

City of North Chicago, Illinois

Annual Financial Report

Year Ended April 30, 2012

City of North Chicago, Illinois

Annual Financial Report

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INDEPENDENT AUDITORS' REPORT

MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of North Chicago
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 (the "City"), as of and for the year ended April 30, 2012, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of 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 \$2,220,262, total revenues of \$2, and deficit net assets of (\$4,772,390).

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, as of April 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

(Continued)

In accordance with *Government Auditing Standards*, we have issued our report, dated November 7, 2012, on our consideration of the City of North Chicago'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13, the Illinois Municipal Retirement Fund historical data on page 75, the Police and Firefighter's Pension Funds supplementary information, the other postemployment benefits data on pages 76 through 77, and the budgetary comparison schedules and notes to required supplementary information on pages 78 through 81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

MILLER, COOPER & CO., LTD.



Certified Public Accountants

Deerfield, Illinois
November 7, 2012

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, 2012.

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 \$29,351,256 (net assets).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,709,505. Of this amount, \$6,621,015 or 32.8 percent of total general fund expenditures was unassigned, undesignated, and available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,621,015.
- The City's total general obligation bonds outstanding are \$27,220,000 a decrease of \$960,000 for principal payments during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate component unit for which the City is financially accountable. Unaudited financial information for the Five Points Economic Development Corporation (nonprofit 501(c)(4) 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.

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 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 \$5,656,758 and those of the internal service funds amounted to \$69,494.

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 auditing 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 31-74 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 75-81 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 105-110 and 125-127 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 \$29,351,256 at the close of the most recent fiscal year.

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

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

CITY OF NORTH CHICAGO
Net Assets

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$31,498,519	\$29,659,377	\$7,753,781	\$6,962,868	\$39,252,300	\$36,622,245
Capital assets	20,148,564	20,559,566	16,484,510	16,057,516	36,633,074	36,617,082
Total assets	51,647,083	50,218,943	24,238,291	23,020,384	75,885,374	73,239,327
Current liabilities	8,719,520	7,889,473	441,726	428,812	9,161,246	8,318,285
Long-term liabilities	32,717,575	31,535,425	4,655,297	4,956,512	37,372,872	36,491,937
Total liabilities	41,437,095	39,424,898	5,097,023	5,385,324	46,534,118	44,810,222
Net assets:						
Invested in capital assets, net of related debt	3,615,731	20,086,524	11,945,919	11,254,255	15,561,650	31,340,779
Restricted by enabling legislation	3,555,856	3,372,183	-	-	3,555,856	3,372,186
Restricted for pension	-	358,260	-	-	-	358,260
Unrestricted	3,038,401	(13,022,922)	7,195,349	6,380,805	10,233,750	(6,642,117)
Total net assets	\$10,209,988	\$10,794,045	\$19,141,268	\$17,635,060	\$29,351,256	\$28,429,105

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:

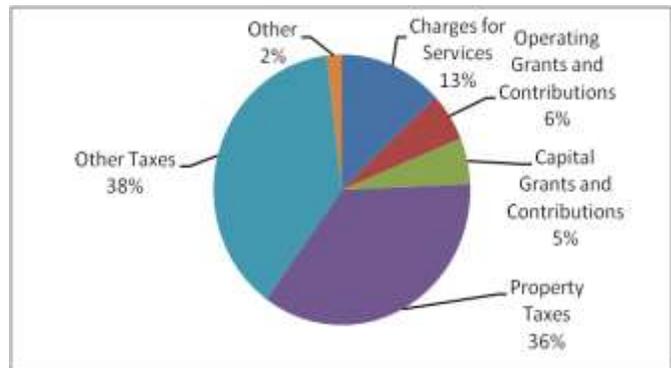
CITY OF NORTH CHICAGO
Changes in Net Assets

	Governmental		Business-type		Total	
	activities	activities	activities	activities	activities	activities
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 3,243,376	\$ 3,174,665	\$ 6,759,231	\$ 5,873,335	\$10,002,607	\$ 9,048,000
Operating grants and contributions	1,461,651	1,798,064	-	-	1,461,651	1,798,064
Capital grants and contributions	1,385,751	684,311	814,000	-	2,199,751	684,311
General revenues:						
Property taxes	8,921,309	6,430,936	-	186,528	8,921,309	6,617,464
Other taxes	9,533,042	9,622,003	-	-	9,533,042	9,622,003
Other	473,148	545,710	11,114	16,579	484,262	562,289
Total revenues	25,018,277	22,255,689	7,584,345	6,076,442	32,602,622	28,332,131
Expenses:						
Administration and general government	7,853,980	6,837,152	-	-	7,853,980	6,837,152
Police	8,634,399	8,373,853	-	-	8,634,399	8,373,853
Fire	3,218,729	2,678,742	-	-	3,218,729	2,678,742
Public works	2,162,532	1,834,341	-	-	2,162,532	1,834,341
Library	634,945	601,666	-	-	634,945	601,666
Economic development	1,733,747	1,974,950	-	-	1,733,747	1,974,950
Interest	1,254,712	1,244,058	-	-	1,254,712	1,244,058
Water	-	-	3,398,485	3,197,704	3,398,485	3,197,704
Sewer	-	-	679,652	1,041,603	679,652	1,041,603
Total expenses	25,493,044	23,544,762	4,078,137	4,239,307	29,571,181	27,784,069
Extraordinary item	2,109,290	-	-	-	2,109,290	-
Change in net assets before transfers	(2,584,057)	(1,289,073)	3,506,208	1,837,135	922,151	548,062
Transfers	2,000,000	2,000,000	(2,000,000)	(2,000,000)	-	-
Increase in net assets	(584,057)	710,927	1,506,208	(162,865)	922,151	548,062
Net assets - May 1, 2010	10,794,045	10,083,118	17,635,060	17,797,925	28,429,105	27,881,043
Net assets - April 30, 2011	\$10,209,988	\$10,794,045	\$19,141,268	\$17,635,060	\$29,351,256	\$28,429,105

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

Revenues by Source - Governmental Activities

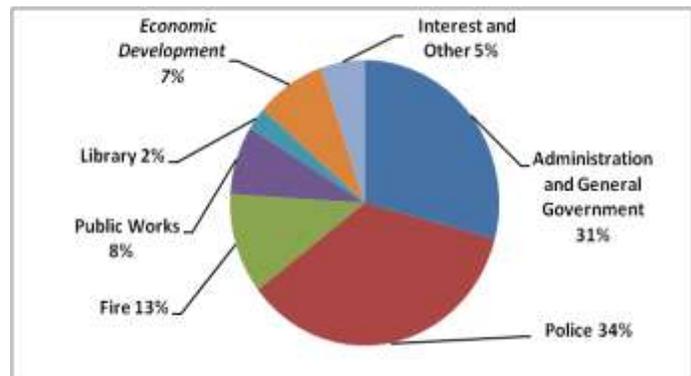
Charges for Services	\$3,243,376
Operating Grants	1,461,651
Capital Grants	1,385,751
Property Taxes	8,921,309
Other Taxes	9,533,042
Other	<u>473,148</u>
 Total revenues	 <u>\$25,018,277</u>



The chart below shows the expenses by function. The cost of all governmental activities was \$25,493,044. The Statement of Activities on pages 16-17 shows that \$3,243,376 was financed by those who use the services; \$2,847,402 was financed by grants and contributions, with the City's general revenues, operating transfers, and net assets financing \$19,402,266.

