

**City of North Chicago, Illinois**

**Annual Financial Report**

**Year Ended April 30, 2011**

# City of North Chicago, Illinois

## Annual Financial Report

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For the Year Ended April 30, 2011

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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  
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, 2011, 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 provides a reasonable basis for our opinions.

The financial statements of the Five Points Economic Development Corporation (a component unit) have not been audited or reviewed, and we were not engaged to audit or review the Five Points Economic Development Corporation financial statements as part of our audit of the City's basic financial statements. Five Points Economic Development Corporation financial activities are included in the City's basic financial statements as a discretely presented component unit and reflect total assets of \$2,220,260, total revenues of \$2,604, and deficits of (\$4,756,239).

(Continued)

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In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Five Points Economic Development Corporation financial statements been audited, based on our audit and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of North Chicago, Illinois, as of April 30, 2011, and the respective changes in financial position 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 issued our report dated October 7, 2011 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, the Illinois Municipal Retirement Fund historical data on page 74, the other postemployment benefits data on page 75, the Police and Firefighters' Pension Funds supplementary information, and the budgetary comparison schedules and notes to required supplementary information on pages 76 through 80 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 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 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.



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Certified Public Accountants

Deerfield, Illinois  
October 7, 2011

## 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, 2011.

### Financial Highlights

- The assets of the City of North Chicago (the City) exceeded its liabilities at the close of the most recent fiscal year by \$28,429,105 (net assets).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,699,902. Of this amount, \$8,384,962 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 \$5,425,300, or 28.5 percent of total general fund expenditures.
- The City's total general obligation bonds outstanding are \$28,180,000, a decrease of \$385,000 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, supplementary financial information, and other 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 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 18-21 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 self-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 \$6,380,805 and those of the internal service funds amounted to \$70,002.

The basic proprietary fund financial statements can be found on pages 22-27 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 28-29 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 33-72 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 and budget comparisons for the General and major Special Revenue funds. Required supplementary information can be found on pages 73-79 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 103-114 and 123-125 of this report, respectively.

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$28,429,105 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:

	<b>CITY OF NORTH CHICAGO</b>					
	Net Assets					
	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$29,659,377	\$28,376,785	\$ 6,962,868	\$ 7,070,624	\$36,622,245	\$35,447,409
Capital assets	20,559,566	19,865,092	16,057,516	16,437,210	36,617,082	36,302,302
Total assets	50,218,943	48,241,877	23,020,384	23,507,834	73,239,327	71,749,711
Current liabilities	7,889,473	6,813,033	428,812	524,050	8,318,285	7,337,083
Long-term liabilities	31,535,425	31,345,726	4,956,512	5,185,859	36,491,937	36,531,585
Total liabilities	39,424,898	38,158,759	5,385,324	5,709,909	44,810,222	43,868,668
Net assets:						
Invested in capital assets, net of related debt	20,086,524	19,410,744	11,254,255	11,631,913	31,340,779	31,042,657
Restricted by enabling legislation	3,372,183	2,416,335	-	-	3,372,183	2,416,335
Restricted for pension	358,260	-	-	-	358,260	-
Unrestricted	(13,022,922)	(11,743,961)	6,380,805	6,166,012	(6,642,117)	(5,577,949)
Total net assets	\$10,794,045	\$10,083,118	\$17,635,060	\$17,797,925	\$28,429,105	\$27,881,043

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:

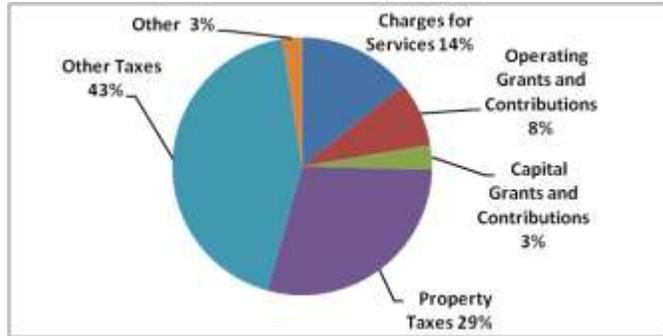
**CITY OF NORTH CHICAGO**  
Changes in Net Assets

	Governmental		Business-type		Total	
	activities		activities			
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 3,174,665	\$ 2,540,810	\$ 5,873,335	\$ 5,793,081	\$ 9,048,000	\$ 8,333,891
Operating grants and contributions	1,798,064	1,335,586	-	438,214	1,798,064	1,773,800
Capital grants and contributions	684,311	852,342	-	-	684,311	852,342
<b>General revenues:</b>						
Property taxes	6,430,936	6,550,547	186,528	117,301	6,617,464	6,667,848
Other taxes	9,622,003	9,255,898	-	-	9,622,003	9,255,898
Other	545,710	614,550	16,579	18,418	562,289	632,968
<b>Total revenues</b>	<b>22,255,689</b>	<b>21,149,733</b>	<b>6,076,442</b>	<b>6,367,014</b>	<b>28,332,131</b>	<b>27,516,747</b>
<b>Expenses:</b>						
Administration and general government	6,837,152	5,886,965	-	-	6,837,152	5,886,965
Police	8,373,853	8,722,602	-	-	8,373,853	8,722,602
Fire	2,678,742	2,731,408	-	-	2,678,742	2,731,408
Public works	1,834,341	3,185,172	-	-	1,834,341	3,185,172
Library	601,666	567,578	-	-	601,666	567,578
Economic development	1,974,950	1,636,624	-	-	1,974,950	1,636,624
Interest	1,244,058	1,290,926	-	-	1,244,058	1,290,926
Water	-	-	3,197,704	3,153,259	3,197,704	3,153,259
Sewer	-	-	1,041,603	919,384	1,041,603	919,384
<b>Total expenses</b>	<b>23,544,762</b>	<b>24,021,275</b>	<b>4,239,307</b>	<b>4,072,643</b>	<b>27,784,069</b>	<b>28,093,918</b>
Change in net assets before transfers	(1,289,073)	(2,871,542)	1,837,135	2,294,371	548,062	(577,171)
Transfers	2,000,000	2,000,000	(2,000,000)	(2,000,000)	-	-
<b>Increase in net assets</b>	<b>710,927</b>	<b>(871,542)</b>	<b>(162,865)</b>	<b>294,371</b>	<b>548,062</b>	<b>(577,171)</b>
Net assets - May 1, 2010	10,083,118	10,954,660	17,797,925	17,503,554	27,881,043	28,458,214
Net assets - April 30, 2011	\$10,794,045	\$10,083,118	\$17,635,060	\$17,797,925	\$28,429,105	\$27,881,043

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

**Revenues by Source - Governmental Activities**

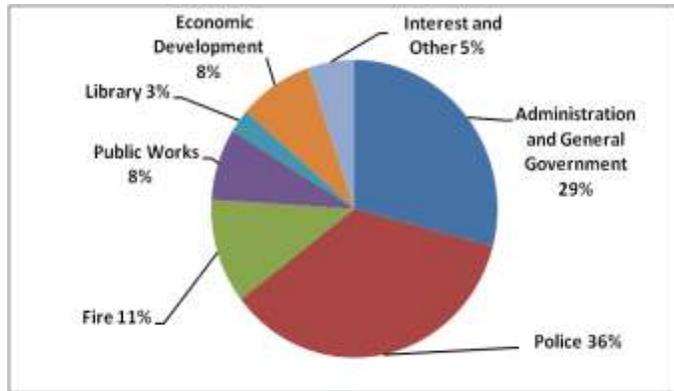
Charges for Services	3,174,665
Operating Grants	1,798,064
Capital Grants	684,311
Property Taxes	6,430,936
Other Taxes	9,622,003
Other	<u>545,710</u>
 Total revenues	 22,255,689



The chart below shows the expenses by function. The cost of all governmental activities was \$23,544,762. The Statement of Activities on pages 16-17 shows that \$3,174,665 was financed by those who use the services; \$2,482,375 was financed by grants and contributions, with the City's general revenues, operating transfers, and net assets financing \$17,887,722.

**Expenses by Function - Governmental Activities**

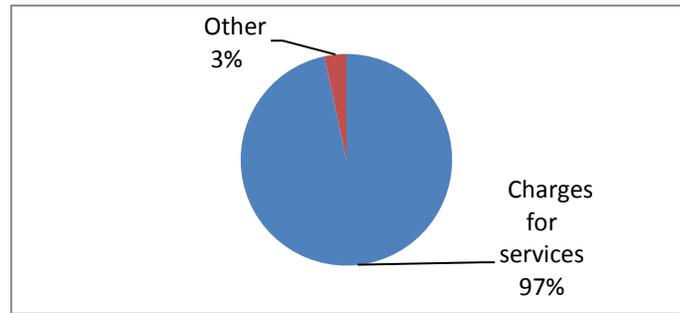
Administration and General Government	6,837,152
Police	8,373,853
Fire	2,678,742
Public Works	1,834,341
Library	601,666
Economic Development	1,974,950
Interest and Other	<u>1,244,058</u>
 Total expenses	 23,544,762



**Business-type activities.** The following graph shows the revenues by source for business-type activities. Total revenues for the City's business-type activities were \$6,076,442 for the year ended April 30, 2011. Ninety-seven percent of the revenues come from charges paid by the users of services and three percent from other source.

### Revenues by Source - Business-type Activities

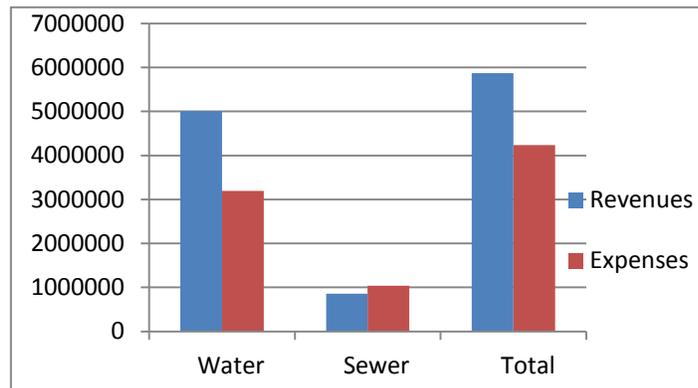
Charges for services	5,873,335
Other	<u>203,107</u>
Total revenues	6,076,442



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 \$6,076,442 and \$4,239,307, 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

	<u>Revenues</u>	<u>Expenses</u>
Water	5,012,600	3,197,704
Sewer	<u>860,735</u>	<u>1,041,603</u>
Total	5,873,335	4,239,307



### 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 \$21,699,902, an increase of \$189,421 in comparison with the prior year. Approximately 39% of this amount (\$8,384,962) 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 (\$12,004), 2) to pay debt service (\$2,735,816), 3) for capital projects (\$2,127,665), 4) for land held for resale (\$6,481,195), 5) reserve for pensions (\$358,260), and 6) 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 \$5,425,300. 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 28.5 percent of total General Fund expenditures, while total fund balance represents 31.2 percent of that same amount.

The fund balance of the City's General Fund increased by \$716,269 during the current fiscal year. Key factors in this growth are as follows:

- Expenditures for liability and workers' compensation deductibles came in under the expected amount by \$532,090.
- The General Fund received additional revenue from the Red Light Photo Enforcement Program.
- Reduction of workforce costs was realized by merging the Building and Health Department and Community Development Department into a single department of Building and Community Development.
- 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 \$17,635,060, as compared to \$17,797,925 for the prior year, a decrease of \$162,865. The unrestricted amount at the end of the year is \$6,380,805. 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 \$415,528. As a result, the recruitment of certain budgeted positions and capital items was deferred.

Realized revenues and other financing sources were \$19,810,041, compared to the budget of \$20,347,221, a shortfall of \$537,180. A revenue source that fell significantly below budget estimate was utility taxes due to the downturn in economic conditions. Expenditures were \$19,093,772, compared to the budget of \$20,762,749, a budget savings of \$1,668,977, or approximately eight 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, 2011 amounts to \$36,194,652 (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 was completed for the Martin Luther King Jr. Drive Sanitary Sewer Project and the Martin Luther King Jr. Drive Water Improvement Project. The amount capitalized for these two improvement projects is \$5,888,291.
- Capital asset acquisitions were made at a cost of \$8,551,273.

**CITY OF NORTH CHICAGO**  
**Capital Assets**  
**(net of depreciation)**

	Governmental		Business-type		Total	
	activities		activities			
	2011	2010	2011	2010	2011	2010
Land	\$ 2,831,841	\$ 2,831,841	\$ 2,435	\$ 2,435	\$ 2,834,276	\$ 2,834,276
Construction in progress	101,366	496,851	-	5,723,934	101,366	6,220,785
Land improvements	-	-	125,138	131,991	125,138	131,991
Buildings and improvements	1,965,080	1,840,426	4,598,190	4,768,026	6,563,270	6,608,452
Infrastructure	12,327,547	11,460,199	-	-	12,327,547	11,460,199
Library collections	203,872	205,635	-	-	203,872	205,635
Machinery and equipment	2,707,430	2,575,792	11,331,753	5,810,824	14,039,183	8,386,616
Total	\$ 20,137,136	\$ 19,410,744	\$ 16,057,516	\$ 16,437,210	\$ 36,194,652	\$ 35,847,954

Additional information on the City's capital assets can be found in Note E on pages 48-50 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$28,180,000. 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			
	2011	2010	2011	2010	2011	2010
<b>General obligation bonds:</b>						
Series 2005A	\$ 8,950,000	\$ 9,185,000	\$ -	\$ -	\$ 8,950,000	\$ 9,185,000
Series 2005B	-	-	3,155,000	3,305,000	3,155,000	3,305,000
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	\$ 25,025,000	\$ 25,260,000	\$ 3,155,000	\$ 3,305,000	\$ 28,180,000	\$ 28,565,000

Additional information on the City's long-term debt can be found in Note F on pages 51-56 of this report.

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

The City's fiscal concerns continue amid weak economic conditions that impact revenues and the cost of providing essential services. The 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 2012 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 require 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. We must be prepared to adapt to whatever changes occur that may have an impact on our revenue sources and the cost of services. A current concern is the drop in the 2010 census to 32,574, a decrease of 3,344 when compared to the 2000 census. The lower census will affect the amount received from State shared revenues for income, use and motor fuel taxes beginning in fiscal year 2012 through 2021. In addition, the City must be watchful of fiscal activities at the State level. The State Legislature from time to time will discuss the idea of reducing the proportion of State shared revenues that flow to municipalities. Currently municipalities are receiving 6% of the amount collected by the State for the 5% income tax. Any reduction to the current allocation will place more fiscal strain on municipalities. The city will continue to monitor our revenue sources and be proactive in taking 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 entered into a Letter of Intent with Weston Solutions, Inc., specializing in land development, management and construction, on January 18, 2011 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 previously 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 2012 budget for the General Fund does not provide for sufficient revenue to meet anticipated expenditures. The budget deficit is \$327,888. 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 2012 budget for the Enterprise Fund for the City's water and wastewater operations reflects a deficit of \$335,151, excluding depreciation expense. The enterprise activities are being influenced by a decline in processed and raw water sales attributable to the decrease in population, lack of new residential and business development, and the restructuring of manufacturing operations by one primary business. To offset the decrease in sales the City: 1) is imposing base fees and an increase to the water and sewer rates, effective October 1, 2011, and 2) seeking new customers contiguous to City boundaries.

The unemployment rate for the City is 16.6 percent, which is a decrease from the rate of 17.6 percent a year ago. The unemployment rate for the State of Illinois is 8.6 percent, which is a decrease from a rate of 9.3 percent a year ago. The current national rate is 9.0 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](http://www.northchicago.org).

## **BASIC FINANCIAL STATEMENTS**

# City of North Chicago, Illinois

## Statement of Net Assets (Deficit)

April 30, 2011

ASSETS	Primary Government			(Unaudited) Component Unit
	Governmental Activities	Business-type Activities	Total	Five Points Economic Development Corporation
	Current assets			
Cash and cash equivalents and investments	\$ 9,866,508	\$ 6,116,709	\$ 15,983,217	\$ 153,902
Property taxes receivable	7,690,507	-	7,690,507	-
Other taxes receivable	537,209	-	537,209	-
Intergovernmental receivable	154,863	-	154,863	-
Loans receivable, net	-	-	-	126,887
Other receivables, net	3,316,441	836,159	4,152,600	-
Internal balances	-	10,000	10,000	-
Prepaid expenses	650	-	650	-
Due from component unit, net of \$5,368,641 reserve	1,600,000	-	1,600,000	-
Inventory	12,004	-	12,004	-
Land held for resale	6,481,195	-	6,481,195	-
Total current assets	29,659,377	6,962,868	36,622,245	280,789
Noncurrent assets				
Note receivable, City of North Chicago	-	-	-	339,471
Deferred bond issuance charges, net	422,430	-	422,430	-
Land and other capital assets not being depreciated	2,933,207	2,435	2,935,642	1,600,000
Capital assets, net of accumulated depreciation	17,203,929	16,055,081	33,259,010	-
Total noncurrent assets	20,559,566	16,057,516	36,617,082	1,939,471
Total assets	50,218,943	23,020,384	73,239,327	2,220,260

The accompanying notes are an integral part of this statement.

