>(63,651)</u>	<u>(217,389)</u>	<u>(341,308)</u>
<u>1,285,553</u>	<u>42,884</u>	<u>52,366</u>	<u>274,233</u>	<u>2,177,575</u>
<u>\$ 1,285,553</u>	<u>\$ 103,152</u>	<u>\$ 116,017</u>	<u>\$ 491,622</u>	<u>\$ 2,931,889</u>

(Continued)

City of North Chicago, Illinois

Nonmajor Governmental Funds
 Combining Balance Sheet (Continued)
April 30, 2010

	Capital Project Funds		
	U.S. EPA	DCEO Business Study	Abbott Laboratories Grant
ASSETS			
Cash and cash equivalents	\$ 24,849	\$ 30,077	\$ 4,775
Investments	-	-	-
Property taxes receivable	-	-	-
Intergovernmental receivable	-	-	-
Other receivables	-	-	-
Prepaid expense	-	-	-
Due from other funds	-	-	-
Due from component unit, net of reserve	-	-	-
	<u>24,849</u>	<u>30,077</u>	<u>4,775</u>
Total assets	<u>\$ 24,849</u>	<u>\$ 30,077</u>	<u>\$ 4,775</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 24,849	\$ -	\$ 4,775
Accrued payroll	-	-	-
Unearned revenue	-	30,066	-
Other payables	-	-	-
Due to other funds	-	-	-
	<u>24,849</u>	<u>30,066</u>	<u>4,775</u>
Total liabilities	<u>24,849</u>	<u>30,066</u>	<u>4,775</u>
Fund balances (Deficit)			
Reserved for debt service	-	-	-
Reserved for due from component unit	-	-	-
Unreserved	-	11	-
	<u>-</u>	<u>11</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>11</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 24,849</u>	<u>\$ 30,077</u>	<u>\$ 4,775</u>

Capital Project Funds (Continued)			Total
Lake County Brownsfield Grants	DCEO Sheridan Road Acquisition Grant	Total Nonmajor Capital Project Funds	Nonmajor Governmental Funds
\$ -	\$ 19,588	\$ 79,289	\$ 4,322,208
-	-	-	300,000
-	-	-	1,871,193
11,213	-	11,213	89,125
-	-	-	800,912
-	-	-	3,464
11,213	-	11,213	45,780
-	-	-	1,600,000
<u>\$ 22,426</u>	<u>\$ 19,588</u>	<u>\$ 101,715</u>	<u>\$ 9,032,682</u>
\$ 22,426	\$ -	\$ 52,050	\$ 125,108
-	-	-	9,357
-	19,585	49,651	1,213,327
-	-	-	5,368
-	-	-	34,567
<u>22,426</u>	<u>19,585</u>	<u>101,701</u>	<u>1,387,727</u>
-	-	-	2,518,883
-	-	-	1,600,000
-	3	14	3,526,072
<u>-</u>	<u>3</u>	<u>14</u>	<u>7,644,955</u>
<u>\$ 22,426</u>	<u>\$ 19,588</u>	<u>\$ 101,715</u>	<u>\$ 9,032,682</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, 2010

	Special Revenue Funds			
	Library	Motor Fuel Tax	AT & T Foundation Grant	Community Development Block Grant
Revenues				
Property taxes	\$ 590,352	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	906,465	-	-
Grants	39,160	-	2,905	383,222
Fines and fees	15,866	-	-	-
Interest	1,996	3,789	-	710
Miscellaneous	226	3,517	-	8,508
Total revenues	647,600	913,771	2,905	392,440
Expenditures				
Current				
Administration	-	-	-	16,318
Highway and streets	-	895,955	-	-
Public safety	-	-	2,905	-
Culture and recreation	484,173	-	-	-
Economic development	-	-	-	280,787
Bad debt	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and other	-	-	-	-
Capital outlay	50,747	-	-	-
Total expenditures	534,920	895,955	2,905	297,105
Excess (deficiency) of revenues over expenditures	112,680	17,816	-	95,335
Other financing sources and uses				
Transfers in	-	125,000	-	-
Transfers out	-	-	-	(161,000)
Net change in fund balances	112,680	142,816	-	(65,665)
Fund balance, beginning of year	742,767	1,048,773	-	866,685
Fund balance, end of year	\$ 855,447	\$ 1,191,589	\$ -	\$ 801,020