Expenses by Function - Governmental Activities

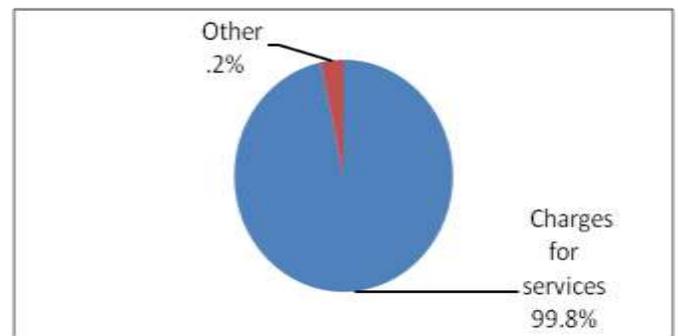
Administration and General Government	\$7,853,980
Police	8,634,399
Fire	3,218,729
Public Works	2,162,532
Library	634,945
Economic Development	1,733,747
Interest and Other	<u>1,254,712</u>
 Total expenses	 <u>\$25,493,044</u>



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 \$6,770,345(excluding capital contributions of \$814,000) for the year ended April 30, 2012. Ninety-seven percent of the revenues come from charges paid by the users of services and two percent from other source.

Revenues by Source - Business-type Activities

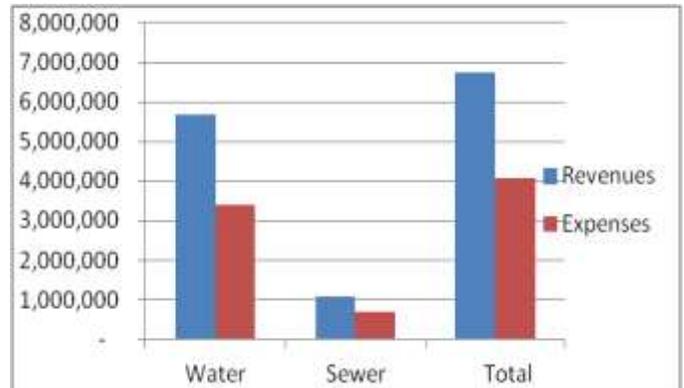
Charges for services	\$6,759,231
Other	<u>11,114</u>
 Total revenues	 <u>\$6,770,345</u>



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 \$6,759,231 and \$4,078,137, respectively. The Statement of Activities on pages - 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	\$5,685,403	\$3,398,485
Sewer	<u>1,073,828</u>	<u>679,652</u>
Total	\$6,759,231	\$4,078,137



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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,709,505, an increase of \$1,009,603 in comparison with the prior year. Approximately 30% of this amount (\$6,621,015) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is nonspendable/restricted to indicate that it is not available for new spending because it has already been categorized based upon its nature. These balances are categorized as follows: nonspendable for inventory (\$2,554) and prepaid items (\$650), Restricted for special revenue funds (\$4,500,645), for debt service (\$1,763,849), for capital projects (\$1,896,707), for land held for resale (\$6,324,085), and restricted 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, unassigned fund balance of the General Fund was \$6,621,015. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32.8 percent of total General Fund expenditures, while total fund balance represents 33.5 percent of that same amount.

The fund balance of the City's General Fund increased by \$828,655 during the current fiscal year. Key factors in this growth are as follows:

- Revenue from a new Agreement to provide police services to Midwest Family Housing, LLC was realized.
- Revenue from the Red Light Photo Enforcement Program was greater than expected.

- 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 \$19,141,268, as compared to \$17,635,060 for the prior year, an increase of \$1,506,208. The unrestricted amount at the end of the year is \$7,195,349. 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 \$327,888. As a result, the recruitment of certain budgeted positions and capital items was deferred.

Realized revenues and other financing sources were \$23,142,028, compared to the budget of \$19,715,923, greater than budgeted revenues by \$3,426,105. The difference between the budget and the amount realized is primarily attributable to loan proceeds from the Illinois Department of Revenue in the amount of \$2,109,290. The loan represents an adjustment to sales tax revenues previously distributed to the City in error. The amount is for the period November 2003 through June 2010. Expenditures are \$22,313,373, compared to the budget of \$20,043,811, over budget by \$2,269,562. The difference between budget and actual is again related to recording an extraordinary expense of \$2,109,290 for a refund to the State of sales tax revenues. 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, 2012 amounts to \$36,242,562 (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:

- Purchase of two variable speed drives for two 350 horse power high service pumps at the City Water Treatment Plant. The drives reduce energy usage, reduce energy costs and improve the water distribution system. The amount capitalized is \$851,965.
- Additional capital asset acquisitions were made at a cost of \$452,448.

CITY OF NORTH CHICAGO						
Capital Assets (net of depreciation)						
	Governmental		Business-type		Total	
	activities		activities			
	2012	2011	2012	2011	2012	2011
Land	\$2,831,841	\$ 2,831,841	\$ 2,435	\$ 2,435	\$ 2,834,276	\$ 2,834,276
Construction in progress	-	101,366	103,988	-	103,988	101,366
Land improvements	244,992	-	118,284	125,138	363,276	125,138
Buildings and improvements	1,870,588	1,965,080	4,495,576	4,598,190	6,366,164	6,563,270
Infrastructure	12,233,998	12,327,547	-	-	12,233,998	12,327,547
Library collections	212,184	203,872	-	-	212,184	203,872
Machinery and equipment	2,364,449	2,707,430	11,764,227	11,331,753	14,128,676	14,039,183
Total	\$19,758,052	\$20,137,136	\$16,484,510	\$16,057,516	\$36,242,562	\$36,194,652

Additional information on the City's capital assets can be found in Note E on pages 50-52 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$27,220,000. The total amount of the outstanding issues is government obligation bonds backed by the full faith and credit of the City. The City also had \$10,152,872 in other long term obligations including various notes payable, pension obligations, other post employment obligations, and compensated absences. The debt is comprised of the obligations as shown in the table below.