# City of North Chicago, Illinois

## Statement of Net Assets (Deficit)

April 30, 2011

LIABILITIES	Primary Government			(Unaudited) Component Unit
	Governmental Activities	Business-type Activities	Total	Five Points Economic Development Corporation
	Current liabilities			
Accounts payable	\$ 1,597,054	\$ 343,445	\$ 1,940,499	\$ -
Accrued payroll	448,920	85,367	534,287	-
Unearned revenue	5,675,131	-	5,675,131	-
Claims payable	39,629	-	39,629	-
Other payables	118,739	-	118,739	-
Internal balances	10,000	-	10,000	-
Due to primary government	-	-	-	6,976,499
Noncurrent liabilities				
Due within one year	1,071,911	283,204	1,355,115	-
Due in more than one year	30,463,514	4,673,308	35,136,822	-
Total liabilities	39,424,898	5,385,324	44,810,222	6,976,499
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	20,086,524	11,254,255	31,340,779	-
Restricted by enabling legislation	3,372,183	-	3,372,183	-
Restricted for pension	358,260	-	358,260	-
Unrestricted	(13,022,922)	6,380,805	(6,642,117)	(4,756,239)
Total net assets (deficit)	\$ 10,794,045	\$ 17,635,060	\$ 28,429,105	\$ (4,756,239)

(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, 2011

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants	Capital Grants
<b>Primary government</b>				
Governmental activities				
Administration and general government	\$ 6,837,152	\$ 76,876	\$ -	\$ 27,866
Police	8,373,853	1,309,358	-	31,830
Fire	2,678,742	327,760	-	247,500
Public works	1,834,341	1,443,386	1,070,641	252,023
Library	601,666	17,285	38,653	-
Economic development	1,974,950	-	688,770	125,092
Interest and other	1,244,058	-	-	-
<b>Total governmental activities</b>	<b>23,544,762</b>	<b>3,174,665</b>	<b>1,798,064</b>	<b>684,311</b>
Business-type activities				
Water	3,197,704	5,012,600	-	-
Sewer	1,041,603	860,735	-	-
<b>Total business-type activities</b>	<b>4,239,307</b>	<b>5,873,335</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 27,784,069</b>	<b>\$ 9,048,000</b>	<b>\$ 1,798,064</b>	<b>\$ 684,311</b>
<b>(Unaudited) Component unit - Five Points</b>				
Economic Development Corporation	\$ 129,134	\$ -	\$ -	\$ -
<b>General revenues</b> Property taxes Other taxes Intergovernmental Capital contribution Miscellaneous Interest income <b>Transfers</b>  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) Component Unit
Primary Government			Five Points Economic Development Corporation
Governmental Activities	Business-type Activities	Total	
\$ (6,732,410)	\$ -	\$ (6,732,410)	\$ -
(7,032,665)	-	(7,032,665)	-
(2,103,482)	-	(2,103,482)	-
931,709	-	931,709	-
(545,728)	-	(545,728)	-
(1,161,088)	-	(1,161,088)	-
(1,244,058)	-	(1,244,058)	-
<u>(17,887,722)</u>	<u>-</u>	<u>(17,887,722)</u>	<u>-</u>
-	1,814,896	1,814,896	-
-	(180,868)	(180,868)	-
-	1,634,028	1,634,028	-
<u>(17,887,722)</u>	<u>1,634,028</u>	<u>(16,253,694)</u>	<u>-</u>
-	-	-	(129,134)
6,430,936	186,528	6,617,464	-
3,679,423	-	3,679,423	-
5,942,580	-	5,942,580	-
40,000	-	40,000	-
485,936	8,527	494,463	-
19,774	8,052	27,826	2,604
2,000,000	(2,000,000)	-	-
<u>18,598,649</u>	<u>(1,796,893)</u>	<u>16,801,756</u>	<u>2,604</u>
710,927	(162,865)	548,062	(126,530)
<u>10,083,118</u>	<u>17,797,925</u>	<u>27,881,043</u>	<u>(4,629,709)</u>
<u>\$ 10,794,045</u>	<u>\$ 17,635,060</u>	<u>\$ 28,429,105</u>	<u>\$ (4,756,239)</u>

# City of North Chicago, Illinois

## Governmental Funds

### Balance Sheet

April 30, 2011

		Downtown Tax Increment Financing Redevelopment Project Area	Nonmajor Governmental Funds	Total Governmental Funds
	General			
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,684,138	\$ 2,125,846	\$ 4,946,893	\$ 9,756,877
Property taxes receivable	5,332,914	-	2,357,593	7,690,507
Other taxes receivable	537,209	-	-	537,209
Intergovernmental receivable	-	-	154,863	154,863
Other receivables	2,326,182	13,892	976,367	3,316,441
Prepaid expense	650	-	-	650
Due from other funds	-	-	820	820
Due from component unit, net of reserve	-	-	1,600,000	1,600,000
Inventory	12,004	-	-	12,004
Land held for resale	152,000	6,106,409	222,786	6,481,195
Total assets	\$ <u>11,045,097</u>	\$ <u>8,246,147</u>	\$ <u>10,259,322</u>	\$ <u>29,550,566</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 628,531	\$ 12,073	\$ 956,450	\$ 1,597,054
Accrued payroll	439,629	-	9,291	448,920
Unearned revenue	3,915,135	-	1,759,996	5,675,131
Other payables	113,418	-	5,321	118,739
Due to other funds	820	-	10,000	10,820
Total liabilities	5,097,533	12,073	2,741,058	7,850,664
<b>Fund balances</b>				
Reserved for inventory	12,004	-	-	12,004
Reserved for debt service	-	-	2,735,816	2,735,816
Reserved for capital projects	-	2,127,665	-	2,127,665
Reserved for land held for resale	152,000	6,106,409	222,786	6,481,195
Reserved for due from component unit	-	-	1,600,000	1,600,000
Reserved for pension	358,260	-	-	358,260
Unreserved	5,425,300	-	2,959,662	8,384,962
Total fund balances	5,947,564	8,234,074	7,518,264	21,699,902
Total liabilities and fund balances	\$ <u>11,045,097</u>	\$ <u>8,246,147</u>	\$ <u>10,259,322</u>	\$ <u>29,550,566</u>

The accompanying notes are an integral part of this statement.

# City of North Chicago, Illinois

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets April 30, 2011

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

Total fund balances - governmental funds	\$ 21,699,902
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	20,137,136
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.	(31,112,995)
The net assets of the internal service funds are included in the governmental activities in the statement of net assets.	<u>70,002</u>
Net assets of governmental activities	<u>\$ 10,794,045</u>

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The accompanying notes are an integral part of this statement.

# City of North Chicago, Illinois

## Governmental Funds

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

For the Year Ended April 30, 2011

	General	Downtown Tax Increment Financing Redevelopment Project Area	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 4,629,883	\$ -	\$ 1,801,053	\$ 6,430,936
Taxes - other	3,543,017	-	136,406	3,679,423
Licenses and permits	489,755	-	-	489,755
Intergovernmental	5,883,567	-	1,129,654	7,013,221
Grants	27,866	-	1,383,868	1,411,734
Fines and fees	2,664,149	-	17,285	2,681,434
Interest	3,672	3,138	12,848	19,658
Miscellaneous	251,860	25,913	208,163	485,936
Total revenues	<u>17,493,769</u>	<u>29,051</u>	<u>4,689,277</u>	<u>22,212,097</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	2,384,553	28,892	-	2,413,445
Administration services	3,438,186	-	149,800	3,587,986
Highway and streets	876,540	-	875,889	1,752,429
Public safety	10,556,751	-	125,084	10,681,835
Culture and recreation	-	-	512,389	512,389
Economic development	1,343,576	-	631,374	1,974,950
<b>Debt service</b>				
Principal retirement	98,501	-	235,000	333,501
Interest and other	29,766	-	1,252,361	1,282,127
Capital outlay	337,053	314,062	1,159,171	1,810,286
Total expenditures	<u>19,064,926</u>	<u>342,954</u>	<u>4,941,068</u>	<u>24,348,948</u>
Deficiency of revenues over expenditures	<u>(1,571,157)</u>	<u>(313,903)</u>	<u>(251,791)</u>	<u>(2,136,851)</u>
<b>Other financing sources (uses)</b>				
Capital contribution	-	40,000	-	40,000
Loan proceeds	286,272	-	-	286,272
Transfers in	2,030,000	-	1,473,516	3,503,516
Transfers out	(28,846)	(95,777)	(1,378,893)	(1,503,516)
Total other financing sources	<u>2,287,426</u>	<u>(55,777)</u>	<u>94,623</u>	<u>2,326,272</u>
Net change in fund balance	716,269	(369,680)	(157,168)	189,421
Fund balances, beginning of year	<u>5,231,295</u>	<u>8,603,754</u>	<u>7,675,432</u>	<u>21,510,481</u>
Fund balances, end of year	<u>\$ 5,947,564</u>	<u>\$ 8,234,074</u>	<u>\$ 7,518,264</u>	<u>\$ 21,699,902</u>

The accompanying notes are an integral part of this statement.

## 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, 2011

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

Net change in fund balances - total governmental funds \$ 189,421

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. 726,392

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. This amount is the net effect of the difference in the treatment of long-term debt and related items. 67,229

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. (288,846)

Internal service funds are reported separately in the fund financial statements. 16,731

Change in net assets - governmental activities \$ 710,927

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The accompanying notes are an integral part of this statement.

**City of North Chicago, Illinois**

Proprietary Funds

Statement of Net Assets

April 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Major Funds</u>			<u>Activities</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Internal</u> <u>Service</u> <u>Funds</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 3,421,971	\$ 2,694,738	\$ 6,116,709	\$ 109,631
Other receivables, net	673,433	162,726	836,159	-
Due from other funds	10,000	-	10,000	-
Total current assets	<u>4,105,404</u>	<u>2,857,464</u>	<u>6,962,868</u>	<u>109,631</u>
Noncurrent assets				
Land and other capital assets not being depreciated	2,435	-	2,435	-
Capital assets, net of accumulated depreciation	<u>11,618,991</u>	<u>4,436,090</u>	<u>16,055,081</u>	<u>-</u>
Total noncurrent assets	<u>11,621,426</u>	<u>4,436,090</u>	<u>16,057,516</u>	<u>-</u>
Total assets	<u>15,726,830</u>	<u>7,293,554</u>	<u>23,020,384</u>	<u>109,631</u>

The accompanying notes are an integral part of this statement.

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Major Funds</u>			<u>Activities</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Internal</u> <u>Service</u> <u>Funds</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 226,518	\$ 116,927	\$ 343,445	\$ -
Accrued payroll	65,916	19,451	85,367	-
Noncurrent liabilities -				
current portion	175,513	107,691	283,204	-
Claims payable	-	-	-	39,629
Total current liabilities	<u>467,947</u>	<u>244,069</u>	<u>712,016</u>	<u>39,629</u>
Noncurrent liabilities	<u>1,977,257</u>	<u>2,696,051</u>	<u>4,673,308</u>	<u>-</u>
Total liabilities	<u>2,445,204</u>	<u>2,940,120</u>	<u>5,385,324</u>	<u>39,629</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of				
related debt	9,564,261	1,689,994	11,254,255	-
Unrestricted	<u>3,717,365</u>	<u>2,663,440</u>	<u>6,380,805</u>	<u>70,002</u>
Total net assets	<u>\$ 13,281,626</u>	<u>\$ 4,353,434</u>	<u>\$ 17,635,060</u>	<u>\$ 70,002</u>

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, 2011

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Major Funds			
	Water	Sewer	Total	
Operating revenues				
Charges for sales and services	\$ 5,012,600	\$ 860,735	\$ 5,873,335	\$ 324,832
Miscellaneous	8,527	-	8,527	-
<b>Total operating revenues</b>	<b>5,021,127</b>	<b>860,735</b>	<b>5,881,862</b>	<b>324,832</b>
Operating expenses				
Operations	2,644,857	886,602	3,531,459	308,217
Depreciation	480,243	78,575	558,818	-
<b>Total operating expenses</b>	<b>3,125,100</b>	<b>965,177</b>	<b>4,090,277</b>	<b>308,217</b>
<b>Operating income (loss)</b>	<b>1,896,027</b>	<b>(104,442)</b>	<b>1,791,585</b>	<b>16,615</b>
Nonoperating revenues (expenses)				
Property taxes	90,709	95,819	186,528	-
Interest income	4,486	3,566	8,052	116
Interest expense	(72,604)	(76,426)	(149,030)	-
<b>Total nonoperating revenues (expenses)</b>	<b>22,591</b>	<b>22,959</b>	<b>45,550</b>	<b>116</b>
<b>Income before transfers</b>	<b>1,918,618</b>	<b>(81,483)</b>	<b>1,837,135</b>	<b>16,731</b>

(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, 2011

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Major Funds			
	Water	Sewer	Total	
Transfers				
Transfers out	\$ (2,000,000)	\$ -	\$ (2,000,000)	\$ -
Total operating transfers	<u>(2,000,000)</u>	<u>-</u>	<u>(2,000,000)</u>	<u>-</u>
Change in net assets	(81,382)	(81,483)	(162,865)	16,731
Net assets, beginning of year	<u>13,363,008</u>	<u>4,434,917</u>	<u>17,797,925</u>	<u>53,271</u>
Net assets, end of year	<u>\$ 13,281,626</u>	<u>\$ 4,353,434</u>	<u>\$ 17,635,060</u>	<u>\$ 70,002</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, 2011

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Major Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Cash flows from operating activities				
Cash received from customers	\$ 5,025,256	\$ 904,359	\$ 5,929,615	\$ 324,832
Cash payments for goods and services	(1,274,765)	(298,819)	(1,573,584)	(284,616)
Cash payments to employees	(1,355,110)	(555,433)	(1,910,543)	-
Net cash provided by operating activities	<u>2,395,381</u>	<u>50,107</u>	<u>2,445,488</u>	<u>40,216</u>
Cash flows from noncapital financing activities				
Property tax revenues	90,709	95,819	186,528	-
Interfund borrowing	(10,000)	-	(10,000)	-
Operating transfers out	(2,000,000)	-	(2,000,000)	-
Net cash provided by (used in) noncapital financing activities	<u>(1,919,291)</u>	<u>95,819</u>	<u>(1,823,472)</u>	<u>-</u>
Cash flows from capital and related financing activities				
Purchase of equipment and infrastructure	(111,228)	(67,896)	(179,124)	-
Payment of note payable	(87,933)	-	(87,933)	-
Payment of bond principal	(73,076)	(76,924)	(150,000)	-
Proceeds from loan payable	-	66,360	66,360	-
Interest paid	(72,604)	(76,426)	(149,030)	-
Net cash used in capital and related financing activities	<u>(344,841)</u>	<u>(154,886)</u>	<u>(499,727)</u>	<u>-</u>
Cash flows from investing activities				
Interest received	4,486	3,566	8,052	116
Net cash provided by investing activities	<u>4,486</u>	<u>3,566</u>	<u>8,052</u>	<u>116</u>
<b>NET INCREASE (DECREASE)</b>				
<b>CASH AND CASH EQUIVALENTS</b>	135,735	(5,394)	130,341	40,332
Cash and cash equivalents, beginning of year	<u>3,286,236</u>	<u>2,700,132</u>	<u>5,986,368</u>	<u>69,299</u>
Cash and cash equivalents, end of year	<u>\$ 3,421,971</u>	<u>\$ 2,694,738</u>	<u>\$ 6,116,709</u>	<u>\$ 109,631</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, 2011

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Major Funds			
	Water	Sewer	Total	
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 1,896,027	\$ (104,442)	\$ 1,791,585	\$ 16,615
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	480,243	78,575	558,818	-
Decrease in property tax receivables	148,319	156,125	304,444	-
Increase in other receivables	(52,915)	(16,633)	(69,548)	-
Decrease in prepaid expense	8,776	4,425	13,201	14,993
Increase in accounts payable	5,386	33,819	39,205	-
Increase in accrued payroll	42,776	9,924	52,700	-
Decrease in unearned revenue	(91,275)	(95,868)	(187,143)	-
Decrease in compensated absences payable	(41,956)	(15,818)	(57,774)	-
Increase in claims payable	-	-	-	8,608
Net cash provided by operating activities	\$ 2,395,381	\$ 50,107	\$ 2,445,488	\$ 40,216