<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>
\$ -	\$ -	\$ -	\$ -	\$ -
-	146,047	-	-	-
-	-	129,173	-	-
-	-	-	480,361	-
-	-	-	-	-
11	618	483	-	1,320
-	-	-	29,395	-
<u>11</u>	<u>146,665</u>	<u>129,656</u>	<u>509,756</u>	<u>1,320</u>
-	-	-	-	-
-	-	-	-	-
-	47,974	168,253	539,151	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	680,608
-	-	-	-	-
-	-	-	-	-
-	19,828	-	-	-
<u>-</u>	<u>67,802</u>	<u>168,253</u>	<u>539,151</u>	<u>680,608</u>
11	78,863	(38,597)	(29,395)	(679,288)
-	-	-	4,742	-
-	-	-	-	-
<u>11</u>	<u>78,863</u>	<u>(38,597)</u>	<u>(24,653)</u>	<u>(679,288)</u>
<u>4,066</u>	<u>224,303</u>	<u>64,078</u>	<u>24,653</u>	<u>2,965,874</u>
<u>\$ 4,077</u>	<u>\$ 303,166</u>	<u>\$ 25,481</u>	<u>\$ -</u>	<u>\$ 2,286,586</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, 2010

	<u>Special Revenue Funds (Continued)</u>		<u>Debt Service Funds</u>
	<u>Grant Place Operating</u>	<u>Total Nonmajor Special Revenue Funds</u>	<u>Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2005A</u>
Revenues			
Property taxes	\$ -	\$ 590,352	\$ 517,396
Taxes - other	-	146,047	-
Intergovernmental	-	1,035,638	-
Grants	-	905,648	-
Fines and fees	-	15,866	-
Interest	43	8,970	1,060
Miscellaneous	<u>75,963</u>	<u>117,609</u>	<u>-</u>
Total revenues	<u>76,006</u>	<u>2,820,130</u>	<u>518,456</u>
Expenditures			
Current			
Administration	-	16,318	-
Highway and streets	-	895,955	-
Public safety	-	758,283	-
Culture and recreation	-	484,173	-
Economic development	77,439	358,226	-
Bad debt	-	680,608	-
Debt service			
Principal retirement	-	-	140,000
Interest and other	-	-	431,360
Capital outlay	<u>-</u>	<u>70,575</u>	<u>-</u>
Total expenditures	<u>77,439</u>	<u>3,264,138</u>	<u>571,360</u>
Excess (deficiency) of revenues over expenditures	(1,433)	(444,008)	(52,904)
Other financing sources and uses			
Transfers out	<u>36,000</u> <u>(34,567)</u>	165,742 <u>(195,567)</u>	- <u>-</u>
Net change in fund balances	-	(473,833)	(52,904)
Fund balance, beginning of year	<u>-</u>	<u>5,941,199</u>	<u>575,443</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 5,467,366</u>	<u>\$ 522,539</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
\$ 586,795	\$ 37,535	\$ 39,904	\$ 134,954	\$ 1,316,584
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,267	101	211	600	5,239
-	-	-	-	-
<u>590,062</u>	<u>37,636</u>	<u>40,115</u>	<u>135,554</u>	<u>1,321,823</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
995,000	-	-	-	1,135,000
57,212	99,594	205,655	521,992	1,315,813
-	-	-	-	-
<u>1,052,212</u>	<u>99,594</u>	<u>205,655</u>	<u>521,992</u>	<u>2,450,813</u>
(462,150)	(61,958)	(165,540)	(386,438)	(1,128,990)
-	-	-	34,567	34,567
-	-	-	-	-
(462,150)	(61,958)	(165,540)	(351,871)	(1,094,423)
<u>1,747,703</u>	<u>104,842</u>	<u>217,906</u>	<u>626,104</u>	<u>3,271,998</u>
<u>\$ 1,285,553</u>	<u>\$ 42,884</u>	<u>\$ 52,366</u>	<u>\$ 274,233</u>	<u>\$ 2,177,575</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, 2010