CITY OF NORTH CHICAGO
Outstanding Debt

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Bonds:						
Series 2005A	\$ 8,475,000	\$ 8,950,000	\$ -	\$ -	\$ 8,475,000	\$ 8,950,000
Series 2005B	-	-	3,000,000	3,155,000	3,000,000	3,155,000
Series 2007A	2,340,000	2,475,000	-	-	2,340,000	2,475,000
Series 2007B	4,740,000	4,740,000	-	-	4,740,000	4,740,000
Series 2007C	8,665,000	8,860,000	-	-	8,665,000	8,860,000
Total Bonds	\$24,220,000	\$25,025,000	\$3,000,000	\$3,155,000	\$27,220,000	\$28,180,000
Other Debt:						
Bond issuance Premium	345,107	385,328	-	-	345,107	385,328
Compensated Absences	1,917,284	2,195,325	116,706	125,642	2,033,990	2,320,967
Other Post Employment Benefits	66,579	45,303	-	-	66,579	45,303
Lawsuit Settlement Liability	55,700	60,000	-	-	55,700	60,000
Note Payable to Lake Forest Bank	672,049	842,732	-	-	672,049	842,732
Note Payable to State of Illinois, Office of the Fire Marshal	60,000	80,000	-	-	60,000	80,000
Note Payable to Illinois Department of Revenue	2,038,890	-	-	-	2,038,890	-
Component Unit Note Payable	339,471	339,471	-	-	339,471	339,471
Net Fire and Police Pension Obligation	3,002,495	2,562,266	-	-	3,002,495	2,562,266
Note Payable to Abbott Laboratories	-	-	467,899	547,722	467,899	547,722
Note Payable to Illinois Environmental Protection Agency	-	-	1,07,0692	1,128,148	1,07,0692	1,128,148
Total LT Debt	\$32,717,575	\$31,535,425	\$4,655,297	\$4,956,512	\$37,372,872	\$36,491,937

Additional information on the City's long-term debt can be found in Note F on pages 53-58 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 2013 and beyond as a result of the economy and its slow recovery. Local revenue sources have stagnated and 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, and unemployment, will require the City to continue to identify and implement revenue 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. The City will continue to 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 Master Development Agreement with Weston Solutions, Inc., specializing in land development, management and construction, on February 13, 2012 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. Weston Solutions, Inc. will plan and oversee the development of the property as a multi-use planned unit development with a sports center and for the construction of a hotel, restaurants and other supportive retail uses. 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 Obligation 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 2013 budget for the General Fund does not provide for sufficient revenue to meet anticipated expenditures. The budget deficit is \$1,399,546. 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 2013 budget for the Enterprise Fund for the City's water and wastewater operations reflects a deficit of \$68,166. 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 customer. To offset the decrease in sales the City: 1) has imposed base fees and an increase to the water and sewer rates, effective October 1, 2011 to October 1, 2015, and 2) seeking new customers contiguous to City boundaries.

The unemployment rate for the City is 12.4 percent. The unemployment rate for the State of Illinois is 8.6 percent, which is unchanged from the previous year. The current national rate is 7.7 percent. The City's rate is higher than both the state and national rates due to being a labor surplus area.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of North Chicago, Illinois

Statement of Net Assets (Deficit)

April 30, 2012

	Primary Government			(Unaudited) Component Unit
	Governmental Activities	Business-type Activities	Total	Five Points Economic Development Corporation
ASSETS				
Current assets				
Cash and cash equivalents and investments	\$ 9,781,505	\$ 6,601,499	\$ 16,383,004	\$ 153,904
Property taxes receivable	8,017,761	-	8,017,761	-
Other taxes receivable	548,609	-	548,609	-
Intergovernmental receivable	304,611	-	304,611	-
Loans receivable, net	-	-	-	126,887
Other receivables, net	5,198,467	872,059	6,070,526	-
Internal balances	(279,723)	279,723	-	-
Prepaid expenses	650	500	1,150	-
Due from component unit, net of \$5,384,794 reserve	1,600,000	-	1,600,000	-
Inventory	2,554	-	2,554	-
Land held for resale	6,324,085	-	6,324,085	-
	31,498,519	7,753,781	39,252,300	280,791
Noncurrent assets				
Note receivable, City of North Chicago	-	-	-	339,471
Deferred bond issuance charges, net	390,512	-	390,512	-
Land and other capital assets not being depreciated	2,831,841	106,423	2,938,264	1,600,000
Capital assets, net of accumulated depreciation	16,926,211	16,378,087	33,304,298	-
	20,148,564	16,484,510	36,633,074	1,939,471
	51,647,083	24,238,291	75,885,374	2,220,262

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Statement of Net Assets (Deficit)

April 30, 2012

	Primary Government			(Unaudited) Component Unit
	Governmental	Business-type	Total	Five Points Economic Development Corporation
	<u>Activities</u>	<u>Activities</u>		
LIABILITIES				
Current liabilities				
Accounts payable	\$ 2,114,491	\$ 411,141	\$ 2,525,632	\$ -
Accrued payroll	316,958	30,585	347,543	-
Unearned revenue	5,891,116	-	5,891,116	-
Claims payable	26,285	-	26,285	-
Other liabilities	370,670	-	370,670	-
Due to primary government	-	-	-	6,992,652
Noncurrent liabilities				
Due within one year	1,377,211	317,854	1,695,065	-
Due in more than one year	31,340,364	4,337,443	35,677,807	-
Total liabilities	<u>41,437,095</u>	<u>5,097,023</u>	<u>46,534,118</u>	<u>6,992,652</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	3,615,731	13,484,510	17,100,241	-
Restricted by enabling legislation	3,555,856	-	3,555,856	-
Unrestricted	<u>3,038,401</u>	<u>5,656,758</u>	<u>8,695,159</u>	<u>(4,772,390)</u>
Total net assets (deficit)	<u>\$ 10,209,988</u>	<u>\$ 19,141,268</u>	<u>\$ 29,351,256</u>	<u>\$ (4,772,390)</u>

(Concluded)