(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, 2011

	<u>Pension Trust Funds</u>			<u>Agency Fund</u>
	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>	<u>Temporary Escrow</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 65,629	\$ 51,257	\$ 116,886	\$ 95,410
Investments	17,182,859	8,766,812	25,949,671	-
Interest receivable	72,561	3,062	75,623	-
Prepaid expense	-	299	299	-
<b>Total assets</b>	<u>17,321,049</u>	<u>8,821,430</u>	<u>26,142,479</u>	<u>95,410</u>
<b>LIABILITIES</b>				
Accounts payable	2,365	1,513	3,878	-
Escrow funds payable	-	-	-	95,410
<b>Total liabilities</b>	<u>2,365</u>	<u>1,513</u>	<u>3,878</u>	<u>95,410</u>
<b>PLAN NET ASSETS</b>				
Plan net assets held in trust for pension benefits	<u>\$ 17,318,684</u>	<u>\$ 8,819,917</u>	<u>\$ 26,138,601</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, 2011

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
<b>Additions</b>			
Contributions			
Employer	\$ 674,945	\$ 509,850	\$ 1,184,795
Plan members	<u>374,669</u>	<u>194,657</u>	<u>569,326</u>
Total contributions	<u>1,049,614</u>	<u>704,507</u>	<u>1,754,121</u>
Investment earnings			
Interest and dividends	449,733	172,850	622,583
Net change in fair value of investments	<u>686,307</u>	<u>213,429</u>	<u>899,736</u>
Total investment earnings	1,136,040	386,279	1,522,319
Less investment expenses	<u>112,657</u>	<u>29,874</u>	<u>142,531</u>
Net investment income	<u>1,023,383</u>	<u>356,405</u>	<u>1,379,788</u>
Total additions	<u>2,072,997</u>	<u>1,060,912</u>	<u>3,133,909</u>
Deductions			
Administration	55,543	43,571	99,114
Benefits	1,523,656	908,005	2,431,661
Refunds of contributions	<u>13,859</u>	<u>50,175</u>	<u>64,034</u>
Total deductions	<u>1,593,058</u>	<u>1,001,751</u>	<u>2,594,809</u>
Change in net assets	479,939	59,161	539,100
Net assets held in trust for pension benefits			
Beginning of year	<u>16,838,745</u>	<u>8,760,756</u>	<u>25,599,501</u>
End of year	<u>\$ 17,318,684</u>	<u>\$ 8,819,917</u>	<u>\$ 26,138,601</u>

The accompanying notes are an integral part of this statement.

**City of North Chicago, Illinois**  
Index for Notes to the Financial Statements  
April 30, 2011

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# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### 1. Reporting Entity

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

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

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

The Five Points Economic Development Corporation (the Corporation) is a non-profit organization, which was organized as a tax-exempt organization 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, 2011

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

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

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

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

### 3. Fund Accounting

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

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

Governmental Funds - Governmental funds are used to account for all or most of a City'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, 2011

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

### 3. Fund Accounting (Continued)

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

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

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

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

Property taxes, sales taxes, income taxes, motor fuel taxes, franchise taxes, 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, 2011

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

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

The City reports the following major governmental funds (Continued):

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.

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

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

---

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

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

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 3%.

### 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.

### 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.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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

### 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.

### 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.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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

### 11. Capital Assets (Continued)

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 \$2,320,967 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 termination, resignations and retirements.

### 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.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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

### 14. Long-Term Obligations (Continued)

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 2010 levy year are payable in two installments on or about June 1, 2011 and September 1, 2011.

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.

### 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.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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## 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, notes 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:

General obligation bonds payable	\$ (25,025,000)
Note payable to Lake Forest Bank	(842,732)
Note payable to State of Illinois	(80,000)
Component unit note payable	(339,471)
Bond issuance premium	(385,328)
Deferred bond issuance charges	422,430
Compensated absences payable	(2,195,325)
Net other postemployment benefits obligation	(45,303)
Lawsuit settlement liability	(60,000)
Net pension obligation	<u>(2,562,266)</u>
Net adjustment to reduce total fund balances - governmental funds to net assets of governmental activities	<u>\$ (31,112,995)</u>

### 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:

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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

(Continued)

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

(Continued)

Depreciation expense	\$ (1,232,273)
Capital outlay	<u>1,958,665</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets - governmental activities	\$ <u><u>726,392</u></u>

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	\$ 353,501
Issuance of long-term debt	<u>(286,272)</u>
Net long-term debt adjustment to decrease net change in fund balances - funds to arrive at change in net assets - governmental activities	\$ <u><u>67,229</u></u>

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

Compensated absences	\$ (118,369)
Amortization of bond issuance premium	40,221
Amortization of deferred bond issuance charges	(31,918)
Net other postemployment benefits obligation	(15,012)
Lawsuit settlement liability	6,800
Net fire and police pension fund obligation	<u>(170,568)</u>
Net current adjustment to increase net change in fund balances - total funds to arrive at change in net assets - governmental activities	\$ <u><u>(288,846)</u></u>

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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## NOTE C - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by most funds. The City's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents". The City is authorized by 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 and the Pension Fund's investment policy 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 and the Pension Funds Investment policy 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, 2011

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

As of April 30, 2011, the City's cash, cash equivalents, and investments consisted of the following:

	<u>Government-wide</u>	<u>Fiduciary</u>	<u>Total</u>
Cash, cash equivalents, and investments	\$ <u>15,983,217</u>	\$ <u>26,161,967</u>	\$ <u>42,145,184</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, 3) The Illinois Funds; and 4) other investments, which consist of investments in 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	12,799,218
Deposits with financial institutions - Police and Firefighters' Pension Funds	399,209
The Illinois Funds - City	3,273,009
The Illinois Funds - Police and Firefighters' Pension Funds	22
Investments - Police and Firefighters' Pension Funds	<u>25,667,326</u>
Total	\$ <u>42,145,184</u>

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

## NOTE C - DEPOSITS AND INVESTMENTS (Continued)

As of April 30, 2011, 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	\$ 5,655,561	\$ -	\$ 807,409	\$ 1,390,426	\$ 3,457,726
Money Market Mutual Funds	3,895,175	3,895,175	-	-	-
Corporate bonds	256,550	-	256,550	-	-
	<u>\$ 9,807,286</u>	<u>\$ 3,895,175</u>	<u>\$ 1,063,959</u>	<u>\$ 1,390,426</u>	<u>\$ 3,457,726</u>
		<u>Fair Value</u>			
* Equity Mutual Funds		2,355,892			
* Insurance Company Contracts		6,319,798			
Equity Securities		<u>7,184,350</u>			
		<u>\$ 15,860,040</u>			

### 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.

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."

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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## NOTE C - DEPOSITS AND INVESTMENTS (Continued)

### 2. Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bonds funds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy imposes further limits on investment choices and prohibits investments in "derivative" securities and in repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986.

The Illinois Funds, a state investment pool, was rated AAAM by Standard & Poor's. The State Treasurer is the regulatory oversight agency for the pool and the State Treasurer is audited by the Illinois Auditor General to ensure that all state statutes are being followed. Each member owns a prorated share of each investment or deposit, which is held in the name of the fund. The fair value of the position in the external investment pool is the same as the value of the pool shares.

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, 2011.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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## NOTE C - DEPOSITS AND INVESTMENTS (Continued)

### 3. Custodial Credit Risk (Continued)

The Police Pension Fund does not have a formal written policy with regards to custodial credit risk for deposits. The Police Pension Fund's investment policy does not require pledging of collateral for all bank balances in excess of federal depository insurance, since flow-through FDIC insurance is available for the Pension Fund's deposits with financial institutions. At April 30, 2011, the entire amount of the bank balance of the deposits was covered by federal depository or equivalent insurance.

The Firefighters' Pension Fund's investment policy requires pledging of collateral with a fair value of not less than 110% of all bank balances in excess of federal depository insurance. At April 30, 2011, the entire amount of the bank balance of the deposits was covered by federal depository or equivalent insurance.

The Police and Firefighters' Pension Fund limits its exposure to custodial credit risk related to investments by utilizing an independent third party institution, selected by the Pension Fund, to act as custodian for its securities and collateral.

### 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.

At April 30, 2011, the Police Pension Fund's investments in Sunlife/Keyport Financial Insurance Contracts of \$1,540,338 and AXA Equitable Insurance Contracts of \$1,355,273 represent 5% or more of plan net assets. The Police Pension Fund does not have a formal written policy with regards to concentration of credit risk.

The Firefighters' Pension Fund's investment policy states "investments shall be diversified to minimize the risk of large losses. To this end, no more than 5% of the total portfolio may be invested in one corporation's securities." At April 30, 2011 the Firefighters' Pension Fund has over 5%, \$448,718, of plan net assets invested in Triad Advisors money market fund, \$3,087,754, as well as, various agency securities. Agency investments represent a larger portion of the portfolio; however, the investments are diversified by maturity date and are backed by the issuing organization.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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## 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, 2011 are shown as follows:

	<u>Due From</u>	<u>Due To</u>
Major Governmental Funds		
General Fund	\$ -	\$ 820
Major Enterprise Funds		
Water Fund	10,000	-
Nonmajor Governmental Funds	<u>820</u>	<u>10,000</u>
	10,820	10,820
Less amounts eliminated during GASB 34 adjustments	<u>(820)</u>	<u>(820)</u>
Total internal balances as shown on the statement of net assets	<u>\$ 10,000</u>	<u>\$ 10,000</u>

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

## NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2011 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	83,231	478,716	101,366
 Total capital assets not being depreciated	 3,328,692	 83,231	 478,716	 2,933,207
 Capital assets being depreciated				
Land improvements	145,900	-	-	145,900
Buildings and improvements	4,543,559	221,872	-	4,765,431
Infrastructure	28,112,047	1,757,124	8,469,323	21,399,848
Library collections	803,638	52,465	24,538	831,565
Machinery and equipment	7,591,537	616,754	504,638	7,703,653
 Total capital assets being depreciated	 41,196,681	 2,648,215	 8,998,499	 34,846,397
 Less accumulated depreciation for				
Land improvements	145,900	-	-	145,900
Buildings and improvements	2,703,133	97,218	-	2,800,351
Infrastructure	16,651,848	604,933	8,184,480	9,072,301
Library collections	598,003	54,228	24,538	627,693
Machinery and equipment	5,015,745	475,894	495,416	4,996,223
 Total accumulated depreciation	 25,114,629	 1,232,273	 8,704,434	 17,642,468
 Total capital assets being depreciated, net	 16,082,052	 1,415,942	 294,065	 17,203,929
 Governmental activities capital assets, net	 \$ 19,410,744	 \$ 1,499,173	 \$ 772,781	 \$ 20,137,136

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2011

### 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	5,723,934	164,357	5,888,291	-
Total capital assets not being depreciated	5,726,369	164,357	5,888,291	2,435
Capital assets being depreciated				
Land improvements	209,813	-	-	209,813
Buildings	7,996,317	-	-	7,996,317
Machinery and equipment	11,606,369	4,393,615	291,827	15,708,157
Underground equipment	13,642,832	1,509,443	101,382	15,050,893
Total capital assets being depreciated	33,455,331	5,903,058	393,209	38,965,180
Less accumulated depreciation for				
Land improvements	77,822	6,853	-	84,675
Buildings	3,228,291	169,836	-	3,398,127
Machinery and equipment	9,742,923	136,697	291,827	9,587,793
Underground equipment	9,695,454	245,432	101,382	9,839,504
Total accumulated depreciation	22,744,490	558,818	393,209	22,910,099
Total capital assets being depreciated, net	10,710,841	5,344,240	-	16,055,081
Business-type activities capital assets, net	\$ 16,437,210	\$ 5,508,597	\$ 5,888,291	\$ 16,057,516

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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## NOTE E - CAPITAL ASSETS (Continued)

### 3. Depreciation

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

Governmental activities

Administration and general government	\$	176,183
Police		171,907
Fire		189,973
Public works		604,933
Library		89,277

Total depreciation expense - governmental activities \$ 1,232,273

Business-type activities

Water	\$	480,243
Sewer		78,575

Total depreciation expense - business-type activities \$ 558,818

### 4. Construction Commitments

The City has certain contracts in various funds for construction projects which were in progress at April 30, 2011. Remaining commitments under these contracts approximated \$748,000.

# City of North Chicago, Illinois

## Notes to the Financial Statements

April 30, 2011

### 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, 2011:

	<u>Beginning</u> <u>Balance</u>	<u>Additions/</u> <u>Issuances</u>	<u>Reductions/</u> <u>Retirements</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities					
General obligation bonds					
Series 2005A	\$ 9,185,000	\$ -	\$ 235,000	\$ 8,950,000	\$ 475,000
Series 2007A	2,475,000	-	-	2,475,000	135,000
Series 2007B	4,740,000	-	-	4,740,000	-
Series 2007C	8,860,000	-	-	8,860,000	195,000
Bond issuance premium	425,549	-	40,221	385,328	40,221
Compensated absences	2,076,956	146,589	28,220	2,195,325	28,294
Other postemployment benefits	30,291	15,012	-	45,303	-
Lawsuit settlement liability	66,800	-	6,800	60,000	7,800
Note payable to Lake Forest Bank	654,961	286,272	98,501	842,732	170,596
Note payable to State of Illinois	100,000	-	20,000	80,000	20,000
Component unit note payable	339,471	-	-	339,471	-
Net fire and police pension obligation	<u>2,391,698</u>	<u>170,568</u>	<u>-</u>	<u>2,562,266</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 31,345,726</u>	<u>\$ 618,441</u>	<u>\$ 428,742</u>	<u>\$ 31,535,425</u>	<u>\$ 1,071,911</u>

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

**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	\$ 3,305,000	\$ -	\$ 150,000	\$ 3,155,000	\$ 155,000
Note payable to					
Abbott					
Laboratories	635,655	-	87,933	547,722	100,000
Note payable to					
Illinois Environ-					
mental Protection					
Agency	1,061,788	66,360	-	1,128,148	28,204
Compensated					
absences					
	183,416	57,774	115,548	125,642	-
Business-type activity					
long-term					
liabilities	\$ 5,185,859	\$ 124,134	\$ 353,481	\$ 4,956,512	\$ 283,204

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, 2011

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## 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%. \$ 8,950,000

\$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%. 8,860,000

Total governmental activities general obligation bonds outstanding 25,025,000

#### Business-type activities

\$3,860,000 General Obligation Bonds, Series 2005B, dated March 10, 2005. Principal is payable on November 1 of each year starting in 2006. Interest is payable on May 1 and November 1 of each year at rates from 3.00 to 5.00%. 3,155,000

Total general obligation bonds outstanding \$ 28,180,000

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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

### 2. General Obligation Bonds (Continued)

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

Year Ending <u>April 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	1,145,000	1,061,848	175,000	120,000
2017-2021	7,430,000	4,290,024	1,025,000	459,375
2022-2026	6,230,000	2,261,923	1,305,000	169,375
2027-2031	3,070,000	1,078,785	-	-
2032-2036	2,560,000	534,108	-	-
2037-2038	880,000	44,805	-	-
<b>Total</b>	<b>\$ 25,025,000</b>	<b>\$ 13,975,152</b>	<b>\$ 3,155,000</b>	<b>\$ 1,291,706</b>

### 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. In 2011, at the time the City completed the acquisition of each type of equipment, each equipment acquisition became a five year term note. Principal and interest payments ranging from \$12,183 to \$20,701 are due quarterly based on a five year amortization schedule for each term note. Interest is charged at 4.0%. The balance due under these term notes at April 30, 2011 is \$842,732.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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

### 3. Note Payable to Lake Forest Bank (Continued)

Annual debt service requirements to maturity for note payable to Lake Forest Bank is as follows:

Year Ending <u>April 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 170,596	\$ 31,703
2013	177,703	24,598
2014	185,018	17,282
2015	192,637	9,661
2016	<u>116,778</u>	<u>1,897</u>
Total	<u>\$ 842,732</u>	<u>\$ 85,141</u>

### 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 commenced on November 1, 2010. The note is non interest bearing. The balance due under this note at April 30, 2011 is \$80,000.

### 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, 2011 is \$547,722. The City estimated the current portion of this liability to be \$100,000 based on prior history of credits issued ranging between approximately \$88,000 and \$113,000.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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

### 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 at the time the note payable is fully drawn against. The note is non interest bearing. The balance due to IEPA at April 30, 2011 is \$1,128,148.