	<u>Capital Project Funds</u>		
	<u>U.S. EPA</u>	<u>EDA Assistance</u>	<u>Abbott Laboratories Grant</u>
Revenues			
Property taxes	\$ -	\$ -	\$ -
Taxes - other	-	-	-
Intergovernmental	-	-	-
Grants	-	-	6,006
Fines and fees	-	-	-
Interest	-	11	-
Miscellaneous	-	-	-
Total revenues	<u>-</u>	<u>11</u>	<u>6,006</u>
Expenditures			
Current			
Administration	-	-	-
Highway and streets	-	-	-
Public safety	-	-	-
Culture and recreation	-	-	-
Economic development	-	-	6,006
Bad debt	-	-	-
Debt service			
Principal retirement	-	-	-
Interest and other	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>6,006</u>
Excess (deficiency) of revenues over expenditures	-	11	-
Other financing sources			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	11	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ -</u>

Capital Project Funds (Continued)			Total
Lake County Brownsfield Grants	DCEO Sheridan Road Acquisition Grant	Total Nonmajor Capital Project Funds	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 1,906,936
-	-	-	146,047
-	-	-	1,035,638
40,166	10,500	56,672	962,320
-	-	-	15,866
-	-	11	14,220
-	-	-	117,609
<u>40,166</u>	<u>10,500</u>	<u>56,683</u>	<u>4,198,636</u>
-	-	-	16,318
-	11,303	11,303	907,258
-	-	-	758,283
-	-	-	484,173
80,332	-	86,338	444,564
-	-	-	680,608
-	-	-	1,135,000
-	-	-	1,315,813
-	-	-	70,575
<u>80,332</u>	<u>11,303</u>	<u>97,641</u>	<u>5,812,592</u>
(40,166)	(803)	(40,958)	(1,613,956)
40,166	-	40,166	240,475
-	-	-	(195,567)
-	(803)	(792)	(1,569,048)
-	806	806	9,214,003
<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 14</u>	<u>\$ 7,644,955</u>
			(Concluded)

ENTERPRISE FUNDS

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, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues			
Charges for sales and services	\$ 5,291,145	\$ 4,988,466	\$ (302,679)
Miscellaneous	<u>5,477</u>	<u>7,458</u>	<u>1,981</u>
Total operating revenues	<u>5,296,622</u>	<u>4,995,924</u>	<u>(300,698)</u>
Operating expenses			
Operations	4,657,868	2,615,384	2,042,484
Depreciation	<u>467,159</u>	<u>463,007</u>	<u>4,152</u>
Total operating expenses	<u>5,125,027</u>	<u>3,078,391</u>	<u>2,046,636</u>
Operating income	<u>171,595</u>	<u>1,917,533</u>	<u>1,745,938</u>
Nonoperating revenues (expenses)			
Property taxes	-	57,044	57,044
Interest income	35,000	7,181	(27,819)
Principal retirement	(166,552)	-	166,552
Interest expense	<u>(74,868)</u>	<u>(74,868)</u>	<u>-</u>
Total nonoperating revenue (expenses)	<u>(206,420)</u>	<u>(10,643)</u>	<u>195,777</u>
Income before operating transfers	<u>(34,825)</u>	<u>1,906,890</u>	<u>1,941,715</u>
Operating transfers			
Transfers out	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>-</u>
Total operating transfers	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>-</u>
Change in net assets	<u>\$ (2,034,825)</u>	<u>(93,110)</u>	<u>\$ 1,941,715</u>
Net assets, beginning of year		<u>13,456,118</u>	
Net assets, end of year		<u>\$ 13,363,008</u>	