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Statement of Activities

For the Year Ended April 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants	Capital Grants and Contributions
Primary government				
Governmental activities:				
Administration and general government	\$ 7,853,980	\$ 178,800	\$ -	\$ 41,746
Police	8,634,399	1,315,197	-	41
Fire	3,218,729	305,512	-	-
Public works	2,162,532	1,426,855	973,228	1,282,959
Library	634,945	17,012	34,595	-
Economic development	1,733,747	-	453,828	61,005
Interest and other	1,254,712	-	-	-
Total governmental activities	25,493,044	3,243,376	1,461,651	1,385,751
Business-type activities:				
Water	3,398,485	5,685,403	-	814,000
Sewer	679,652	1,073,828	-	-
Total business-type activities	4,078,137	6,759,231	-	814,000
Total primary government	\$ 29,571,181	\$ 10,002,607	\$ 1,461,651	\$ 2,199,751
(Unaudited) Component unit - Five Points				
Economic Development Corporation	\$ 16,153	\$ -	\$ -	\$ -
General revenues				
Property taxes				
Other taxes				
Intergovernmental				
Miscellaneous				
Interest income				
Transfers				
Total general revenues and transfers				
Extraordinary item				
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

<u>Net (Expense) Revenue and Changes in Net Asset:</u>			<u>(Unaudited)</u> <u>Component Unit</u>
<u>Primary Government</u>			
<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Five Points Economic</u> <u>Development Corporation</u>
\$ (7,633,434)	\$ -	\$ (7,633,434)	\$ -
(7,319,161)	-	(7,319,161)	-
(2,913,217)	-	(2,913,217)	-
1,520,510	-	1,520,510	-
(583,338)	-	(583,338)	-
(1,218,914)	-	(1,218,914)	-
(1,254,712)	-	(1,254,712)	-
<u>(19,402,266)</u>	<u>-</u>	<u>(19,402,266)</u>	<u>-</u>
-	3,100,918	3,100,918	-
-	394,176	394,176	-
<u>-</u>	<u>3,495,094</u>	<u>3,495,094</u>	<u>-</u>
<u>(19,402,266)</u>	<u>3,495,094</u>	<u>(15,907,172)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,153)</u>
8,921,309	-	8,921,309	-
3,878,308	-	3,878,308	-
5,654,734	-	5,654,734	-
465,411	7,244	472,655	-
7,737	3,870	11,607	2
2,000,000	(2,000,000)	-	-
<u>20,927,499</u>	<u>(1,988,886)</u>	<u>18,938,613</u>	<u>2</u>
<u>2,109,290</u>	<u>-</u>	<u>2,109,290</u>	<u>-</u>
(584,057)	1,506,208	922,151	(16,151)
<u>10,794,045</u>	<u>17,635,060</u>	<u>28,429,105</u>	<u>(4,756,239)</u>
<u>\$ 10,209,988</u>	<u>\$ 19,141,268</u>	<u>\$ 29,351,256</u>	<u>\$ (4,772,390)</u>

City of North Chicago, Illinois

Governmental Funds

Balance Sheet

April 30, 2012

		Downtown Tax Increment Financing Redevelopment Project Area	Nonmajor Governmental Funds	Total Governmental Funds
	General			
ASSETS				
Cash and cash equivalents	\$ 2,786,298	\$ 1,862,511	\$ 4,966,347	\$ 9,615,156
Property taxes receivable	5,603,358	-	2,414,403	8,017,761
Other taxes receivable	548,609	-	-	548,609
Intergovernmental receivable	-	-	304,611	304,611
Other receivables	3,864,214	-	1,334,253	5,198,467
Prepaid expense	650	-	-	650
Due from other funds	-	10,000	69,558	79,558
Due from component unit, net of reserve	-	-	1,600,000	1,600,000
Inventory	2,554	-	-	2,554
Land held for resale	152,000	6,150,314	21,771	6,324,085
	<u>12,957,683</u>	<u>8,022,825</u>	<u>10,710,943</u>	<u>31,691,451</u>
Total assets	\$	\$	\$	\$
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,052,595	\$ 7,624	\$ 983,702	\$ 2,043,921
Accrued payroll	303,447	-	13,511	316,958
Unearned revenue	4,516,326	-	1,374,790	5,891,116
Other liabilities	309,096	-	61,574	370,670
Due to other funds	-	-	359,281	359,281
	<u>6,181,464</u>	<u>7,624</u>	<u>2,792,858</u>	<u>8,981,946</u>
Total liabilities				
Fund balances				
Nonspendable for inventory	2,554	-	-	2,554
Nonspendable for prepaid items	650	-	-	650
Restricted for special revenue funds	-	-	4,500,645	4,500,645
Restricted for debt service	-	-	1,763,849	1,763,849
Restricted for capital projects	-	1,864,887	31,820	1,896,707
Restricted for land held for resale	152,000	6,150,314	21,771	6,324,085
Restricted for due from component unit	-	-	1,600,000	1,600,000
Unassigned	6,621,015	-	-	6,621,015
	<u>6,776,219</u>	<u>8,015,201</u>	<u>7,918,085</u>	<u>22,709,505</u>
Total fund balances				
Total liabilities and fund balances	\$ <u>12,957,683</u>	\$ <u>8,022,825</u>	\$ <u>10,710,943</u>	\$ <u>31,691,451</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, 2012

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

Total fund balances - governmental funds	\$ 22,709,505
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	19,758,052
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.	(32,327,063)
The net assets of the internal service funds are included in the governmental activities in the statement of net assets.	<u>69,494</u>
Net assets of governmental activities	<u><u>\$ 10,209,988</u></u>

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended April 30, 2012

	General	Downtown Tax Increment Financing Redevelopment Project Area	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 6,166,086	\$ -	\$ 2,755,223	\$ 8,921,309
Taxes - other	3,702,910	-	175,398	3,878,308
Licenses and permits	466,739	-	-	466,739
Intergovernmental	5,601,948	-	1,026,014	6,627,962
Grants	41,746	-	1,832,428	1,874,174
Fines and fees	2,710,765	-	17,012	2,727,777
Interest	2,371	1,098	4,186	7,655
Miscellaneous	310,173	-	174,403	484,576
Total revenues	19,002,738	1,098	5,984,664	24,988,500
Expenditures				
Current				
General government	3,060,489	43,548	-	3,104,037
Administration services	3,828,110	-	19,342	3,847,452
Highway and streets	869,867	-	735,349	1,605,216
Public safety	10,969,389	-	95,119	11,064,508
Culture and recreation	-	-	537,604	537,604
Economic development	1,176,215	-	557,532	1,733,747
Debt service				
Principal retirement	241,160	-	805,000	1,046,160
Interest and other	30,817	-	1,232,121	1,262,938
Capital outlay	28,036	159,874	1,570,160	1,758,070
Total expenditures	20,204,083	203,422	5,552,227	25,959,732
Excess (deficiency) of revenues over expenditures	(1,201,345)	(202,324)	432,437	(971,232)
Other financing sources (uses)				
Gain (loss) on sale of land	-	500	(19,665)	(19,165)
Loan proceeds	2,109,290	-	-	2,109,290
Transfers in	2,030,000	-	161,607	2,191,607
Transfers out	-	(17,049)	(174,558)	(191,607)
Total other financing sources (uses)	4,139,290	(16,549)	(32,616)	4,090,125
Extraordinary item				
State sales tax refund expense	2,109,290	-	-	2,109,290
Net change in fund balance	828,655	(218,873)	399,821	1,009,603
Fund balances, beginning of year	5,947,564	8,234,074	7,518,264	21,699,902
Fund balances, end of year	\$ 6,776,219	\$ 8,015,201	\$ 7,918,085	\$ 22,709,505