### 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 \$60,000 has been recorded as a liability at April 30, 2011.

### 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, 2011, the final amount expended for storm sewer improvements totaled \$677,362, in which the City reimbursed the Corporation \$337,891. As of April 30, 2011, no amount was expended for right-of-way improvements. This note payable is non interest-bearing and uncollateralized.

At April 30, 2011, the City is obligated for future payments, net of reimbursements, under the note payable as follows:

Fiscal Year Ending <u>April 30,</u>	Payment on Note <u>Payable</u>
2012	\$ <u>339,471</u>

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

## 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, 2011 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		
Water Fund	\$ 2,000,000	\$ -
Community Development Block Grant Fund	30,000	-
U.S. Department of Homeland Security Grant Fund	-	28,846
Total General Fund	<u>2,030,000</u>	<u>28,846</u>
Special revenue funds		
Tax Increment Financing Fund		
Lake County Brownsfield Grants Fund	\$ -	\$ 94,639
Capital Improvement Fund	-	1,138
Motor Fuel Tax Fund		
Community Development Block Grant Fund	62,000	-
Community Development Block Grant Fund		
Motor Fuel Tax Fund	-	62,000
General Fund	-	30,000
U.S. Department of Homeland Security Grant Fund		
General Fund	28,846	-
Total special revenue funds	<u>90,846</u>	<u>187,777</u>

(Continued)

**City of North Chicago, Illinois**

Notes to the Financial Statements

April 30, 2011

**NOTE G - INTERFUND TRANSFERS** (Continued)

	<u>Transfer In</u>	<u>Transfer Out</u>
Debt service funds *		
Debt Service Fund		
Grant Place Retail Center Debt Service 2007C Fund	\$ -	\$ 65,000
Downtown Tax Increment Financing Redevelopment Project Area		
Debt Service 2005A Fund	-	1,111,893
Downtown Tax Increment Financing Redevelopment Project Area		
Debt Service 2007B Fund	-	110,000
Grant Place Retail Center Debt Service 2007C Fund		
Debt Service Fund	65,000	-
Downtown Tax Increment Financing Redevelopment Project Area		
Debt Service 2005A Fund		
Debt Service Fund	1,111,893	-
Downtown Tax Increment Financing Redevelopment Project Area		
Debt Service 2007B Fund		
Debt Service Fund	<u>110,000</u>	<u>-</u>
Total debt service funds	<u>1,286,893</u>	<u>1,286,893</u>
Capital projects funds		
Lake County Brownsfield Grants Fund		
Tax Increment Financing Fund	94,639	-
Capital Improvement Fund		
Tax Increment Financing Fund	<u>1,138</u>	<u>-</u>
Total capital projects funds	<u>95,777</u>	<u>-</u>
Enterprise funds		
Water Fund		
General Fund	<u>-</u>	<u>2,000,000</u>
Total enterprise funds	<u>-</u>	<u>2,000,000</u>
Total all funds	<u>3,503,516</u>	<u>3,503,516</u>
Less amounts eliminated during GASB 34 adjustments	<u>(1,503,516)</u>	<u>(1,503,516)</u>
Total transfers	\$ <u>2,000,000</u>	\$ <u>2,000,000</u>

\* Debt service funds transfers represent amounts of cash balances that remained in the City's Debt Service Fund after the 1996 general obligation bonds were paid in full in fiscal year 2010. These transfers are to cover future general obligation bond principle and interest payments.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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## 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](http://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 annual required contribution rate for calendar year 2010 was 9.8% 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, 2011

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

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

#### c. Annual Pension Cost

The required contribution for calendar year 2010 was \$464,501.

<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>
12/31/10	\$ 464,501	100%	\$ -
12/31/09	303,408	100%	-
12/31/08	336,140	100%	-

The required contribution for 2010 was determined as part of the December 31, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008 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 20% corridor between the actuarial and market value of assets. The City's regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 30 year basis.

#### d. Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the regular plan was 91.43% funded. The actuarial accrued liability for benefits was \$10,674,716 and the actuarial value of assets was \$9,759,684, resulting in an underfunded actuarial accrued liability (UAAL) of \$915,032. The covered payroll for year 2010 (annual payroll of active employees covered by the plan) was \$4,739,801, and the ratio of the UAAL to covered payroll was 19%.

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

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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

### 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	46	25
Active plan members	<u>55</u>	<u>30</u>
Total participants	<u><u>101</u></u>	<u><u>55</u></u>

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

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees hired before January 1, 2011, attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 1/2 of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary.

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees hired before January 1, 2011, attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 1/2 of the monthly salary attached to the rank held at the date of retirement. The pension shall be increased by 1/12 of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service, to a maximum of 75% of such salary.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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

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

#### a. Plan Descriptions (Continued)

Covered employees hired on or after January 1, 2011, attaining the age of 55 with at least 10 years of creditable service are entitled to receive an annual retirement benefit of 2.5% of final average salary for each year of service, with a maximum salary cap of \$106,800 at January 1, 2011. The maximum salary cap increases each year thereafter. The monthly benefit of a police officer or firefighter hired before January 1, 2011, who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter. The monthly pension of a police officer or firefighter hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 60, by the lesser of 3% or 1/2 of the consumer price index. Employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit.

#### 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, 2011

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

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

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

The City's 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 for the Police Pension Fund included (a) 7.5% investment rate of return, compounded annually including a 3.0% inflation factor, (b) projected salary increase of 5.0%, compounded annually including a 3.0% inflation factor, and (c) cost of living increases of 3.0% compounded annually. The actuarial cost method was entry age normal. The amortization method was level of percent of pay, closed. The amortization period was 23 years. The asset valuation method was a market value method.

The actuarial assumptions for the Firefighters' Pension Fund included (a) 7.5% investment rate of return, compounded annually including a 3% inflation factor, (b) projected salary increase of 5.0%, 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 23 years. The asset valuation method was a market value method.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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

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

#### e. Contributions

Employee contribution rates are established by statute at 9.91% of a police officer's salary and 9.455% of a firefighter's salary. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the Plans as actuarially determined by an enrolled actuary. By the year 2040, the City's contributions must accumulate to the point where the past service costs for the Plans are 90% funded.

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, 2010) and estimate of the actuary through April 30, 2011 as follows:

	<u>Police</u>	<u>Firefighters'</u>
Annual required contribution	\$ 1,005,324	\$ 573,496
Interest on net pension obligation	71,638	92,826
Adjustment to annual required contribution	<u>(52,065)</u>	<u>(67,464)</u>
Annual pension cost	1,024,897	598,858
Contributions made	<u>(637,702)</u>	<u>(479,595)</u>
Increase in net pension obligation	387,195	119,263
Net pension obligation at May 1, 2010	1,052,742	1,332,956
Adjustment to net pension obligation at May 1, 2010	<u>(157,264)</u>	<u>(172,626)</u>
Net pension obligation at April 30, 2011	<u>\$ 1,282,673</u>	<u>\$ 1,279,593</u>

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.

**City of North Chicago, Illinois**

Notes to the Financial Statements

April 30, 2011

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

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

**f. Funded Status and Funding Progress**

As of April 30, 2010, the most recent actuarial valuation date, the Police Pension's plan was 53.2 percent funded. The actuarial accrued liability for benefits was \$32,887,292, and the actuarial value of assets was \$17,484,677, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,402,615. The covered payroll (annual payroll of active police officers covered by the plan) was \$3,718,278, and the ratio of the UAAL to the covered payroll was 414.24%.

As of April 30, 2010, the most recent actuarial date, the Firefighters' Pension plan was 45.7 percent funded. The actuarial accrued liability for benefits was \$19,026,882, and the actuarial value of assets was \$8,690,347, resulting in a UAAL of \$10,336,535. The covered payroll (annual payroll of active firefighters covered by the plan) was \$1,857,776, and the ratio of the UAAL to the covered payroll was 556.39%.

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</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
Police	04/30/10	\$ 1,024,897	\$ 1,024,897	62.2%	\$ 1,282,673
	04/30/08	727,797	727,797	41.3%	895,416
	04/30/06	544,518	544,518	44.9%	468,078
Firefighters'	04/30/10	\$ 598,858	\$ 598,858	80.1%	\$ 1,279,593
	04/30/08	531,636	531,636	58.9%	1,160,330
	04/30/06	434,238	434,238	64.5%	941,717

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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## 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.

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, 2011, 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, 2011, retirees contributed \$33,087, and the City made no contributions. Active employees do not contribute to the plan until retirement.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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

### 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, 2011.

	Amount
Annual Required Contribution (ARC)	\$ 47,594
Interest on net OPEB obligation	1,515
Adjustment to annual required contribution	(1,010)
Annual OPEB cost	48,099
Contributions made	(33,087)
Increase in OPEB obligation	15,012
Net OPEB obligation at May 1, 2010	30,291
Net OPEB obligation at April 30, 2011	\$ 45,303

### 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 2011 are as follows:

<u>Trend Information - Other Postemployment Benefits</u>			
Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation
04/30/11	\$ 48,099	68.80%	\$ 45,303
04/30/10	47,852	69.10%	30,291
04/30/09	48,613	68.10%	15,526

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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

### 5. Funding Policy and Actuarial Assumptions

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

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

The following simplifying assumptions were made:

Contribution rates:	
City	N/A
Plan members	0.00%
Actuarial valuation date	4/30/2009
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

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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

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

Mortality, Turnover, Disability, Retirement Ages	Same rate utilized for IMRF, Police and Fire Pension Funds
Percentage of active employees assumed to elect benefit	20%
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%

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

## 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.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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## NOTE K - FUND EQUITY (Continued)

4. Reserve for Capital Projects - The reserve for capital projects was created to restrict the use of all resources which are not readily available to be spent.
5. Reserve for Land Held for Resale - The reserve for land held for resale was created to restrict the use of all resources which are not readily available to be spent.
6. Reserve for Due From Component Unit - The reserve for due from component unit was created to restrict the use of all resources which are not readily available to be spent.
7. Reserve for Pension - The reserve for pension was created to restrict the use of all resources which are not readily available to be spent.

## NOTE L - RESTRICTIONS BY ENABLING LEGISLATION

The government-wide statement of net assets reports \$3,372,183 of net assets restricted by enabling legislation which consists of the following:

Road maintenance (motor fuel tax)	\$ 1,237,814
Drug law enforcement	19,743
Emergency phone	211,098
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2005A	1,508,257
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2007A	71,615
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2007B	79,657
Grant Place Retail Center Debt Service 2007C	<u>243,999</u>
Total government-wide net assets restricted by enabling legislation	<u>\$ 3,372,183</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).

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

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## NOTE M - RISK MANAGEMENT - SELF-INSURED DENTAL AND VISION (Continued)

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 \$39,629 in the Dental and Vision Fund relating to the City's estimate of losses resulting from these claims.

Balances of claims liabilities during the past two years are as follows:

	<u>2011</u>	<u>2010</u>
Unpaid claims, beginning of fiscal year	\$ 31,021	\$ 35,257
Incurred claims including claims incurred but not yet reported (IBNRs)	154,494	146,081
Claim payments	<u>(145,886)</u>	<u>(150,317)</u>
Unpaid claims, end of fiscal year	<u>39,629</u>	<u>31,021</u>

## 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.

# City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2011

## NOTE O - ASSET IMPAIRMENT

Five Points Economic Development Corporation, a discretely presented component unit (unaudited), 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 2011. In response to this, the City established a reserve of \$5,368,641 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.

## 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, 2011. The loans receivable, net of the allowance, are \$126,887 at April 30, 2011.

### 2. Capital Assets

Capital asset activity for the year ended April 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	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	<u>\$ 1,600,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,600,000</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of North Chicago, Illinois**

Illinois Municipal Retirement Fund

Schedule of Funding Progress

Required Supplementary Information

April 30, 2011

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
12/31/2010	\$ 9,759,684	\$ 10,674,716	\$ 915,032	91.43 %	\$ 4,739,801	19.31 %
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

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$10,359,195. On a market basis, the funded ratio would be 97.04%.

**City of North Chicago, Illinois**

Other Postemployment Benefits

Schedule of Funding Progress

Required Supplementary Information

April 30, 2011

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
4/30/2011	\$ -	\$ 797,655	\$ 797,655	0.00 %
4/30/2010 <sup>1</sup>	-	797,655	797,655	0.00
4/30/2009 <sup>1</sup>	-	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 years ended April 30, 2011 or April 30, 2010.

<sup>1</sup> Results from prior year.

**City of North Chicago, Illinois**  
**Police Pension Fund and Firefighters' Pension Fund**  
**Schedules of Funding Progress**  
**Required Supplementary Information**  
April 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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>						
4/30/2010	\$ 16,838,745	\$ 33,129,341	\$ 16,290,596	50.83 %	\$ 3,718,278	438.12 %
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>						
4/30/2010	\$ 8,761,910	\$ 17,156,162	\$ 8,394,252	51.10 %	\$ 1,857,776	451.80 %
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, 2011

	Budget		2011 Actual	Variance from Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 5,230,051	\$ 5,230,051	\$ 4,629,883	\$ (600,168)
Taxes - other	4,112,016	4,112,016	3,543,017	(568,999)
Licenses and permits	500,550	500,550	489,755	(10,795)
Intergovernmental	5,538,804	5,538,804	5,883,567	344,763
Grants	-	-	27,866	27,866
Fines and fees	2,297,500	2,297,500	2,664,149	366,649
Interest	5,000	5,000	3,672	(1,328)
Miscellaneous	333,300	333,300	251,860	(81,440)
<b>Total revenues</b>	<b>18,017,221</b>	<b>18,017,221</b>	<b>17,493,769</b>	<b>(523,452)</b>
<b>Expenditures</b>				
<b>General government</b>				
Mayor's office	356,836	356,836	229,832	127,004
City Clerk's office	144,324	144,324	155,384	(11,060)
Legislative	165,422	165,422	115,128	50,294
City Treasurer	51,466	51,466	37,106	14,360
Comptroller	553,701	553,701	566,523	(12,822)
Information technology	666,552	666,552	619,520	47,032
Human resources	304,551	304,551	206,158	98,393
Building and health department	630,685	630,685	560,884	69,801
Buildings and grounds department	227,458	227,458	210,769	16,689
<b>Total general government</b>	<b>3,100,995</b>	<b>3,100,995</b>	<b>2,701,304</b>	<b>399,691</b>
Administration services	4,030,074	4,030,074	3,455,204	574,870
Highway and streets	1,090,163	1,090,163	942,379	147,784

(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, 2011

	Budget		2011 Actual	Variance from Final Budget
	Original	Final		
Expenditures (continued)				
Public safety				
Police department	\$ 8,054,311	\$ 8,054,311	\$ 7,727,811	\$ 326,500
Fire department	<u>3,205,300</u>	<u>3,205,300</u>	<u>2,894,652</u>	<u>310,648</u>
Total public safety	<u>11,259,611</u>	<u>11,259,611</u>	<u>10,622,463</u>	<u>637,148</u>
Economic development				
Community development	461,906	461,906	417,557	44,349
Economic development incentive	<u>800,000</u>	<u>800,000</u>	<u>926,019</u>	<u>(126,019)</u>
Total economic development	<u>1,261,906</u>	<u>1,261,906</u>	<u>1,343,576</u>	<u>(81,670)</u>
Total expenditures	<u>20,742,749</u>	<u>20,742,749</u>	<u>19,064,926</u>	<u>1,677,823</u>
Excess (deficiency) of revenues over expenditures	<u>(2,725,528)</u>	<u>(2,725,528)</u>	<u>(1,571,157)</u>	<u>1,154,371</u>
Other financing sources (uses)				
Loan proceeds	300,000	300,000	286,272	(13,728)
Transfers in	2,030,000	2,030,000	2,030,000	-
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(28,846)</u>	<u>(8,846)</u>
Total other financing sources (uses)	<u>2,310,000</u>	<u>2,310,000</u>	<u>2,287,426</u>	<u>(22,574)</u>
Net change in fund balance		\$ <u>(415,528)</u>	716,269	\$ <u>1,131,797</u>
Fund balance, beginning of year			<u>5,231,295</u>	
Fund balance, end of year			\$ <u>5,947,564</u>	

(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, 2011

	<u>Original and Final Budget</u>	<u>2011 Actual</u>	<u>Variance from Final Budget</u>
<b>Revenues</b>			
Refunds/reimbursements	\$ -	\$ 25,913	\$ 25,913
Interest	<u>1,500</u>	<u>3,138</u>	<u>1,638</u>
Total revenues	<u>1,500</u>	<u>29,051</u>	<u>27,551</u>
<b>Expenditures</b>			
General government			
Other professional services	700,000	28,892	671,108
Capital projects	<u>1,365,734</u>	<u>314,062</u>	<u>1,051,672</u>
Total expenditures	<u>2,065,734</u>	<u>342,954</u>	<u>1,722,780</u>
Deficiency of revenues over expenditures	<u>(2,064,234)</u>	<u>(313,903)</u>	<u>1,750,331</u>
<b>Other financing sources (uses)</b>			
Capital contributions	-	40,000	40,000
Transfers out	<u>(235,765)</u>	<u>(95,777)</u>	<u>139,988</u>
Total other financing sources (uses)	<u>(235,765)</u>	<u>(55,777)</u>	<u>179,988</u>
Net change in fund balance	<u>\$ (2,299,999)</u>	(369,680)	<u>\$ 1,930,319</u>
Fund balance, beginning of year		<u>8,603,754</u>	
Fund balance, end of year		<u>\$ 8,234,074</u>	

**City of North Chicago, Illinois**  
Notes to the Required Supplementary Information  
April 30, 2011

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**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. There were several amendments to the current year fiscal original budget. The last amendment was made on November 15, 2010.