City of North Chicago, Illinois
Water Fund
Schedule of Operating Revenues - Budget and Actual
For the year ended April 30, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues			
Charges for sales and services			
Industrial water	\$ 2,050,000	\$ 1,610,442	\$ (439,558)
Abbott park water	985,000	1,161,192	176,192
Abbott raw water	631,000	651,610	20,610
Residential water	1,215,000	1,187,183	(27,817)
Commercial water	300,000	290,984	(9,016)
Water resumption	5,477	7,838	2,361
Meter sales	10,954	13,385	2,431
Tie-in fees	27,384	5,863	(21,521)
Water assessment	2,738	325	(2,413)
Water penalty	43,815	39,648	(4,167)
Raw water equipment	<u>19,777</u>	<u>19,996</u>	<u>219</u>
Total charges for sales and services	5,291,145	4,988,466	(302,679)
Miscellaneous	<u>5,477</u>	<u>7,458</u>	<u>1,981</u>
Total operating revenues	<u>\$ 5,296,622</u>	<u>\$ 4,995,924</u>	<u>\$ (300,698)</u>

City of North Chicago, Illinois
Water Fund
Schedule of Operating Expenses - Budget and Actual
For the year ended April 30, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Operation expenses			
Salaries and wages			
Full-time salaries and wages	\$ 973,654	\$ 917,435	\$ 56,219
Overtime allowances	30,000	122,290	(92,290)
Compensated absences	-	6,660	(6,660)
Total salaries and wages	<u>1,003,654</u>	<u>1,046,385</u>	<u>(42,731)</u>
Fringe benefits			
IMRF match	62,728	78,074	(15,346)
Employer's health insurance	137,645	89,739	47,906
Employer's dental and vision insurance	14,814	12,801	2,013
Social security match	62,227	60,590	1,637
Medicare match	14,553	15,022	(469)
Life insurance premiums	1,404	2,743	(1,339)
Total fringe benefits	<u>293,371</u>	<u>258,969</u>	<u>34,402</u>
Contractual services			
Maintenance - buildings	20,250	10,292	9,958
Maintenance - vehicles	9,500	2,600	6,900
Maintenance - equipment	53,000	18,357	34,643
Maintenance - utility system	90,000	82,498	7,502
Other maintenance	70,500	1,472	69,028
Telephone	12,000	9,778	2,222
Utilities	868,150	671,362	196,788
Rentals	1,350	932	418
Travel and training	8,225	4,159	4,066
Postage	5,000	8,531	(3,531)
Printing and publishing	4,775	5,495	(720)
Engineering services	44,500	15,598	28,902
Foss Park easements	6,000	-	6,000
Other professional services	143,900	154,973	(11,073)

(Continued)

City of North Chicago, Illinois

Water Fund

Schedule of Operating Expenses - Budget and Actual (Continued)

For the year ended April 30, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operation expenses (continued)			
Contractual services (continued)			
Dues and memberships	\$ 450	\$ 257	\$ 193
Sludge treatment	35,000	26,353	8,647
Intake inspection	50,000	-	50,000
Total contractual services	<u>1,422,600</u>	<u>1,012,657</u>	<u>409,943</u>
Commodities			
Office supplies	6,000	1,763	4,237
Gasoline and oil	21,000	15,918	5,082
Maintenance supplies	123,000	80,886	42,114
Operating supplies	136,350	152,135	(15,785)
Uniforms	11,825	9,192	2,633
Miscellaneous expenses	3,000	3,028	(28)
Total commodities	<u>301,175</u>	<u>262,922</u>	<u>38,253</u>
Bad debt expense	<u>-</u>	<u>17,937</u>	<u>(17,937)</u>
Capital outlay			
Other improvements	1,500,000	-	1,500,000
Equipment	52,068	6,131	45,937
Meters	85,000	10,383	74,617
Total capital outlay	<u>1,637,068</u>	<u>16,514</u>	<u>1,620,554</u>
Total operation expenses	4,657,868	2,615,384	2,042,484
Depreciation	<u>467,159</u>	<u>463,007</u>	<u>4,152</u>
Total operations	<u>\$ 5,125,027</u>	<u>\$ 3,078,391</u>	<u>\$ 2,046,636</u>