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, 2012

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

Net change in fund balances - total governmental funds	\$ 1,009,603
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.	(379,084)
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.	(1,043,207)
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.	(170,861)
Internal service funds are reported separately in the fund financial statements.	<u>(508)</u>
Change in net assets - governmental activities	<u>\$ (584,057)</u>

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Proprietary Funds
Statement of Net Assets
April 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Major Funds</u>			<u>Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,136,075	\$ 2,465,424	\$ 6,601,499	\$ 166,349
Other receivables, net	703,924	168,135	872,059	-
Due from other funds	192,151	87,572	279,723	-
Prepaid expenses	500	-	500	-
Total current assets	<u>5,032,650</u>	<u>2,721,131</u>	<u>7,753,781</u>	<u>166,349</u>
Noncurrent assets				
Land and other capital assets not being depreciated	106,423	-	106,423	-
Capital assets, net of accumulated depreciation	<u>12,055,469</u>	<u>4,322,618</u>	<u>16,378,087</u>	<u>-</u>
Total noncurrent assets	<u>12,161,892</u>	<u>4,322,618</u>	<u>16,484,510</u>	<u>-</u>
Total assets	<u>17,194,542</u>	<u>7,043,749</u>	<u>24,238,291</u>	<u>166,349</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>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 363,797	\$ 47,344	\$ 411,141	\$ 70,570
Accrued payroll	24,459	6,126	30,585	-
Noncurrent liabilities -				
current portion	177,949	139,905	317,854	-
Claims payable	-	-	-	26,285
Total current liabilities	<u>566,205</u>	<u>193,375</u>	<u>759,580</u>	<u>96,855</u>
Noncurrent liabilities	<u>1,836,201</u>	<u>2,501,242</u>	<u>4,337,443</u>	<u>-</u>
Total liabilities	<u>2,402,406</u>	<u>2,694,617</u>	<u>5,097,023</u>	<u>96,855</u>
NET ASSETS				
Invested in capital assets, net of				
related debt	10,700,353	2,784,157	13,484,510	-
Unrestricted	<u>4,091,783</u>	<u>1,564,975</u>	<u>5,656,758</u>	<u>69,494</u>
Total net assets	<u>\$ 14,792,136</u>	<u>\$ 4,349,132</u>	<u>\$ 19,141,268</u>	<u>\$ 69,494</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, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Major Funds			
	Water	Sewer	Total	
Operating revenues				
Charges for sales and services	\$ 5,685,403	\$ 1,073,828	\$ 6,759,231	\$ 345,124
Miscellaneous	7,244	-	7,244	-
Total operating revenues	5,692,647	1,073,828	6,766,475	345,124
Operating expenses				
Operations	2,814,096	483,820	3,297,916	345,714
Depreciation	514,200	121,949	636,149	-
Total operating expenses	3,328,296	605,769	3,934,065	345,714
Operating income	2,364,351	468,059	2,832,410	(590)
Nonoperating revenues (expenses)				
Interest income	2,348	1,522	3,870	82
Interest expense	(70,189)	(73,883)	(144,072)	-
Total nonoperating revenues (expenses)	(67,841)	(72,361)	(140,202)	82
Income before contributions and transfers	2,296,510	395,698	2,692,208	(508)

(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, 2012

	<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>	
Capital contributions	\$ 814,000	\$ -	\$ 814,000	\$ -
Transfers out	<u>(1,600,000)</u>	<u>(400,000)</u>	<u>(2,000,000)</u>	<u>-</u>
Change in net assets	1,510,510	(4,302)	1,506,208	(508)
Net assets, beginning of year	<u>13,281,626</u>	<u>4,353,434</u>	<u>17,635,060</u>	<u>70,002</u>
Net assets, end of year	<u>\$ 14,792,136</u>	<u>\$ 4,349,132</u>	<u>\$ 19,141,268</u>	<u>\$ 69,494</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, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Major Funds			
	Water	Sewer	Total	
Cash flows from operating activities				
Cash received from customers	\$ 5,662,156	1,068,419	\$ 6,730,575	\$ 345,124
Cash payments for goods and services	(1,416,593)	(234,731)	(1,651,324)	(288,488)
Cash payments to employees	(1,285,465)	(357,649)	(1,643,114)	-
Net cash provided by operating activities	2,960,098	476,039	3,436,137	56,636
Cash flows from noncapital financing activities				
Grant revenues	(182,151)	(87,572)	(269,723)	-
Capital contributions	814,000	-	814,000	-
Operating transfers out	(1,600,000)	(400,000)	(2,000,000)	-
Net cash provided by (used in) noncapital financing activities	(968,151)	(487,572)	(1,455,723)	-
Cash flows from capital and related financing activities				
Purchase of equipment and infrastructure	(1,054,666)	(8,477)	(1,063,143)	-
Payment of note payable	(79,823)	-	(79,823)	-
Payment of bond principal	(75,513)	(79,487)	(155,000)	-
Proceeds from loan payable	-	(57,456)	(57,456)	-
Interest paid	(70,189)	(73,883)	(144,072)	-
Net cash used in capital and related financing activities	(1,280,191)	(219,303)	(1,499,494)	-
Cash flows from investing activities				
Interest received	2,348	1,522	3,870	82
Net cash provided by investing activities	2,348	1,522	3,870	82
NET INCREASE (DECREASE) CASH AND CASH EQUIVALENTS	714,104	(229,314)	484,790	56,718
Cash and cash equivalents, beginning of year	3,421,971	2,694,738	6,116,709	109,631
Cash and cash equivalents, end of year	\$ 4,136,075	\$ 2,465,424	\$ 6,601,499	\$ 166,349

(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, 2012

	Business-Type Activities - Enterprise Funds			Governmental
	Major Funds			Activities -
	Water	Sewer	Total	Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 2,364,351	\$ 468,059	\$ 2,832,410	\$ 48,860
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	514,200	121,949	636,149	-
Increase in other receivables	(30,491)	(5,409)	(35,900)	-
Decrease in prepaid expense	(500)	-	(500)	-
Increase in accounts payable	137,279	(69,583)	67,696	21,120
Increase in accrued payroll	(41,457)	(13,325)	(54,782)	-
Decrease in compensated absences payable	16,716	(25,652)	(8,936)	-
Decrease in claims payable	-	-	-	(13,344)
Net cash provided by operating activities	\$ 2,960,098	\$ 476,039	\$ 3,436,137	\$ 56,636