Expenditures exceeded budgets in the following funds for the year ended April 30, 2011:

	<u>Final Budget</u>		<u>Actual</u>		<u>Excess of Expenditures Over Budget</u>
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	521,907		521,992		85
Community Development Block Grant Fund	702,437		758,484		56,047
Tax Increment Financing Debt Service Fund	660,053		660,118		65
Grant Place Operating	164,724		170,049		5,325

**SUPPLEMENTARY FINANCIAL INFORMATION**

**GENERAL FUND**

# City of North Chicago, Illinois

## General Fund

### Schedule of Revenues and Other Financing Sources - Budget and Actual

For the Year Ended April 30, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Property taxes			
Real estate taxes	\$ 4,006,242	\$ 3,544,248	\$ (461,994)
Real estate taxes - Firefighters' and Police pensions	<u>1,223,809</u>	<u>1,085,635</u>	<u>(138,174)</u>
Total property taxes	<u>5,230,051</u>	<u>4,629,883</u>	<u>(600,168)</u>
Taxes - other			
Hotel/motel tax	200,000	162,368	(37,632)
Real estate transfer tax	86,000	43,985	(42,015)
Food and beverage tax	250,000	232,917	(17,083)
Municipal motor fuel tax	200,000	164,803	(35,197)
Self storage facility tax	25,000	15,458	(9,542)
Utility tax	1,675,000	1,373,980	(301,020)
Simplified telecommunications tax	1,200,000	983,972	(216,028)
Local use tax	431,016	519,354	88,338
Road and bridge tax	<u>45,000</u>	<u>46,180</u>	<u>1,180</u>
Total taxes - other	<u>4,112,016</u>	<u>3,543,017</u>	<u>(568,999)</u>
Total property taxes and taxes - other	<u>9,342,067</u>	<u>8,172,900</u>	<u>(1,169,167)</u>
Licenses and permits			
Amusement tax license	2,000	2,100	100
Barber license	1,500	1,300	(200)
Contractors license	15,000	18,438	3,438
Pet tag license	750	352	(398)
Dry cleaner license	1,200	500	(700)
Garage/gas station license	4,400	3,000	(1,400)
Liquor license	32,500	28,075	(4,425)
Pool hall license	1,000	600	(400)
Restaurant license	3,750	1,825	(1,925)
Taxi class B license	-	61,000	61,000

(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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
<b>Licenses and permits (continued)</b>			
Tobacco license	\$ 2,000	\$ 750	\$ (1,250)
Business license	55,000	47,790	(7,210)
Landlord license	45,000	23,323	(21,677)
Prop. Vacancies registration	-	3,585	3,585
Juke box and vending permits	10,000	6,425	(3,575)
Sign permits	6,000	4,860	(1,140)
Building permits	110,000	138,432	28,432
Rezoning variance permits	1,000	655	(345)
Miscellaneous permits	17,950	28,520	10,570
Vehicle stickers			
Truck	25,000	5,705	(19,295)
Other	78,000	4,300	(73,700)
Occupancy permits	40,000	71,170	31,170
Hazardous materials permits	48,500	37,050	(11,450)
	<u>500,550</u>	<u>489,755</u>	<u>(10,795)</u>
<b>Intergovernmental</b>			
State income tax	2,765,686	2,779,587	13,901
Sales tax	2,515,000	2,786,091	271,091
State - street maintenance (IDOT)	13,663	7,330	(6,333)
Replacement tax - state	229,455	298,637	69,182
North Chicago Housing Authority	15,000	11,922	(3,078)
	<u>5,538,804</u>	<u>5,883,567</u>	<u>344,763</u>
<b>Grants</b>	<u>-</u>	<u>27,866</u>	<u>27,866</u>
<b>Fines and fees</b>			
Lien fees	30,000	65,793	35,793
Death certificate copies	2,000	-	(2,000)

(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, 2011

	Original and Final Budget	Actual	Variance from Final Budget
<b>Fines and fees (continued)</b>			
Photocopies	\$ 4,000	\$ 4,267	\$ 267
Code books and maps	-	2,840	2,840
<b>Fire service charges</b>			
Fire inspections	9,000	8,700	(300)
Ambulance fees	250,000	282,010	32,010
<b>Policing charges</b>			
Parking fines	45,000	26,760	(18,240)
Police fines	75,000	-	(75,000)
Redflex fines	280,000	679,248	399,248
Adjudication fines	275,000	231,403	(43,597)
Adjudication fines - Redflex	1,500	1,460	(40)
Adjudication court costs	5,000	12,190	7,190
Police services fees	40,000	82,875	42,875
Alarm service fees	55,000	10,410	(44,590)
Magistrate	200,000	265,012	65,012
Building fines and penalties	1,000	500	(500)
Cable franchise fees	115,000	108,706	(6,294)
Railroad parking lot pass fees	75,000	43,332	(31,668)
Community day fees	75,000	65,268	(9,732)
Garbage fees	760,000	773,375	13,375
<b>Total fines and fees</b>	<b>2,297,500</b>	<b>2,664,149</b>	<b>366,649</b>
<b>Interest</b>	<b>5,000</b>	<b>3,672</b>	<b>(1,328)</b>
<b>Miscellaneous</b>			
Cable land use lease	75,000	87,186	12,186
Miscellaneous	239,500	149,974	(89,526)

(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, 2011

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	Original and Final Budget	Actual	Variance from Final Budget
Miscellaneous (continued)			
Worker's compensation reimbursements	\$ 5,000	\$ -	\$ (5,000)
Train station lease	13,800	14,250	450
Fieldcrest development	-	450	450
	<u>333,300</u>	<u>251,860</u>	<u>(81,440)</u>
Total miscellaneous			
	<u>333,300</u>	<u>251,860</u>	<u>(81,440)</u>
Total revenues	<u>18,017,221</u>	<u>17,493,769</u>	<u>(523,452)</u>
Other financing sources			
Loan proceeds	300,000	286,272	(13,728)
Transfer in from Water Fund	2,000,000	2,000,000	-
Transfer in from Community Development	30,000	30,000	-
	<u>2,330,000</u>	<u>2,316,272</u>	<u>(13,728)</u>
Total other financing sources			
	<u>2,330,000</u>	<u>2,316,272</u>	<u>(13,728)</u>
Total revenues and other financing sources	<u>\$ 20,347,221</u>	<u>\$ 19,810,041</u>	<u>\$ (537,180)</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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
<b>General government</b>				
<b>Mayor's office</b>				
<b>Salaries and wages</b>				
Full-time salaries and wages	\$ 202,825	\$ 202,525	\$ 142,929	\$ 59,596
Part-time salaries and wages	5,000	5,000	5,000	-
Overtime allowances	1,000	1,000	175	825
Car allowances	-	300	251	49
<b>Total salaries and wages</b>	<b>208,825</b>	<b>208,825</b>	<b>148,355</b>	<b>60,470</b>
<b>Fringe benefits</b>				
IMRF match	20,465	20,465	14,249	6,216
Employer's health insurance	16,931	16,331	5,957	10,374
Employer's dental and vision insurance	2,370	2,970	2,945	25
Social security match	12,947	12,947	8,954	3,993
Medicare match	3,028	3,028	2,094	934
Life insurance premiums	270	270	204	66
<b>Total fringe benefits</b>	<b>56,011</b>	<b>56,011</b>	<b>34,403</b>	<b>21,608</b>
<b>Contractual services</b>				
Maintenance - vehicles	4,000	4,000	1,807	2,193
Telephone	5,000	5,000	1,745	3,255
Travel and training	30,000	30,000	9,241	20,759
Postage	1,000	1,100	1,024	76
Printing and publishing	3,000	3,000	1,905	1,095
Other professional services	2,000	2,000	-	2,000
Dues and memberships	12,000	12,000	8,959	3,041
<b>Total contractual services</b>	<b>57,000</b>	<b>57,100</b>	<b>24,681</b>	<b>32,419</b>
<b>Commodities</b>				
Office supplies	7,500	5,900	2,365	3,535
Gasoline and oil	1,500	2,500	2,320	180
Publications	1,000	1,500	1,407	93

(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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
General government (continued)				
Mayor's office (continued)				
Commodities (continued)				
Miscellaneous expenses	\$ 20,000	\$ 20,000	\$ 16,301	\$ 3,699
Mayor's expense account	5,000	5,000	-	5,000
Total commodities	35,000	34,900	22,393	12,507
Total Mayor's office	356,836	356,836	229,832	127,004
City Clerk's office				
Salaries and wages				
Full-time salaries and wages	103,940	103,940	108,472	(4,532)
Gas allowance	-	-	407	(407)
	103,940	103,940	108,879	(4,939)
Fringe benefits				
IMRF match	10,186	10,186	10,615	(429)
Employer's health insurance	4,287	4,287	11,771	(7,484)
Employer's dental and vision insurance	1,580	1,580	1,976	(396)
Social security match	6,444	6,444	6,373	71
Medicare match	1,507	1,507	1,491	16
Life insurance premiums	180	180	190	(10)
Total fringe benefits	24,184	24,184	32,416	(8,232)
Contractual services				
Maintenance - equipment	1,000	1,000	938	62
Travel and training	3,000	3,000	6	2,994
Postage	200	200	39	161
Printing and publishing	4,000	4,000	8,019	(4,019)
Dues and memberships	1,000	1,000	560	440
Total contractual services	9,200	9,200	9,562	(362)

(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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
General government (continued)				
City Clerk's office (continued)				
Commodities				
Office supplies	\$ 4,500	\$ 4,500	\$ 3,176	\$ 1,324
Gasoline and oil	1,500	1,500	1,279	221
Miscellaneous expenses	1,000	1,000	72	928
Total commodities	7,000	7,000	4,527	2,473
Total City Clerk's office	144,324	144,324	155,384	(11,060)
Legislative				
Salaries and wages				
Part-time salaries and wages	68,110	68,110	65,067	3,043
Fringe benefits				
IMRF match	3,920	3,920	3,133	787
Employer's health insurance	37,270	37,270	32,227	5,043
Employer's dental and vision insurance	5,531	5,531	3,668	1,863
Social security match	4,223	4,223	3,492	731
Medicare match	988	988	816	172
Life insurance premiums	630	630	585	45
Total fringe benefits	52,562	52,562	43,921	8,641
Contractual services				
Travel and training	15,000	15,000	1,574	13,426
Postage	500	500	94	406
Printing and publishing	5,000	5,000	-	5,000
Dues and memberships	10,250	10,250	2,411	7,839

(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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
General government (continued)				
Legislative (continued)				
Contractual services (continued)				
Boards and commissions	\$ 2,500	\$ 2,500	\$ 16	\$ 2,484
Total contractual services	33,250	33,250	4,095	29,155
Commodities				
Office supplies	1,000	1,000	1,111	(111)
Publications	500	500	-	500
Miscellaneous expenses	10,000	10,000	934	9,066
Total commodities	11,500	11,500	2,045	9,455
Total legislative	165,422	165,422	115,128	50,294
City Treasurer				
Salaries and wages				
Part-time salaries and wages	25,000	25,000	15,000	10,000
Gas allowance	-	-	89	(89)
	25,000	25,000	15,089	9,911
Fringe benefits				
IMRF match	1,470	1,470	1,469	1
Employer's health insurance	11,403	11,403	11,870	(467)
Employer's dental and vision insurance	790	790	982	(192)
Social security match	1,550	1,550	691	859
Medicare match	363	363	161	202
Life insurance premiums	90	90	80	10
Total fringe benefits	15,666	15,666	15,253	413
Contractual services				
Travel and training	5,000	5,000	4,036	964
Printing and publishing	1,000	1,000	518	482
Dues and memberships	1,000	1,000	564	436
Total contractual services	7,000	7,000	5,118	1,882

(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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
General government (continued)				
City Treasurer (continued)				
Commodities				
Office supplies	\$ 2,300	\$ 2,300	\$ 275	\$ 2,025
Gasoline and oil	500	500	541	(41)
Miscellaneous expenses	1,000	1,000	830	170
Total commodities	3,800	3,800	1,646	2,154
Total City Treasurer	51,466	51,466	37,106	14,360
Comptroller				
Salaries and wages				
Full-time salaries and wages	378,992	370,492	374,810	(4,318)
Compensated absences	-	-	(24,048)	24,048
Voluntary separation plan	-	-	25,631	(25,631)
Overtime allowances	2,250	2,250	-	2,250
Total salaries and wages	381,242	372,742	376,393	(3,651)
Fringe benefits				
IMRF match	37,362	37,362	38,227	(865)
Employer's health insurance	58,151	58,151	72,923	(14,772)
Employer's dental and vision insurance	4,741	4,741	8,016	(3,275)
Social security match	23,637	23,637	23,025	612
Medicare match	5,528	5,528	5,385	143
Life insurance premiums	540	540	572	(32)
Total fringe benefits	129,959	129,959	148,148	(18,189)
Contractual services				
Maintenance - equipment	2,000	2,000	1,423	577
Telephone	1,000	1,000	85	915
Travel and training	2,500	2,500	859	1,641
Postage	5,000	5,000	4,044	956
Printing and publishing	17,000	10,800	7,870	2,930

(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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
General government (continued)				
Comptroller (continued)				
Contractual services (continued)				
Other professional services	\$ -	\$ 8,500	\$ 8,053	\$ 447
Dues and memberships	1,500	1,500	1,296	204
Total contractual services	29,000	31,300	23,630	7,670
Commodities				
Office supplies	12,000	18,000	17,171	829
Publications	500	500	-	500
Miscellaneous expenses	1,000	1,200	1,181	19
Total commodities	13,500	19,700	18,352	1,348
Total Comptroller	553,701	553,701	566,523	(12,822)
Information technology				
Salaries and wages				
Full-time salaries and wages	84,768	84,768	157,399	(72,631)
Overtime allowance	-	-	228	(228)
	84,768	84,768	157,627	(72,859)
Fringe benefits				
IMRF match	8,307	8,307	15,421	(7,114)
Employer's health insurance	13,349	13,349	20,345	(6,996)
Employer's dental and vision insurance	790	790	982	(192)
Social security match	5,256	5,256	9,309	(4,053)
Medicare match	1,229	1,229	2,177	(948)
Life insurance premiums	90	90	243	(153)
Total fringe benefits	29,021	29,021	48,477	(19,456)
Contractual services				
Telephone	2,500	2,500	2,088	412
Postage	200	200	14	186
Travel and training	5,000	5,000	-	5,000
Other professional services	112,250	112,250	42,029	70,221
Total contractual services	119,950	119,950	44,131	75,819
				(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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
General government (continued)				
Information technology (continued)				
Commodities				
Operating supplies	\$ 55,740	\$ 55,740	\$ 57,769	\$ (2,029)
Gasoline and oil	500	500	-	500
	56,240	56,240	57,769	(1,529)
Debt service				
Loan principal and interest	76,573	76,573	23,696	52,877
Capital Outlay				
Equipment	300,000	-	-	-
Capital improvement	-	300,000	287,820	12,180
	300,000	300,000	287,820	12,180
Total information technology	666,552	666,552	619,520	47,032
Human resources				
Salaries and wages				
Full-time salaries and wages	172,410	172,410	136,827	35,583
Overtime allowances	4,000	4,000	-	4,000
Total salaries and wages	176,410	176,410	136,827	39,583
Fringe benefits				
IMRF match	17,288	17,288	13,263	4,025
Employer's health insurance	21,218	21,218	14,466	6,752
Employer's dental and vision insurance	2,370	2,370	982	1,388
Social security match	10,937	10,937	8,326	2,611
Medicare match	2,558	2,558	1,947	611
Life insurance premiums	270	270	184	86
Total fringe benefits	54,641	54,641	39,168	15,473
Contractual services				
Telephone	2,000	2,000	1,241	759
Travel and training	5,000	5,000	5,084	(84)
In-house training	20,000	20,000	199	19,801