(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, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues			
Charges for sales and services	\$ 915,954	\$ 804,615	\$ (111,339)
Total operating revenues	<u>915,954</u>	<u>804,615</u>	<u>(111,339)</u>
Operating expenses			
Operations	2,527,710	810,974	1,716,736
Depreciation	<u>25,796</u>	<u>29,601</u>	<u>(3,805)</u>
Total operating expenses	<u>2,553,506</u>	<u>840,575</u>	<u>1,712,931</u>
Operating income	<u>(1,637,552)</u>	<u>(35,960)</u>	<u>1,601,592</u>
Nonoperating revenues (expenses)			
Property taxes	-	60,257	60,257
Grant	-	438,214	438,214
Proceeds from bond issuance	1,800,000	-	(1,800,000)
Interest income	32,000	3,779	(28,221)
Principal retirement	(197,746)	-	197,746
Interest expense	<u>(147,864)</u>	<u>(78,809)</u>	<u>69,055</u>
Total nonoperating revenues (expenses)	<u>1,486,390</u>	<u>423,441</u>	<u>(1,062,949)</u>
Changes in net assets	<u>\$ (151,162)</u>	387,481	<u>538,643</u>
Net assets, beginning of year		<u>4,047,436</u>	
Net assets, end of year		<u>\$ 4,434,917</u>	

City of North Chicago, Illinois

Sewer Fund

Schedule of Operating Revenues - Budget and Actual

For the year ended April 30, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Operating revenues			
Charges for sales and services			
Residential sewer	\$ 310,000	\$ 298,069	\$ (11,931)
Industrial sewer	535,000	439,069	(95,931)
Penalties	10,954	11,016	62
Commercial sewer	<u>60,000</u>	<u>56,461</u>	<u>(3,539)</u>
Total charges for sales and services	<u>915,954</u>	<u>804,615</u>	<u>(111,339)</u>
Total operating revenues	\$ <u><u>915,954</u></u>	\$ <u><u>804,615</u></u>	\$ <u><u>(111,339)</u></u>

City of North Chicago, Illinois

Sewer Fund

Schedule of Operating Expenses - Budget and Actual

For the year ended April 30, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operation expenses			
Salaries and wages			
Full-time salaries and wages	\$ 323,868	\$ 336,514	\$ (12,646)
Overtime allowances	22,500	74,681	(52,181)
Compensated absences	-	4,143	(4,143)
Total salaries and wages	<u>346,368</u>	<u>415,338</u>	<u>(68,970)</u>
Fringe benefits			
IMRF match	21,648	30,917	(9,269)
Sick leave sell back	-	751	(751)
Employer's health insurance	56,091	47,506	8,585
Employer's dental and vision insurance	4,938	6,528	(1,590)
Social security match	21,475	24,306	(2,831)
Medicare match	5,022	5,685	(663)
Life insurance premiums	468	897	(429)
Total fringe benefits	<u>109,642</u>	<u>116,590</u>	<u>(6,948)</u>
Contractual services			
Maintenance - building	2,500	1,920	580
Maintenance - vehicles	11,000	9,889	1,111
Maintenance - equipment	11,500	1,033	10,467
Maintenance - grounds	500	-	500
Maintenance - utility system	57,500	119,292	(61,792)
Other maintenance	1,500	-	1,500
Rentals	4,500	5,345	(845)
Travel and training	1,200	-	1,200
Landfill and garbage	45,000	-	45,000
Engineering services	5,000	-	5,000
Other professional services	55,000	55,746	(746)
Dues and memberships	200	-	200
Total contractual services	<u>195,400</u>	<u>193,225</u>	<u>2,175</u>

(Continued)

City of North Chicago, Illinois

Sewer Fund

Schedule of Operating Expenses - Budget and Actual (Continued)