(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, 2012

	<u>Pension Trust Funds</u>			<u>Agency Fund</u>
	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>	<u>Temporary Escrow</u>
ASSETS				
Cash and cash equivalents	\$ 191,775	\$ 60,646	\$ 252,421	\$ 95,473
Investments	16,128,746	8,716,190	24,844,936	-
Interest receivable	<u>72,623</u>	<u>1,761</u>	<u>74,384</u>	<u>-</u>
Total assets	<u>16,393,144</u>	<u>8,778,597</u>	<u>25,171,741</u>	<u>95,473</u>
LIABILITIES				
Accounts payable	3,465	6,331	9,796	-
Escrow funds payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,473</u>
Total liabilities	<u>3,465</u>	<u>6,331</u>	<u>9,796</u>	<u>95,473</u>
PLAN NET ASSETS				
Plan net assets held in trust for pension benefits	<u>\$ 16,389,679</u>	<u>\$ 8,772,266</u>	<u>\$ 25,161,945</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, 2012

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
Additions			
Contributions			
Employer	\$ 701,412	\$ 531,438	\$ 1,232,850
Plan members	<u>391,669</u>	<u>164,984</u>	<u>556,653</u>
Total contributions	<u>1,093,081</u>	<u>696,422</u>	<u>1,789,503</u>
Investment earnings			
Interest and dividends	425,764	193,072	618,836
Net change in fair value of investments	<u>(666,096)</u>	<u>176,004</u>	<u>(490,092)</u>
Total investment earnings	(240,332)	369,076	128,744
Less investment expenses	<u>113,616</u>	<u>30,940</u>	<u>144,556</u>
Net investment income (loss)	<u>(353,948)</u>	<u>338,136</u>	<u>(15,812)</u>
Total additions	<u>739,133</u>	<u>1,034,558</u>	<u>1,773,691</u>
Deductions			
Administration	50,833	48,379	99,212
Benefits	1,593,229	1,027,968	2,621,197
Refunds of contributions	<u>24,076</u>	<u>5,862</u>	<u>29,938</u>
Total deductions	<u>1,668,138</u>	<u>1,082,209</u>	<u>2,750,347</u>
Change in net assets	(929,005)	(47,651)	(976,656)
Net assets held in trust for pension benefits			
Beginning of year	<u>17,318,684</u>	<u>8,819,917</u>	<u>26,138,601</u>
End of year	<u>\$ 16,389,679</u>	<u>\$ 8,772,266</u>	<u>\$ 25,161,945</u>

The accompanying notes are an integral part of this statement.

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City of North Chicago, Illinois
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April 30, 2012

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City of North Chicago, Illinois

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City of North Chicago, Illinois

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April 30, 2012

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City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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 and is financially interdependent on the City. 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 services.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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 City (internal service funds).

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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, 2012

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 all of its proprietary funds as major funds, as detailed below:

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, 2012

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 8%.

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, 2012

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, 2012

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. If an employee has accumulated hours in excess of 560 hours, all such excess hours will be paid at one-half the employee's hourly salary at the beginning of each fiscal year. The City has \$1,917,284 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, 2012

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. 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 2011 levy year are payable in two installments on or about June 1, 2012 and September 1, 2012.

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.

16. 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.

17. 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, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. Fund Balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), which was adopted by the City as of the fiscal year ended April 30, 2012. In the fund financial statements, governmental funds now report five components of fund balance: nonspendable, restricted, committed, assigned, and unassigned.

- a. *Nonspendable* - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The nonspendable in form criteria includes items that are not expected to be converted to cash such as prepaid items or inventories.
- b. *Restricted* - refers to amounts that are subject to outside restrictions such as creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through enabling legislation. Special revenue funds are by definition restricted for those specified purposes.
- c. *Committed* - refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority (the City Council). The City Council commits fund balances by passing a resolution. Amounts committed cannot be used for any purpose unless the City removes or changes the specific use by taking the same type of formal action it employed to previously commit those funds. The City has no committed fund balances at April 30, 2012.
- d. *Assigned* - refers to amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted or committed. Intent may be expressed by the City Council or the individual the City Council delegates the authority to assign amounts to be used for specific purposes. The City Council delegated this authority to the Comptroller. The City has no assigned fund balances at April 30, 2012.
- e. *Unassigned* - refers to all spendable amounts not contained in the other four classifications described above. In funds other than the general fund, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally they act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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	\$ (24,220,000)
Note payable to Lake Forest Bank	(672,049)
Note payable to State of Illinois, Office of the State Fire Marshal	(60,000)
Note payable to Illinois Department of Revenue	(2,038,890)
Component unit note payable	(339,471)
Bond issuance premium	(345,107)
Deferred bond issuance charges	390,512
Compensated absences payable	(1,917,284)
Other postemployment benefits obligation	(66,579)
Lawsuit settlement liability	(55,700)
Net pension obligation	<u>(3,002,495)</u>
Net adjustment to reduce total fund balances - governmental funds to arrive net assets of governmental activities	<u>\$ (32,327,063)</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, 2012

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	\$ (1,210,062)
Capital outlay	<u>830,978</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets - governmental activities	<u>\$ (379,084)</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	\$ 1,066,083
Issuance of long-term debt	<u>(2,109,290)</u>
Net long-term debt adjustment to decrease net change in fund balances - funds to arrive at change in net assets - governmental activities	<u>\$ (1,043,207)</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	\$ 278,041
Amortization of bond issuance premium	40,221
Amortization of deferred bond issuance charges	(31,918)
Net other postemployment benefits obligation	(21,276)
Lawsuit settlement liability	4,300
Net fire and police pension fund obligation	<u>(440,229)</u>
Net current adjustment to increase net change in fund balances - total funds to arrive at change in net assets - governmental activities	<u>\$ (170,861)</u>

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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 or appropriately collateralized
- Obligations of the U.S. Treasury or its agencies
- Interest-Bearing Saving Accounts insured up to \$250,000 by the Federal Deposit Insurance Corporation or appropriately collateralized
- Money Market Mutual Funds registered by the SEC
- The Illinois Funds

The deposits and investments of the Pension Funds are held separately from those of other City funds. Statutes and the Pension Funds' 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, 2012

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

As of April 30, 2012, 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	\$ 16,383,004	\$ 25,192,830	\$ 41,575,834