(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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
General government (continued)				
Human resources (continued)				
Contractual services (continued)				
Postage	\$ 1,500	\$ 1,500	\$ 426	\$ 1,074
Printing and publishing	4,000	4,000	-	4,000
Other professional services	5,000	5,000	5,610	(610)
Dues and memberships	1,500	1,500	420	1,080
Total contractual services	39,000	39,000	12,980	26,020
Commodities				
Office supplies	3,000	3,000	2,644	356
Publications	2,000	2,000	-	2,000
Advertising-all departments	20,000	20,000	9,158	10,842
Employee recognition	2,500	2,500	2,211	289
Public relations	1,500	1,500	-	1,500
Safety incentives	5,000	5,000	960	4,040
Miscellaneous expenses	500	500	6	494
Total commodities	34,500	34,500	14,979	19,521
Capital Outlay				
Equipment	-	-	2,204	(2,204)
Total human resources	304,551	304,551	206,158	98,393
Building and health department				
Salaries and wages				
Full-time salaries and wages	292,716	292,716	190,899	101,817
Overtime allowances	5,000	5,000	17	4,983
Total salaries and wages	297,716	297,716	190,916	106,800
Fringe benefits				
IMRF match	29,176	29,176	18,677	10,499
Employer's health insurance	70,287	70,287	41,262	29,025

(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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
General government (continued)				
Building and health department (continued)				
Fringe benefits (continued)				
Employer's dental and vision insurance	\$ 4,741	\$ 4,741	\$ 6,508	\$ (1,767)
Social security match	18,458	18,458	11,180	7,278
Medicare match	4,317	4,317	2,615	1,702
Life insurance premiums	540	540	305	235
Total fringe benefits	127,519	127,519	80,547	46,972
Contractual services				
Maintenance - vehicles	4,500	4,500	3,125	1,375
Maintenance - equipment	1,000	1,000	213	787
Telephone	4,000	4,000	2,975	1,025
Travel and training	7,000	7,000	620	6,380
Postage	4,000	4,000	2,574	1,426
Printing and publishing	3,000	3,000	3,262	(262)
Other professional services	42,500	42,500	94,111	(51,611)
Dues and memberships	1,450	1,450	596	854
Demolition	120,000	120,000	169,688	(49,688)
Total contractual services	187,450	187,450	277,164	(89,714)
Commodities				
Office supplies	8,000	8,000	5,157	2,843
Gasoline and oil	6,000	6,000	4,037	1,963
Operating supplies	500	500	-	500
Uniforms	1,500	1,500	-	1,500
Publications	1,000	1,000	32	968
Miscellaneous expense	1,000	1,000	-	1,000
Total commodities	18,000	18,000	9,226	8,774
Capital Outlay				
Equipment	-	-	3,031	(3,031)
Total building and health department	630,685	630,685	560,884	69,801

(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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
General government (continued)				
Building and grounds department				
Salaries and wages				
Full-time salaries and wages	\$ -	\$ -	\$ 3,463	\$ (3,463)
Total salaries and wages	-	-	3,463	(3,463)
Fringe benefits				
IMRF match	-	-	176	(176)
Employer's dental and vision insurance	-	-	3,752	(3,752)
Social security match	-	-	209	(209)
Medicare match	-	-	49	(49)
Life insurance premiums	-	-	20	(20)
Total fringe benefits	-	-	4,206	(4,206)
Contractual services				
Maintenance - buildings	57,500	57,500	48,789	8,711
Maintenance - equipment	-	-	20	(20)
Utilities	-	-	2,132	(2,132)
Other professional services	111,708	111,708	105,800	5,908
Total contractual services	169,208	169,208	156,741	12,467
Commodities				
Pest control	32,300	32,300	36,240	(3,940)
Maintenance supplies	15,000	15,000	9,533	5,467
Operating supplies	10,000	10,000	272	9,728
Uniforms	450	450	314	136
Miscellaneous	500	500	-	500
Total commodities	58,250	58,250	46,359	11,891
Total building and grounds department				
	227,458	227,458	210,769	16,689
Total general government				
	3,100,995	3,100,995	2,701,304	399,691

(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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
Administration services				
Contractual services				
Health services account	\$ -	\$ -	\$ 6,000	\$ (6,000)
Medical insurance opt-out program	20,000	20,000	-	20,000
Unemployment insurance	60,000	60,000	59,914	86
Maintenance of equipment	45,000	45,000	37,739	7,261
Workers' compensation	837,747	417,747	585,683	(167,936)
Workers' compensation deductible	-	420,000	67,703	352,297
Liability insurance	659,340	416,840	610,261	(193,421)
Liability deductibility	-	242,500	62,707	179,793
Telephone	150,000	150,000	140,219	9,781
Utilities	240,000	240,000	246,588	(6,588)
Postage	11,500	11,500	2,561	8,939
Landfill and rolloff (garbage)	2,000	2,000	-	2,000
Printing and publishing	14,000	14,000	3,324	10,676
Auditing services	62,000	62,000	58,900	3,100
Payroll service	22,287	22,287	20,374	1,913
Engineering services	114,000	114,000	114,000	-
Retainer fees	24,000	24,000	24,000	-
Medical services	48,000	48,000	82,940	(34,940)
Other professional services	75,200	75,200	20,179	55,021
Refuse collection	780,000	780,000	759,622	20,378
Government affairs services	77,000	77,000	57,750	19,250
Redflex traffic systems fees	117,000	117,000	177,087	(60,087)
Lawsuits and attorney fees	360,000	360,000	159,836	200,164
Public relations	50,000	50,000	22,560	27,440
Public relations - community day	75,000	75,000	65,268	9,732
Reimbursements	30,000	30,000	30,000	-
Lake Bluff sales tax sharing	10,000	10,000	18,057	(8,057)
Bad debt expense	15,000	15,000	2,066	12,934
Total contractual services	3,899,074	3,899,074	3,435,338	463,736

(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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
Administration services (continued)				
Commodities				
Office supplies	\$ 1,000	\$ 1,000	\$ 90	\$ 910
Miscellaneous expense	25,000	25,000	2,758	22,242
Total commodities	26,000	26,000	2,848	23,152
Capital outlay				
Equipment	105,000	105,000	17,018	87,982
Total administration services	4,030,074	4,030,074	3,455,204	574,870
Highway and streets				
Street department				
Salaries and wages				
Full-time salaries and wages	494,935	494,935	470,658	24,277
Voluntary separation plan	-	-	29,288	(29,288)
Sick leave sell back	-	-	416	(416)
Overtime allowances	8,000	8,000	15,929	(7,929)
Workers' compensation	-	-	11,376	(11,376)
Total salaries and wages	502,935	502,935	527,667	(24,732)
Fringe benefits				
IMRF match	49,288	49,288	44,854	4,434
Employer's health insurance	81,821	81,821	69,319	12,502
Employer's dental and vision insurance	7,901	7,901	7,749	152
Social security match	31,182	31,182	29,962	1,220
Medicare match	7,293	7,293	7,135	158
Life insurance premiums	900	900	793	107
Total fringe benefits	178,385	178,385	159,812	18,573

(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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
Highway and streets (continued)				
Street department (continued)				
Contractual services				
Maintenance - building	\$ 20,000	\$ 20,000	\$ 2,901	\$ 17,099
Maintenance - vehicles	35,000	35,000	50,558	(15,558)
Maintenance - equipment	29,000	29,000	17,025	11,975
Maintenance - streets	35,000	35,000	20,044	14,956
Maintenance - grounds	20,000	20,000	1,110	18,890
Other maintenance	2,000	2,000	-	2,000
Telephone	3,000	3,000	2,651	349
Street lighting	15,000	15,000	10,266	4,734
Rentals	20,000	20,000	2,287	17,713
Travel and training	1,000	1,000	16	984
Postage	500	500	3	497
Printing and publishing	1,000	1,000	-	1,000
Medical services	500	500	384	116
Other professional services	-	-	1,668	(1,668)
Total contractual services	182,000	182,000	108,913	73,087
Commodities				
Office supplies	3,000	3,000	2,398	602
Gasoline and oil	75,000	75,000	43,112	31,888
Maintenance and supplies	15,000	15,000	3,059	11,941
Operating supplies	20,000	20,000	15,871	4,129
Uniforms	25,000	25,000	15,688	9,312
Miscellaneous expenses	2,000	2,000	20	1,980
Total commodities	140,000	140,000	80,148	59,852
Debt service				
Loan principal and interest	86,843	86,843	65,839	21,004
Total highway and streets	1,090,163	1,090,163	942,379	147,784

(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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
Public safety				
Police department				
Salaries and wages				
Full-time salaries and wages	\$ 5,093,355	\$ 5,093,355	\$ 4,421,565	\$ 671,790
Part-time salaries and wages	131,530	131,530	124,319	7,211
Compensated absences	-	-	51,346	(51,346)
Voluntary separation plan	-	-	25,766	(25,766)
Holiday taken	-	-	164,201	(164,201)
Police special detail	-	-	63,260	(63,260)
Overtime allowances	63,000	63,000	110,533	(47,533)
Police overtime	350,000	350,000	504,709	(154,709)
Comptime accrued	-	-	1,594	(1,594)
Military pay supplement	-	-	1,161	(1,161)
Sick leave sell back	-	-	13,613	(13,613)
Workers' compensation	-	-	81,752	(81,752)
Total salaries and wages	<u>5,637,885</u>	<u>5,637,885</u>	<u>5,563,819</u>	<u>74,066</u>
Fringe benefits				
IMRF match	92,638	92,638	94,111	(1,473)
Employer pension contribution	698,495	698,495	674,945	23,550
Employer's health insurance	694,358	694,358	569,166	125,192
Employer's dental and vision insurance	63,999	63,999	39,052	24,947
Social security match	66,763	66,763	82,606	(15,843)
Medicare match	79,132	79,132	72,103	7,029
Life insurance premiums	7,290	7,290	6,744	546
Total fringe benefits	<u>1,702,675</u>	<u>1,702,675</u>	<u>1,538,727</u>	<u>163,948</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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
Public safety (continued)				
Police department (continued)				
Contractual services				
Uniform allowance	\$ 13,500	\$ 13,500	\$ -	\$ 13,500
Maintenance - building	-	-	-	-
Maintenance - vehicle	95,300	95,300	108,934	(13,634)
Maintenance - equipment	76,250	76,250	61,195	15,055
Other maintenance	500	500	-	500
Telephone	25,000	25,000	10,409	14,591
Rentals	14,350	14,350	-	14,350
Travel and training	40,000	40,000	16,760	23,240
Postage	5,000	5,000	838	4,162
Printing and publishing	19,400	19,400	24,196	(4,796)
Other professional services	83,375	83,375	83,830	(455)
Dues and memberships	2,700	2,700	6,330	(3,630)
Animal control	10,000	10,000	7,124	2,876
Other communication service	15,000	15,000	-	15,000
Total contractual services	400,375	400,375	319,616	80,759
Commodities				
Office supplies	17,500	17,500	46,930	(29,430)
Gasoline and oil	104,000	104,000	120,322	(16,322)
Maintenance supplies	14,000	14,000	1,850	12,150
Operating supplies	32,670	32,670	34,481	(1,811)
Uniforms	43,900	43,900	33,255	10,645
Prisoner meals	7,500	7,500	1,804	5,696
Publications	3,500	3,500	480	3,020
Reimbursements	5,000	5,000	1,860	3,140
Investigative expenses	10,000	10,000	18,050	(8,050)
Crime prevention	20,500	20,500	875	19,625
Miscellaneous	1,000	1,000	30	970
Total commodities	259,570	259,570	259,937	(367)
				(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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
Public safety (continued)				
Police department (continued)				
Debt service				
Loan principal and interest	\$ 53,806	\$ 53,806	\$ 38,732	\$ 15,074
Capital outlay				
Vehicles	-	-	2,952	(2,952)
Equipment	-	-	4,028	(4,028)
Total capital outlay	-	-	6,980	(6,980)
Total police department	8,054,311	8,054,311	7,727,811	326,500
Fire department				
Salaries and wages				
Full-time salaries and wages	2,062,781	2,062,781	1,827,326	235,455
Fire overtime	77,500	77,500	77,493	7
Holiday taken	-	-	54,640	(54,640)
Fire lieutenant pay	-	-	4,779	(4,779)
Overtime allowances	2,000	2,000	35	1,965
Sick leave buy back	-	-	7,319	(7,319)
Workers' compensation	-	-	-	-
Total salaries and wages	2,142,281	2,142,281	1,971,592	170,689
Fringe benefits				
IMRF match	4,737	4,737	1,780	2,957
Employer pension contribution	525,314	525,314	509,850	15,464
Employer's health insurance	293,352	293,352	269,331	24,021
Employer's dental and vision insurance	26,074	26,074	34,349	(8,275)
Social security match	2,997	2,997	999	1,998
Medicare match	24,275	24,275	21,149	3,126
Life insurance premiums	2,970	2,970	2,913	57
Total fringe benefits	879,719	879,719	840,371	39,348

(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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
Public safety (continued)				
Fire department (continued)				
Contractual services				
Maintenance - vehicles	\$ 36,000	\$ 36,000	\$ 7,846	\$ 28,154
Maintenance - equipment	14,800	14,800	3,984	10,816
Telephone	5,500	5,500	5,378	122
Rentals	2,600	2,600	1,696	904
Travel and training	25,000	25,000	686	24,314
Postage	200	200	61	139
Printing and publishing	6,000	6,000	2,796	3,204
Medical services	1,000	1,000	78	922
Other professional service	15,000	15,000	-	15,000
Linen services	1,000	1,000	-	1,000
Dues and memberships	3,850	3,850	1,150	2,700
Total contractual services	110,950	110,950	23,675	87,275
Commodities				
Office supplies	3,500	3,500	1,563	1,937
Gasoline and oil	15,000	15,000	18,284	(3,284)
Maintenance supplies	3,000	3,000	3,451	(451)
Operating supplies	5,000	5,000	2,279	2,721
Ambulance operating supplies	6,000	6,000	5,138	862
Uniforms	8,000	8,000	3,406	4,594
Publications	1,000	1,000	-	1,000
Hazardous material enforcement	10,000	10,000	4,823	5,177
Reimbursements	500	500	-	500
Miscellaneous	350	350	70	280
Total commodities	52,350	52,350	39,014	13,336

(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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
Public safety (continued)				
Fire department (continued)				
Capital outlay				
Vehicles	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Total fire department	3,205,300	3,205,300	2,894,652	310,648
Total public safety	11,259,611	11,259,611	10,622,463	637,148
Economic development				
Community development				
Salaries and wages				
Full-time salaries and wages	289,579	289,579	313,176	(23,597)
Overtime allowances	1,000	1,000	-	1,000
Total salaries and wages	290,579	290,579	313,176	(22,597)
Fringe benefits				
IMRF match	28,477	28,477	30,649	(2,172)
Employer's health insurance	35,345	35,345	33,953	1,392
Employer's dental and vision insurance	3,951	3,951	2,934	1,017
Social security match	18,016	18,016	18,305	(289)
Medicare match	4,213	4,213	4,281	(68)
Life insurance premiums	450	450	298	152
Total fringe benefits	90,452	90,452	90,420	32
Contractual services				
Telephone	2,200	2,200	1,256	944
Travel and training	1,500	1,500	1,942	(442)
Postage	1,500	1,500	937	563
Printing and publishing	2,000	2,000	1,409	591
Other professional services	65,000	65,000	1,219	63,781
Dues and memberships	2,675	2,675	2,103	572
Total contractual services	74,875	74,875	8,866	66,009