For the year ended April 30, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Operation expenses (continued)			
Commodities			
Office supplies	\$ 1,000	\$ 178	\$ 822
Maintenance supplies	55,000	72,628	(17,628)
Operating supplies	4,800	4,287	513
Uniforms	8,000	3,383	4,617
Miscellaneous	-	271	(271)
Total commodities	<u>68,800</u>	<u>80,747</u>	<u>(11,947)</u>
Bad debt expense	<u>-</u>	<u>1,869</u>	<u>(1,869)</u>
Capital outlay			
Other improvements	1,800,000	-	1,800,000
Equipment	<u>7,500</u>	<u>3,205</u>	<u>4,295</u>
Total capital outlay	<u>1,807,500</u>	<u>3,205</u>	<u>1,804,295</u>
Total operations	2,527,710	810,974	1,716,736
Depreciation	<u>25,796</u>	<u>29,601</u>	<u>(3,805)</u>
Total operation expenses	<u>\$ 2,553,506</u>	<u>\$ 840,575</u>	<u>\$ 1,712,931</u>

(Concluded)

INTERNAL SERVICE FUNDS

City of North Chicago, Illinois

Internal Service Funds

Combining Schedule of Net Assets

April 30, 2010

	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal</u>
ASSETS			
Cash and cash equivalents	\$ 55,310	\$ 13,989	\$ 69,299
Prepaid expense	<u>-</u>	<u>14,993</u>	<u>14,993</u>
Total assets	<u>55,310</u>	<u>28,982</u>	<u>84,292</u>
LIABILITIES			
Claims payable	<u>31,021</u>	<u>-</u>	<u>31,021</u>
Total liabilities	<u>31,021</u>	<u>-</u>	<u>31,021</u>
NET ASSETS			
Unrestricted	<u>\$ 24,289</u>	<u>\$ 28,982</u>	<u>\$ 53,271</u>

City of North Chicago, Illinois

Internal Service Funds

Combining Schedule of Revenues, Expenses, and Changes in Net Assets

For the year ended April 30, 2010

	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal</u>
Operating revenues			
Charges for sales and services	\$ 146,404	\$ 166,921	\$ 313,325
Operating expenses			
Operations	<u>150,317</u>	<u>155,665</u>	<u>305,982</u>
Operating income (loss)	(3,913)	11,256	7,343
Nonoperating revenues			
Interest income	<u>144</u>	<u>64</u>	<u>208</u>
Change in net assets	(3,769)	11,320	7,551
Net assets, beginning of year	<u>28,058</u>	<u>17,662</u>	<u>45,720</u>
Net assets, end of year	<u>\$ 24,289</u>	<u>\$ 28,982</u>	<u>\$ 53,271</u>

City of North Chicago, Illinois

Internal Service Funds

Combining Schedule of Cash Flows

For the year ended April 30, 2010

	<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	\$ 171,562	\$ 166,921	\$ 338,483
Cash payments for goods and services	<u>(154,553)</u>	<u>(185,658)</u>	<u>(340,211)</u>
Net cash provided by (used in) operating activities	<u>17,009</u>	<u>(18,737)</u>	<u>(1,728)</u>
Cash flows from investing activities			
Interest received	<u>144</u>	<u>64</u>	<u>208</u>
Net cash provided by investing activities	<u>144</u>	<u>64</u>	<u>208</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,153	(18,673)	(1,520)
Cash and cash equivalents, beginning of year	<u>38,157</u>	<u>32,662</u>	<u>70,819</u>
Cash and cash equivalents, end of year	<u>\$ 55,310</u>	<u>\$ 13,989</u>	<u>\$ 69,299</u>
Reconciliation of operating income (loss) to net cash used in operating activities			
Operating income (loss)	\$ (3,913)	\$ 11,256	\$ 7,343
Adjustments to reconcile operating income (loss) to net cash used in operating activities			
Decrease in other receivables	25,158	-	25,158
Increase in prepaid expense	-	(14,993)	(14,993)
Decrease in due to other funds	-	(15,000)	(15,000)
Decrease in claims payable	<u>(4,236)</u>	<u>-</u>	<u>(4,236)</u>
Net cash provided by (used in) operating activities	<u>\$ 17,009</u>	<u>\$ (18,737)</u>	<u>\$ (1,728)</u>

**CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS**

City of North Chicago, Illinois
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
For the year ended April 30, 2010

Governmental funds capital assets	
Land	\$ 2,831,841
Construction in progress	496,851
Land improvements	145,900
Buildings and improvements	4,543,559
Infrastructure	28,112,047
Library collections	803,638
Machinery and equipment	<u>7,591,537</u>
 Total governmental funds capital assets	 <u><u>\$ 44,525,373</u></u>
 Investments in governmental funds capital assets by source	
From current revenues	\$ 36,972,204
Debt issuance	3,592,176
Capital projects funds	1,059,237
Grants and donations	<u>2,901,756</u>
 Total governmental funds capital assets	 <u><u>\$ 44,525,373</u></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, 2010

	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	-	-	-	28,112,047	-	28,112,047
Library collections	-	-	-	-	803,638	803,638
Machinery and equipment	<u>509,874</u>	<u>2,789,657</u>	<u>2,394,416</u>	<u>1,764,001</u>	<u>133,589</u>	<u>7,591,537</u>
Total by function and activity	<u>\$ 3,609,258</u>	<u>\$ 2,792,657</u>	<u>\$ 3,138,449</u>	<u>\$ 32,710,975</u>	<u>\$ 2,274,034</u>	<u>\$ 44,525,373</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, 2010

FUNCTION AND ACTIVITY	Capital assets	<u>Additions</u>	<u>Deletions</u>	Capital assets
	<u>May 1, 2009</u>			<u>April 30, 2010</u>
General government	\$ 3,603,563	\$ 40,694	\$ 34,999	\$ 3,609,258
Police	2,522,089	284,769	14,201	2,792,657
Fire	2,276,563	910,386	48,500	3,138,449
Public works	32,061,642	738,823	89,490	32,710,975
Library	<u>2,290,181</u>	<u>55,040</u>	<u>71,187</u>	<u>2,274,034</u>
Total capital assets	<u>\$ 42,754,038</u>	<u>\$ 2,029,712</u>	<u>\$ 258,377</u>	<u>\$ 44,525,373</u>

OTHER SUPPLEMENTARY INFORMATION

City of North Chicago, Illinois
 General Obligation Bonds Series 2005A
 Schedule of Annual Debt Service Requirements
April 30, 2010

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
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>\$ 9,185,000</u>	<u>\$ 3,461,660</u>	<u>\$ 12,646,660</u>

City of North Chicago, Illinois
General Obligation Bonds Series 2005B
Schedule of Annual Debt Service Requirements
April 30, 2010

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
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>\$ 3,305,000</u>	<u>\$ 1,440,736</u>	<u>\$ 4,745,736</u>

City of North Chicago, Illinois
 General Obligation Bonds Series 2007A
 Schedule of Annual Debt Service Requirements
April 30, 2010

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
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>\$ 821,200</u>	<u>\$ 3,296,200</u>

City of North Chicago, Illinois
 General Obligation Bonds Series 2007B
 Schedule of Annual Debt Service Requirements
April 30, 2010

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
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
2029	4.300%	415,000	205,060	620,060

(Continued)

City of North Chicago, Illinois
 General Obligation Bonds Series 2007B (Continued)
 Schedule of Annual Debt Service Requirements
April 30, 2010

General Obligation Bonds
 Series 2007B (Continued)

Fiscal Year Ended April 30,	Interest Rate	Principal	Interest	Annual Debt Service
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	4.300%	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>\$ 4,830,778</u>	<u>\$ 9,570,778</u>

City of North Chicago, Illinois
General Obligation Bonds Series 2007C
Schedule of Annual Debt Service Requirements
April 30, 2010

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
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>\$ 6,111,434</u>	<u>\$ 14,971,434</u>

City of North Chicago, Illinois

Legal Debt Margin

April 30, 2010

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.