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>Total</u>
Cash on hand	\$ 6,400
Deposits with financial institutions - City	13,232,358
Deposits with financial institutions - Police and Firefighters' Pension Funds	438,236
Deposits with financial institutions - Temporary Escrow Fund	95,473
The Illinois Funds - City	3,144,246
Investments - Police and Firefighters' Pension Funds	<u>24,659,121</u>
Total	<u>\$ 41,575,834</u>

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

As of April 30, 2012, 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	\$ 5,083,099	\$ -	\$ 995,424	\$ 1,762,243	\$ 2,325,432
Money Market Mutual Funds	1,815,772	1,815,772	-	-	-
Corporate bonds	2,462,197	-	2,462,197	-	-
	9,361,068	<u>\$ 1,815,772</u>	<u>\$ 3,457,621</u>	<u>\$ 1,762,243</u>	<u>\$ 2,325,432</u>
Equity Mutual Funds	3,373,273				
Insurance Company Contracts	6,037,377				
Equity Securities	<u>5,887,403</u>				
	<u>\$ 24,659,121</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, 2012

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 balances of the City's deposits with financial institutions, were not exposed to custodial credit risk, as they were fully insured or collateralized as of April 30, 2012.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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, 2012, 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, 2012, 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, 2012, the Police Pension Fund's investments in Sunlife/Keyport Financial Insurance Contracts of \$1,476,935, MetLife Insurance Contracts of \$826,856, and AXA Equitable Insurance Contracts of \$1,204,755 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, 2012 the Firefighters' Pension Fund has over 5% of plan net assets invested in Triad Advisors money market fund, \$712,902, 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, 2012

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, 2012 are shown as follows:

	<u>Due From</u>	<u>Due To</u>
Major Governmental Funds		
Downtown Tax Increment Financing Redevelopment Project Area	\$ -	\$ 10,000
Major Enterprise Funds		
Water Fund	-	192,151
Sewer Fund	-	87,572
Nonmajor Governmental Funds	<u>289,723</u>	<u>-</u>
	289,723	289,723
Less amounts eliminated during GASB 34 adjustments	<u>(10,000)</u>	<u>(10,000)</u>
Total internal balances as shown on the statement of net assets	<u>\$ 279,723</u>	<u>\$ 279,723</u>

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2012 was as follows:

1. Governmental Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 2,831,841	\$ -	\$ -	\$ 2,831,841
Construction in progress	<u>101,366</u>	<u>148,164</u>	<u>249,530</u>	<u>-</u>
 Total capital assets not being depreciated	 <u>2,933,207</u>	 <u>148,164</u>	 <u>249,530</u>	 <u>2,831,841</u>
 Capital assets being depreciated				
Land improvements	145,900	251,274	-	397,174
Buildings and improvements	4,765,431	-	-	4,765,431
Infrastructure	21,399,848	463,767	216,994	21,646,621
Library collections	831,565	69,901	34,405	867,061
Machinery and equipment	<u>7,703,653</u>	<u>147,402</u>	<u>131,375</u>	<u>7,719,680</u>
 Total capital assets being depreciated	 <u>34,846,397</u>	 <u>932,344</u>	 <u>382,774</u>	 <u>35,395,967</u>
 Less accumulated depreciation for				
Land improvements	145,900	6,282	-	152,182
Buildings and improvements	2,800,351	94,492	-	2,894,843
Infrastructure	9,072,301	557,316	216,994	9,412,623
Library collections	627,693	61,589	34,405	654,877
Machinery and equipment	<u>4,996,223</u>	<u>490,383</u>	<u>131,375</u>	<u>5,355,231</u>
 Total accumulated depreciation	 <u>17,642,468</u>	 <u>1,210,062</u>	 <u>382,774</u>	 <u>18,469,756</u>
 Total capital assets being depreciated, net	 <u>17,203,929</u>	 <u>(277,718)</u>	 <u>-</u>	 <u>16,926,211</u>
 Governmental activities capital assets, net	 <u>\$ 20,137,136</u>	 <u>\$ (129,554)</u>	 <u>\$ 249,530</u>	 <u>\$ 19,758,052</u>

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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	-	143,278	39,290	103,988
	2,435	143,278	39,290	106,423
Total capital assets not being depreciated	2,435	143,278	39,290	106,423
Capital assets being depreciated				
Land improvements	209,813	-	-	209,813
Buildings	7,996,317	67,900	-	8,064,217
Machinery and equipment	15,708,157	860,442	28,000	16,540,599
Underground equipment	15,050,893	30,813	-	15,081,706
	38,965,180	959,155	28,000	39,896,335
Total capital assets being depreciated	38,965,180	959,155	28,000	39,896,335
Less accumulated depreciation for				
Land improvements	84,675	6,854	-	91,529
Buildings	3,398,127	170,514	-	3,568,641
Machinery and equipment	10,266,460	245,330	28,000	10,483,790
Underground equipment	9,160,837	213,451	-	9,374,288
	22,910,099	636,149	28,000	23,518,248
Total accumulated depreciation	22,910,099	636,149	28,000	23,518,248
Total capital assets being depreciated, net	16,055,081	323,006	-	16,378,087
Business-type activities capital assets, net	\$ 16,057,516	\$ 466,284	\$ 39,290	\$ 16,484,510

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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	\$ 187,014
Police	159,118
Fire	209,273
Public works	557,316
Library	<u>97,341</u>
 Total depreciation expense - governmental activities	 \$ <u><u>1,210,062</u></u>
 Business-type activities	
Water	\$ 514,200
Sewer	<u>121,949</u>
 Total depreciation expense - business-type activities	 \$ <u><u>636,149</u></u>

4. Construction Commitments

The City has certain contracts in various funds for construction projects which were in progress at April 30, 2012. Remaining commitments under these contracts approximated \$727,000.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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, 2012:

	<u>Beginning Balance</u>	<u>Additions/ Issuances</u>	<u>Reductions/ Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds					
Series 2005A	\$ 8,950,000	\$ -	\$ 475,000	\$ 8,475,000	\$ 510,000
Series 2007A	2,475,000	-	135,000	2,340,000	150,000
Series 2007B	4,740,000	-	-	4,740,000	-
Series 2007C	8,860,000	-	195,000	8,665,000	225,000
Bond issuance					
premium	385,328	-	40,221	345,107	40,221
Compensated					
absences	2,195,325	-	278,041	1,917,284	35,287
Other postemploy-					
ment benefits	45,303	47,443	26,167	66,579	-
Lawsuit settlement					
liability	60,000	-	4,300	55,700	7,800
Note payable to					
Lake Forest Bank	842,732	-	170,683	672,049	177,703
Note payable to State					
of Illinois, Office of					
the State Fire Marshal	80,000	-	20,000	60,000	20,000
Note payable to Illinois					
Department of Revenue	-	2,109,290	70,400	2,038,890	211,200
Component unit note					
payable	339,471	-	-	339,471	-
Net fire and police					
pension					
obligation	<u>2,562,266</u>	<u>1,625,024</u>	<u>1,184,795</u>	<u>3,002,495</u>	<u>-</u>
Governmental					
activity long-term					
liabilities	<u>\$ 31,535,425</u>	<u>\$ 3,781,757</u>	<u>\$ 2,599,607</u>	<u>\$ 32,717,575</u>	<u>\$ 1,377,211</u>