(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, 2011

	Budget		Actual	Variance from Final Budget
	Original	Final		
Economic development (continued)				
Community development (continued)				
Commodities				
Office supplies	\$ 5,500	\$ 5,500	\$ 4,638	\$ 862
Gasoline and oil	500	500	457	43
Total commodities	<u>6,000</u>	<u>6,000</u>	<u>5,095</u>	<u>905</u>
Total community development	<u>461,906</u>	<u>461,906</u>	<u>417,557</u>	<u>44,349</u>
Economic development incentive	<u>800,000</u>	<u>800,000</u>	<u>926,019</u>	<u>(126,019)</u>
Total economic development	<u>1,261,906</u>	<u>1,261,906</u>	<u>1,343,576</u>	<u>(81,670)</u>
Total expenditures	<u>20,742,749</u>	<u>20,742,749</u>	<u>19,064,926</u>	<u>1,677,823</u>
Other financing uses				
Transfer to U.S. Department of Homeland Security Grant Fund	<u>20,000</u>	<u>20,000</u>	<u>28,846</u>	<u>(8,846)</u>
Total expenditures and other financing uses	<u>\$ 20,762,749</u>	<u>\$ 20,762,749</u>	<u>\$ 19,093,772</u>	<u>\$ 1,668,977</u>

(Concluded)

**NONMAJOR GOVERNMENTAL FUNDS**

**City of North Chicago, Illinois**

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2011

	<u>Special Revenue Funds</u>			
	<u>Library</u>	<u>Motor Fuel Tax</u>	<u>AT &amp; T Foundation Grant</u>	<u>Community Development Block Grant</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 728,281	\$ 1,213,644	\$ -	\$ 58,172
Property tax receivable	679,905	-	-	-
Intergovernmental receivable	-	74,132	-	-
Other receivables	36,756	2,037	-	894,210
Due from other funds	-	20	-	-
Due from component unit, net of reserve	-	-	-	-
Land held for resale	-	-	-	222,786
<b>Total assets</b>	<u>\$ 1,444,942</u>	<u>\$ 1,289,833</u>	<u>\$ -</u>	<u>\$ 1,175,168</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 76,221	\$ 46,650	\$ -	\$ 47,219
Accrued payroll	3,922	5,369	-	-
Unearned revenue	484,831	-	-	-
Other payables	-	-	-	7
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<u>564,974</u>	<u>52,019</u>	<u>-</u>	<u>47,226</u>
<b>Fund balances (deficit)</b>				
Reserved for debt service	-	-	-	-
Reserved for land held for resale	-	-	-	222,786
Reserved for due from component unit	-	-	-	-
Unreserved	879,968	1,237,814	-	905,156
<b>Total fund balances</b>	<u>879,968</u>	<u>1,237,814</u>	<u>-</u>	<u>1,127,942</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,444,942</u>	<u>\$ 1,289,833</u>	<u>\$ -</u>	<u>\$ 1,175,168</u>

<u>Federal Forfeited Property (DEA)</u>	<u>E911 Emergency</u>	<u>Seized Drug Money (State)</u>	<u>Department of Justice Grants</u>	<u>U. S. Department of Homeland Security Grant</u>	<u>IDOT Safe Routes to School</u>	<u>Grant Place Capital</u>
\$ 4,082	\$ 179,152	\$ 15,661	\$ -	\$ -	\$ -	\$ 561,918
-	-	-	-	-	-	-
-	33,746	-	-	-	-	-
-	-	-	-	-	-	800
-	-	-	-	-	-	1,600,000
-	-	-	-	-	-	-
<u>\$ 4,082</u>	<u>\$ 212,898</u>	<u>\$ 15,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,162,718</u>
\$ -	\$ 1,800	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,800	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,600,000
4,082	211,098	15,661	-	-	-	562,718
4,082	211,098	15,661	-	-	-	2,162,718
<u>\$ 4,082</u>	<u>\$ 212,898</u>	<u>\$ 15,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,162,718</u>

(Continued)

**City of North Chicago, Illinois**

Nonmajor Governmental Funds  
Combining Balance Sheet (Continued)  
April 30, 2011

	Special Revenue Funds (Continued)		Debt Service Funds	
	Grant Place Operating	Total Nonmajor Special Revenue Funds	Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2005A	Debt Service
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,758	\$ 2,770,668	\$ 1,386,386	\$ -
Property tax receivable	-	679,905	510,691	-
Intergovernmental receivable	-	74,132	-	-
Other receivables	-	966,749	-	-
Due from other funds	-	820	-	-
Due from component unit, net of reserve	-	1,600,000	-	-
Land held for resale	-	222,786	-	-
	<u>9,758</u>	<u>6,315,060</u>	<u>1,897,077</u>	<u>-</u>
Total assets	\$ <u>9,758</u>	\$ <u>6,315,060</u>	\$ <u>1,897,077</u>	\$ <u>-</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 60,437	\$ 232,327	\$ -	\$ -
Accrued payroll	-	9,291	-	-
Unearned revenue	-	484,831	388,820	-
Other payables	5,314	5,321	-	-
Due to other funds	-	-	-	-
	<u>65,751</u>	<u>731,770</u>	<u>388,820</u>	<u>-</u>
Total liabilities	<u>65,751</u>	<u>731,770</u>	<u>388,820</u>	<u>-</u>
<b>Fund balances (deficit)</b>				
Reserved for debt service	-	-	1,508,257	-
Reserved for land held for resale	-	222,786	-	-
Reserved for due from component unit	-	1,600,000	-	-
Unreserved	(55,993)	3,760,504	-	-
	<u>(55,993)</u>	<u>5,583,290</u>	<u>1,508,257</u>	<u>-</u>
Total fund balances	<u>(55,993)</u>	<u>5,583,290</u>	<u>1,508,257</u>	<u>-</u>
Total liabilities and fund balances	\$ <u>9,758</u>	\$ <u>6,315,060</u>	\$ <u>1,897,077</u>	\$ <u>-</u>

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
\$ 3,881	\$ 20,260	\$ 36,421	\$ 1,446,948
236,340	207,110	723,547	1,677,688
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>240,221</u>	<u>227,370</u>	<u>759,968</u>	<u>3,124,636</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
168,606	147,713	515,969	1,221,108
-	-	-	-
-	-	-	-
<u>168,606</u>	<u>147,713</u>	<u>515,969</u>	<u>1,221,108</u>
240,221	227,370	759,968	2,735,816
-	-	-	-
-	-	-	-
<u>(168,606)</u>	<u>(147,713)</u>	<u>(515,969)</u>	<u>(832,288)</u>
<u>71,615</u>	<u>79,657</u>	<u>243,999</u>	<u>1,903,528</u>
<u>\$ 240,221</u>	<u>\$ 227,370</u>	<u>\$ 759,968</u>	<u>\$ 3,124,636</u>

(Continued)

**City of North Chicago, Illinois**

Nonmajor Governmental Funds

Combining Balance Sheet (Continued)

April 30, 2011

	<u>Capital Project Funds</u>			
	<u>Capital Improvement</u>	<u>DCEO Business Study</u>	<u>MMC Water Plant Improvement</u>	<u>Lake County Brownsfield Grants</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 643,123	\$ 30,112	\$ 382	\$ 11,200
Property taxes receivable	-	-	-	-
Intergovernmental receivable	74,972	-	-	5,759
Other receivables	-	-	9,618	-
Due from other funds	-	-	-	-
Due from component unit, net of reserve	-	-	-	-
Land held for resale	-	-	-	-
<b>Total assets</b>	<b><u>\$ 718,095</u></b>	<b><u>\$ 30,112</u></b>	<b><u>\$ 10,000</u></b>	<b><u>\$ 16,959</u></b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 686,663	\$ -	\$ -	\$ 12,611
Accrued payroll	-	-	-	-
Unearned revenue	-	30,098	-	4,348
Other payables	-	-	-	-
Due to other funds	-	-	10,000	-
<b>Total liabilities</b>	<b><u>686,663</u></b>	<b><u>30,098</u></b>	<b><u>10,000</u></b>	<b><u>16,959</u></b>
<b>Fund balances (deficit)</b>				
Reserved for debt service	-	-	-	-
Reserved for land held for resale	-	-	-	-
Reserved for due from component unit	-	-	-	-
Unreserved	31,432	14	-	-
<b>Total fund balances</b>	<b><u>31,432</u></b>	<b><u>14</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 718,095</u></b>	<b><u>\$ 30,112</u></b>	<b><u>\$ 10,000</u></b>	<b><u>\$ 16,959</u></b>

<u>Capital Project Funds (Continued)</u>				<u>Total</u>
<u>U.S. EPA</u>	<u>DCEO Sheridan Road Acquisition Grant</u>	<u>Total Nonmajor Capital Project Funds</u>	<u>Nonmajor Governmental Funds</u>	
\$ 24,849	\$ 19,611	\$ 729,277	\$	4,946,893
-	-	-		2,357,593
-	-	80,731		154,863
-	-	9,618		976,367
-	-	-		820
-	-	-		1,600,000
-	-	-		222,786
<u>\$ 24,849</u>	<u>\$ 19,611</u>	<u>\$ 819,626</u>	<u>\$</u>	<u>10,259,322</u>
\$ 24,849	\$ -	\$ 724,123	\$	956,450
-	-	-		9,291
-	19,611	54,057		1,759,996
-	-	-		5,321
-	-	10,000		10,000
<u>24,849</u>	<u>19,611</u>	<u>788,180</u>		<u>2,741,058</u>
-	-	-		2,735,816
-	-	-		222,786
-	-	-		1,600,000
-	-	31,446		2,959,662
-	-	31,446		7,518,264
<u>\$ 24,849</u>	<u>\$ 19,611</u>	<u>\$ 819,626</u>	<u>\$</u>	<u>10,259,322</u>

(Concluded)

# City of North Chicago, Illinois

## Nonmajor Governmental Funds

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

For the Year Ended April 30, 2011

	Special Revenue Funds			
	Library	Motor Fuel Tax	AT & T Foundation Grant	Community Development Block Grant
Revenues				
Property taxes	\$ 590,700	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	1,070,641	-	-
Grants	38,653	-	12,110	688,770
Fines and fees	17,285	-	-	-
Interest	1,004	3,037	-	641
Miscellaneous	-	7,116	-	4,450
Total revenues	647,642	1,080,794	12,110	693,861
Expenditures				
Current				
Administration	-	-	-	15,498
Highway and streets	-	577,324	-	-
Public safety	-	-	12,110	-
Culture and recreation	512,389	-	-	-
Economic development	-	-	-	259,441
Bad debt	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and other	-	-	-	-
Capital outlay	110,732	519,245	-	-
Total expenditures	623,121	1,096,569	12,110	274,939
Excess (deficiency) of revenues over expenditures	24,521	(15,775)	-	418,922
Other financing sources (uses)				
Transfers in	-	62,000	-	-
Transfers out	-	-	-	(92,000)
Net change in fund balances	24,521	46,225	-	326,922
Fund balance, beginning of year	855,447	1,191,589	-	801,020
Fund balance (deficit), end of year	\$ 879,968	\$ 1,237,814	\$ -	\$ 1,127,942

Federal Forfeited Property (DEA)	E911 Emergency	Seized Drug Money (State)	Department of Justice Grants	U. S. Department of Homeland Security Grant	IDOT Safe Routes to School	Grant Place Capital
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	136,406	-	-	-	-	-
-	-	59,013	-	-	-	-
-	-	-	14,761	247,500	4,959	-
-	-	-	-	-	-	-
5	301	3,085	-	-	-	816
-	-	-	-	28,826	-	-
<u>5</u>	<u>136,707</u>	<u>62,098</u>	<u>14,761</u>	<u>276,326</u>	<u>4,959</u>	<u>816</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	21,336	71,918	14,761	-	4,959	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	124,684
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	207,439	-	-	305,172	-	-
-	228,775	71,918	14,761	305,172	4,959	124,684
5	(92,068)	(9,820)	-	(28,846)	-	(123,868)
-	-	-	-	28,846	-	-
-	-	-	-	-	-	-
5	(92,068)	(9,820)	-	-	-	(123,868)
4,077	303,166	25,481	-	-	-	2,286,586
<u>\$ 4,082</u>	<u>\$ 211,098</u>	<u>\$ 15,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,162,718</u>

(Continued)

# City of North Chicago, Illinois

## Nonmajor Governmental Funds

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

For the Year Ended April 30, 2011

	Special Revenue Funds (Continued)		Debt Service Funds	
	Grant Place Operating	Total Nonmajor Special Revenue Funds	Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2005A	Debt Service
Revenues				
Property taxes	\$ -	\$ 590,700	\$ 532,830	\$ -
Taxes - other	-	136,406	-	-
Intergovernmental	-	1,129,654	-	-
Grants	-	1,006,753	-	-
Fines and fees	-	17,285	-	-
Interest	40	8,929	1,114	1,340
Miscellaneous	112,752	153,144	-	-
Total revenues	112,792	3,042,871	533,944	1,340
Expenditures				
Current				
Administration	-	15,498	-	-
Highway and streets	-	577,324	-	-
Public safety	-	125,084	-	-
Culture and recreation	-	512,389	-	-
Economic development	152,202	411,643	-	-
Bad debt	-	124,684	-	-
Debt service				
Principal retirement	-	-	235,000	-
Interest and other	-	-	425,119	-
Capital outlay	16,583	1,159,171	-	-
Total expenditures	168,785	2,925,793	660,119	-
Excess (deficiency) of revenues over expenditures	(55,993)	117,078	(126,175)	1,340
Other financing sources (uses)				
Transfers in	-	90,846	1,111,893	-
Transfers out	-	(92,000)	-	(1,286,893)
Net change in fund balances	(55,993)	115,924	985,718	(1,285,553)
Fund balance, beginning of year	-	5,467,366	522,539	1,285,553
Fund balance (deficit), end of year	\$ (55,993)	\$ 5,583,290	\$ 1,508,257	\$ -

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
\$ 128,261	\$ 122,851	\$ 426,411	\$ 1,210,353
-	-	-	-
-	-	-	-
-	-	-	-
66	95	346	2,961
-	-	-	-
<u>128,327</u>	<u>122,946</u>	<u>426,757</u>	<u>1,213,314</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	235,000
99,596	205,655	521,991	1,252,361
-	-	-	-
<u>99,596</u>	<u>205,655</u>	<u>521,991</u>	<u>1,487,361</u>
28,731	(82,709)	(95,234)	(274,047)
-	110,000	65,000	1,286,893
-	-	-	(1,286,893)
<u>28,731</u>	<u>27,291</u>	<u>(30,234)</u>	<u>(274,047)</u>
<u>42,884</u>	<u>52,366</u>	<u>274,233</u>	<u>2,177,575</u>
<u>\$ 71,615</u>	<u>\$ 79,657</u>	<u>\$ 243,999</u>	<u>\$ 1,903,528</u>

(Continued)

# City of North Chicago, Illinois

## Nonmajor Governmental Funds

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

For the Year Ended April 30, 2011

	Capital Project Funds			
	Capital Improvement	DCEO Business Study	MMC Water Plant Improvement	Lake County Brownsfield Grants
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Grants	242,405	-	9,618	85,092
Fines and fees	-	-	-	-
Interest	955	3	-	-
Miscellaneous	55,019	-	-	-
Total revenues	298,379	3	9,618	85,092
<b>Expenditures</b>				
<b>Current</b>				
Administration	-	-	9,618	-
Highway and streets	298,562	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	179,731
Bad debt	-	-	-	-
<b>Debt service</b>				
Principal retirement	-	-	-	-
Interest and other	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	298,562	-	9,618	179,731
Excess (deficiency) of revenues over expenditures	(183)	3	-	(94,639)
<b>Other financing sources (uses)</b>				
Transfers in	1,138	-	-	94,639
Transfers out	-	-	-	-
Net change in fund balances	955	3	-	-
Fund balance, beginning of year	30,477	11	-	-
Fund balance (deficit), end of year	\$ 31,432	\$ 14	\$ -	\$ -

Capital Project Funds (Continued)			Total
U.S. EPA	DCEO Sheridan Road Acquisition Grant	Total Nonmajor Capital Project Funds	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 1,801,053
-	-	-	136,406
-	-	-	1,129,654
-	40,000	377,115	1,383,868
-	-	-	17,285
-	-	958	12,848
-	-	55,019	208,163
-	40,000	433,092	4,689,277
-	-	9,618	25,116
-	3	298,565	875,889
-	-	-	125,084
-	-	-	512,389
-	40,000	219,731	631,374
-	-	-	124,684
-	-	-	235,000
-	-	-	1,252,361
-	-	-	1,159,171
-	40,003	527,914	4,941,068
-	(3)	(94,822)	(251,791)
-	-	95,777	1,473,516
-	-	-	(1,378,893)
-	(3)	955	(157,168)
-	3	30,491	7,675,432
\$ -	\$ -	\$ 31,446	\$ 7,518,264
			(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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Operating revenues			
Charges for sales and services	\$ 5,097,843	\$ 5,012,600	\$ (85,243)
Miscellaneous	<u>5,655</u>	<u>8,527</u>	<u>2,872</u>
Total operating revenues	<u>5,103,498</u>	<u>5,021,127</u>	<u>(82,371)</u>
Operating expenses			
Operations	3,639,884	2,644,857	995,027
Depreciation	<u>462,133</u>	<u>480,243</u>	<u>(18,110)</u>
Total operating expenses	<u>4,102,017</u>	<u>3,125,100</u>	<u>976,917</u>
Operating income	<u>1,001,481</u>	<u>1,896,027</u>	<u>894,546</u>
Nonoperating revenues (expenses)			
Property taxes	98,390	90,709	(7,681)
Proceeds from loan payable	30,000	-	(30,000)
Interest income	8,000	4,486	(3,514)
Principal retirement	(191,077)	-	191,077
Interest expense	<u>(72,605)</u>	<u>(72,604)</u>	<u>1</u>
Total nonoperating revenue (expenses)	<u>(127,292)</u>	<u>22,591</u>	<u>149,883</u>
Income before transfers	<u>874,189</u>	<u>1,918,618</u>	<u>1,044,429</u>
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>\$ (1,125,811)</u>	(81,382)	<u>\$ 1,044,429</u>
Net assets, beginning of year		<u>13,363,008</u>	
Net assets, end of year		<u>\$ 13,281,626</u>	

# City of North Chicago, Illinois

## Water Fund

### Schedule of Operating Revenues - Budget and Actual

For the Year Ended April 30, 2011

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	Original and Final Budget	Actual	Variance from Final Budget
Operating revenues			
Charges for sales and services			
Industrial water	\$ 1,800,000	\$ 1,778,871	\$ (21,129)
Abbott park water	1,160,000	924,190	(235,810)
Abbott raw water	670,000	713,079	43,079
Residential water	1,175,000	1,179,091	4,091
Commercial water	225,000	321,707	96,707
Water resumption	5,655	7,328	1,673
Meter sales	11,310	21,491	10,181
Tie-in fees	28,274	-	(28,274)
Water assessment	2,827	-	(2,827)
Ordinance violation	-	200	200
Water penalty	-	45,493	45,493
Raw water equipment	19,777	21,150	1,373
	<u>5,097,843</u>	<u>5,012,600</u>	<u>(85,243)</u>
Total charges for sales and services			
	5,097,843	5,012,600	(85,243)
Miscellaneous	5,655	8,527	2,872
	<u>5,655</u>	<u>8,527</u>	<u>2,872</u>
Total operating revenues	\$ <u>5,103,498</u>	\$ <u>5,021,127</u>	\$ <u>(82,371)</u>

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# City of North Chicago, Illinois

## Water Fund

### Schedule of Operating Expenses - Budget and Actual

For the Year Ended April 30, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
<b>Operating expenses</b>			
<b>Salaries and wages</b>			
Full-time salaries and wages	\$ 908,163	\$ 930,278	\$ (22,115)
Overtime allowances	24,000	142,012	(118,012)
Compensated absences	-	(41,955)	41,955
Voluntary seperation	-	24,296	(24,296)
<b>Total salaries and wages</b>	<u>932,163</u>	<u>1,054,631</u>	<u>(122,468)</u>
<b>Fringe benefits</b>			
IMRF match	91,352	105,227	(13,875)
Employer's health insurance	130,238	104,400	25,838
Employer's dental and vision insurance	11,852	11,095	757
Social security match	57,794	65,304	(7,510)
Medicare match	13,517	15,273	(1,756)
Life insurance premiums	1,350	1,540	(190)
<b>Total fringe benefits</b>	<u>306,103</u>	<u>302,839</u>	<u>3,264</u>
<b>Contractual services</b>			
Maintenance - buildings	20,250	20,000	250
Maintenance - vehicles	9,500	2,893	6,607
Maintenance - equipment	39,000	45,378	(6,378)
Maintenance - utility system	90,000	11,599	78,401
Other maintenance	70,500	40,746	29,754
Telephone	12,000	5,551	6,449
Utilities	868,150	709,695	158,455
Rentals	1,350	195	1,155
Travel and training	8,225	7,505	720
Postage	5,000	10,022	(5,022)
Printing and publishing	4,775	5,720	(945)
Engineering services	30,000	23,270	6,730
Foss Park easements	6,000	-	6,000
Other professional services	120,000	175,798	(55,798)

(Continued)

# City of North Chicago, Illinois

## Water Fund

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

For the Year Ended April 30, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Operating expenses (continued)			
Contractual services (continued)			
Dues and memberships	\$ 450	\$ -	\$ 450
Sludge treatment	35,000	20,858	14,142
Total contractual services	<u>1,320,200</u>	<u>1,079,230</u>	<u>240,970</u>
Commodities			
Office supplies	6,000	2,794	3,206
Gasoline and oil	21,000	20,198	802
Maintenance supplies	123,000	35,882	87,118
Operating supplies	136,350	137,082	(732)
Uniforms	-	3,961	(3,961)
Miscellaneous expenses	3,000	1,440	1,560
Total commodities	<u>289,350</u>	<u>201,357</u>	<u>87,993</u>
Bad debt expense	<u>-</u>	<u>2,850</u>	<u>(2,850)</u>
Capital outlay			
Other improvements	690,000	-	690,000
Equipment	52,068	1,796	50,272
Meters	50,000	2,154	47,846
Total capital outlay	<u>792,068</u>	<u>3,950</u>	<u>788,118</u>
Depreciation	<u>462,133</u>	<u>480,243</u>	<u>(18,110)</u>
Total operating expenses	<u>\$ 4,102,017</u>	<u>\$ 3,125,100</u>	<u>\$ 976,917</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, 2011

---

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Operating revenues			
Charges for sales and services	\$ 906,310	\$ 860,735	\$ (45,575)
Total operating revenues	<u>906,310</u>	<u>860,735</u>	<u>(45,575)</u>
Operating expenses			
Operations	1,053,913	886,602	167,311
Depreciation	<u>27,067</u>	<u>78,575</u>	<u>(51,508)</u>
Total operating expenses	<u>1,080,980</u>	<u>965,177</u>	<u>115,803</u>
Operating income	<u>(174,670)</u>	<u>(104,442)</u>	<u>70,228</u>
Nonoperating revenues (expenses)			
Property taxes	103,568	95,819	(7,749)
Proceeds from loan payable	318,711	-	(318,711)
Interest income	4,000	3,566	(434)
Principal retirement	(142,655)	-	142,655
Interest expense	<u>(76,425)</u>	<u>(76,426)</u>	<u>(1)</u>
Total nonoperating revenues (expenses)	<u>207,199</u>	<u>22,959</u>	<u>(184,240)</u>
Changes in net assets	<u>\$ 32,529</u>	(81,483)	<u>(114,012)</u>
Net assets, beginning of year		<u>4,434,917</u>	
Net assets, end of year		<u>\$ 4,353,434</u>	

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# City of North Chicago, Illinois

## Sewer Fund

### Schedule of Operating Revenues - Budget and Actual

For the Year Ended April 30, 2011

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	Original and Final Budget	Actual	Variance from Final Budget
Operating revenues			
Charges for sales and services			
Residential sewer	\$ 325,000	\$ 299,205	\$ (25,795)
Industrial sewer	500,000	489,165	(10,835)
Penalties	11,310	12,096	786
Commercial sewer	<u>70,000</u>	<u>60,269</u>	<u>(9,731)</u>
Total charges for sales and services	<u>906,310</u>	<u>860,735</u>	<u>(45,575)</u>
Total operating revenues	<u>\$ 906,310</u>	<u>\$ 860,735</u>	<u>\$ (45,575)</u>

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# City of North Chicago, Illinois

## Sewer Fund

### Schedule of Operating Expenses - Budget and Actual

For the Year Ended April 30, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
<b>Operating expenses</b>			
<b>Salaries and wages</b>			
Full-time salaries and wages	\$ 329,965	\$ 346,845	\$ (16,880)
Overtime allowances	22,500	69,725	(47,225)
Compensated absences	-	(15,819)	15,819
Voluntary separation	-	6,764	(6,764)
Total salaries and wages	<u>352,465</u>	<u>407,515</u>	<u>(55,050)</u>
<b>Fringe benefits</b>			
IMRF match	34,542	41,079	(6,537)
Sick leave sell back	-	139	(139)
Employer's health insurance	52,250	64,929	(12,679)
Employer's dental and vision insurance	4,741	5,470	(729)
Social security match	21,853	24,756	(2,903)
Medicare match	5,111	5,790	(679)
Life insurance premiums	540	601	(61)
Total fringe benefits	<u>119,037</u>	<u>142,764</u>	<u>(23,727)</u>
<b>Contractual services</b>			
Maintenance - building	2,500	232	2,268
Maintenance - vehicles	11,000	29,249	(18,249)
Maintenance - equipment	11,500	59	11,441
Maintenance - grounds	500	-	500
Maintenance - utility system	57,500	111,778	(54,278)
Other maintenance	1,500	-	1,500
Rentals	4,500	1,972	2,528
Travel and training	1,200	-	1,200
Landfill and garbage	45,000	-	45,000
Engineering services	5,000	5,898	(898)
Other professional services	55,000	83,650	(28,650)
Dues and memberships	200	-	200
Total contractual services	<u>195,400</u>	<u>232,838</u>	<u>(37,438)</u>

(Continued)

# City of North Chicago, Illinois

## Sewer Fund

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

For the Year Ended April 30, 2011

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	Original and Final Budget	Actual	Variance from Final Budget
Operating expenses (continued)			
Commodities			
Office supplies	\$ 1,000	\$ 132	\$ 868
Maintenance supplies	55,000	87,351	(32,351)
Operating supplies	4,800	7,779	(2,979)
Uniforms	-	527	(527)
Miscellaneous	-	210	(210)
Total commodities	<u>60,800</u>	<u>95,999</u>	<u>(35,199)</u>
Bad debt expense	<u>-</u>	<u>1,169</u>	<u>(1,169)</u>
Capital outlay			
Other improvements	318,711	-	318,711
Equipment	<u>7,500</u>	<u>6,317</u>	<u>1,183</u>
Total capital outlay	<u>326,211</u>	<u>6,317</u>	<u>319,894</u>
Depreciation	<u>27,067</u>	<u>78,575</u>	<u>(51,508)</u>
Total operating expenses	<u>\$ 1,080,980</u>	<u>\$ 965,177</u>	<u>\$ 115,803</u>

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(Concluded)

**INTERNAL SERVICE FUNDS**

**City of North Chicago, Illinois**

Internal Service Funds

Combining Schedule of Net Assets

April 30, 2011

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	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal Service Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ <u>67,988</u>	\$ <u>41,643</u>	\$ <u>109,631</u>
Total assets	<u>67,988</u>	<u>41,643</u>	<u>109,631</u>
<b>LIABILITIES</b>			
Claims payable	<u>39,629</u>	<u>-</u>	<u>39,629</u>
Total liabilities	<u>39,629</u>	<u>-</u>	<u>39,629</u>
<b>NET ASSETS</b>			
Unrestricted	\$ <u><u>28,359</u></u>	\$ <u><u>41,643</u></u>	\$ <u><u>70,002</u></u>

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# City of North Chicago, Illinois

## Internal Service Funds

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

For the Year Ended April 30, 2011

---

	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal Service Funds</u>
Operating revenues			
Charges for sales and services	\$ 149,880	\$ 174,952	\$ 324,832
Operating expenses			
Premiums / claim payments	<u>145,886</u>	<u>162,331</u>	<u>308,217</u>
Operating income	3,994	12,621	16,615
Nonoperating revenues			
Interest income	<u>76</u>	<u>40</u>	<u>116</u>
Change in net assets	4,070	12,661	16,731
Net assets, beginning of year	<u>24,289</u>	<u>28,982</u>	<u>53,271</u>
Net assets, end of year	<u>\$ 28,359</u>	<u>\$ 41,643</u>	<u>\$ 70,002</u>

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**City of North Chicago, Illinois**

Internal Service Funds

Combining Schedule of Cash Flows

For the year ended April 30, 2011

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	<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	\$ 149,880	\$ 174,952	\$ 324,832
Cash payments for claims and services	<u>(137,278)</u>	<u>(147,338)</u>	<u>(284,616)</u>
Net cash provided by operating activities	<u>12,602</u>	<u>27,614</u>	<u>40,216</u>
Cash flows from investing activities			
Interest received	<u>76</u>	<u>40</u>	<u>116</u>
Net cash provided by investing activities	<u>76</u>	<u>40</u>	<u>116</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 12,678	 27,654	 40,332
Cash and cash equivalents, beginning of year	<u>55,310</u>	<u>13,989</u>	<u>69,299</u>
Cash and cash equivalents, end of year	\$ <u><u>67,988</u></u>	\$ <u><u>41,643</u></u>	\$ <u><u>109,631</u></u>
Reconciliation of operating income to net cash used in operating activities			
Operating income	\$ 3,994	\$ 12,621	\$ 16,615
Adjustments to reconcile operating income to net cash used in operating activities			
Decrease in prepaid expense	-	14,993	14,993
Increase in claims payable	<u>8,608</u>	<u>-</u>	<u>8,608</u>
Net cash provided by operating activities	\$ <u><u>12,602</u></u>	\$ <u><u>27,614</u></u>	\$ <u><u>40,216</u></u>

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**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, 2011

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Governmental funds capital assets	
Land	\$ 2,831,841
Construction in progress	101,366
Land improvements	145,900
Buildings and improvements	4,765,431
Infrastructure	21,399,848
Library collections	831,565
Machinery and equipment	<u>7,703,653</u>
 Total governmental funds capital assets	 <u>\$ 37,779,604</u>
 Investments in governmental funds capital assets by source	
From current revenues	\$ 29,442,612
Special revenue funds	195,332
Debt issuance	3,875,496
Capital projects funds	1,059,237
Grants and donations	<u>3,206,927</u>
 Total governmental funds capital assets	 <u>\$ 37,779,604</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, 2011

	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	-	-	-	101,366	-	101,366
Land improvements	120,000	-	7,700	8,800	9,400	145,900
Buildings and improvements	2,070,512	3,000	687,202	749,276	1,255,441	4,765,431
Infrastructure	-	-	-	21,399,848	-	21,399,848
Library collections	-	-	-	-	831,565	831,565
Machinery and equipment	645,138	2,802,997	2,726,936	1,394,993	133,589	7,703,653
Total by function and activity	\$ 3,966,394	\$ 2,805,997	\$ 3,470,969	\$ 25,234,283	\$ 2,301,961	\$ 37,779,604

**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, 2011

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FUNCTION AND ACTIVITY	<u>Capital assets</u> <u>May 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Capital assets</u> <u>April 30, 2011</u>
General government	\$ 3,609,258	\$ 357,136	\$ -	\$ 3,966,394
Police	2,792,657	148,971	135,631	2,805,997
Fire	3,138,449	332,520	-	3,470,969
Public works	32,710,975	1,840,354	9,317,046	25,234,283
Library	<u>2,274,034</u>	<u>52,465</u>	<u>24,538</u>	<u>2,301,961</u>
 Total capital assets	 <u>\$ 44,525,373</u>	 <u>\$ 2,731,446</u>	 <u>\$ 9,477,215</u>	 <u>\$ 37,779,604</u>

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**OTHER SUPPLEMENTARY INFORMATION**

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2005A  
 Schedule of Annual Debt Service Requirements  
April 30, 2011

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
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>\$ 8,950,000</u>	<u>\$ 3,037,157</u>	<u>\$ 11,987,157</u>

**City of North Chicago, Illinois**  
**General Obligation Bonds Series 2005B**  
**Schedule of Annual Debt Service Requirements**  
April 30, 2011

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
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>\$ 3,155,000</u>	<u>\$ 1,291,706</u>	<u>\$ 4,446,706</u>

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2007A  
 Schedule of Annual Debt Service Requirements  
April 30, 2011

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
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>\$ 722,200</u>	<u>\$ 3,197,200</u>

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2007B  
 Schedule of Annual Debt Service Requirements  
April 30, 2011

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
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
2030	4.300%	435,000	187,215	622,215

(Continued)

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2007B (Continued)  
 Schedule of Annual Debt Service Requirements  
April 30, 2011

General Obligation Bonds  
 Series 2007B (Continued)

Fiscal Year Ended April 30,	Interest Rate	Principal	Interest	Annual Debt Service
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>\$ 4,625,718</u>	<u>\$ 9,365,718</u>

**City of North Chicago, Illinois**  
**General Obligation Bonds Series 2007C**  
**Schedule of Annual Debt Service Requirements**  
April 30, 2011

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
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>\$ 5,590,077</u>	<u>\$ 14,450,077</u>

# City of North Chicago, Illinois

Legal Debt Margin

April 30, 2011

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

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

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