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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	\$ 3,155,000	\$ -	\$ 155,000	\$ 3,000,000	\$ 160,000
Note payable to					
Abbott					
Laboratories	547,722	-	79,823	467,899	100,000
Note payable to					
Illinois Environ-					
mental Protection					
Agency	1,128,148	398	57,854	1,070,692	57,854
Compensated					
absences					
	125,642	8,935	17,871	116,706	-
Business-type activity					
long-term					
liabilities	\$ 4,956,512	\$ 9,333	\$ 310,548	\$ 4,655,297	\$ 317,854

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 City. General obligation bonds currently outstanding are as follows:

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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%. \$ 8,475,000

\$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%. 2,340,000

\$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%. 8,665,000

Total governmental activities general obligation bonds outstanding 24,220,000

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%. 3,000,000

Total general obligation bonds outstanding \$ 27,220,000

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

NOTE F - LONG-TERM DEBT (Continued)

2. General Obligation Bonds (Continued)

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

Year Ending April 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	1,220,000	1,002,185	185,000	111,875
2018-2022	8,100,000	3,895,632	1,075,000	406,875
2023-2027	5,200,000	1,939,724	1,070,000	110,000
2028-2032	2,680,000	942,351	-	-
2033-2037	2,670,000	423,228	-	-
2038	300,000	6,525	-	-
Total	<u>\$ 24,220,000</u>	<u>\$ 12,742,765</u>	<u>\$ 3,000,000</u>	<u>\$ 1,147,633</u>

3. Note Payable to Lake Forest Bank

In November 2009, the City entered into a master commitment with Lake Forest Bank, in the total amount of \$979,973, to be used for financing the acquisition of police vehicles, public works vehicles, and IT hardware and relocation. 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, 2012 is \$672,049.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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 April 30,	Governmental Activities	
	Principal	Interest
2013	\$ 177,703	\$ 24,598
2014	185,018	17,282
2015	192,637	9,661
2016	116,691	1,897
Total	<u>\$ 672,049</u>	<u>\$ 53,438</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, 2012 is \$60,000.

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, 2012 is \$467,899. 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.

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 \$1,752,856, to be used to reimburse the Illinois Department of Transportation (IDOT) for sanitary sewer replacement construction costs. Semi-annual principal payments of \$28,927 commenced on October 20, 2011. The note is non interest bearing. The balance due to IEPA at April 30, 2012 is \$1,070,692.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

NOTE F - LONG-TERM DEBT (Continued)

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 \$55,700 has been recorded as a liability at April 30, 2012.

8. Note Payable to Illinois Department of Revenue

In January 2012, the City was notified by the State of Illinois that \$2,109,290 in local sales tax was reported to the Department in error by a retailer in the City. The sales tax was previously distributed by the State to the City. As such, the City is liable for repayment of the local sales tax to the State. Due to the sizeable amount of the repayment, a monthly installment repayment plan was accepted. Monthly payments commenced January 2012, with \$17,600 for 120 months being deducted from the City's regular monthly sales tax distribution. Further, under the Economic Development Agreement between Abbott Laboratories Purchasing Company (ALPC) and the City, the City paid ALPC 50% or \$1,054,645 for the local sales tax refund. As such, the City considers ALPC liable for 50% or \$1,054,645 for the repayment of the refund to the State. The claim against the City from the State for \$2,109,290 is recorded as a liability. In addition, the City has recorded a receivable from ALPC of \$1,054,645, which is the ALPC portion of the amount due back to the State. At April 30, 2012, the City is obligated for future payments under the note payable as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Principal</u>
2013	\$ 211,200
2014	211,200
2015	211,200
2016	211,200
2017	211,200
2018 - 2022	<u>982,890</u>
Total	<u>\$ 2,038,890</u>

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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, 2012 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		
Sewer Fund	\$ 400,000	\$ -
Water Fund	1,600,000	-
Community Development Block Grant Fund	30,000	-
Total General Fund	<u>2,030,000</u>	<u>-</u>
Special revenue funds		
Tax Increment Financing Fund		
Lake County Brownsfield Grants Fund	-	16,682
Capital Improvement Fund	-	367
Grant Place Operating Fund		
Grant Place Retail Center Debt Service 2007C		69,558
Motor Fuel Tax Fund		
Community Development Block Grant Fund	75,000	-
Community Development Block Grant Fund		
Motor Fuel Tax Fund	-	75,000
General Fund	-	30,000
Total special revenue funds	<u>75,000</u>	<u>191,607</u>

(Continued)

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

NOTE G - INTERFUND TRANSFERS (Continued)

	<u>Transfer In</u>	<u>Transfer Out</u>
Capital projects funds		
Lake County Brownsfield Grants Fund		
Tax Increment Financing Fund	\$ 16,682	\$ -
Capital Improvement Fund		
Tax Increment Financing Fund	367	-
Total capital projects funds	<u>17,049</u>	<u>-</u>
Debt service funds		
Grant Place Operating Fund	<u>69,558</u>	<u>-</u>
Total debt service funds	<u>69,558</u>	<u>-</u>
Enterprise funds		
Sewer Fund		
General Fund	-	400,000
Water Fund		
General Fund	<u>-</u>	<u>1,600,000</u>
Total enterprise funds	<u>-</u>	<u>2,000,000</u>
Total all funds	<u>2,191,607</u>	<u>2,191,607</u>
Less amounts eliminated during GASB 34 adjustments	<u>(191,607)</u>	<u>(191,607)</u>
Total transfers	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

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.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

NOTE I - DEFINED BENEFIT PENSION PLANS

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

1. Illinois Municipal Retirement Fund

a. Plan Description

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

b. Funding Policy

As set by statute, the City's regular plan members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2011 was 9.76% 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, 2012

NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

1. Illinois Municipal Retirement Fund (Continued)

c. Annual Pension Cost

Information related to the employer's contributions are on a fiscal year basis. The actuarial and trend information are on a calendar basis as that is the year used by the IMRF. The required contribution for the fiscal year 2012 was \$440,143.

<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>
4/30/12	\$ 440,143	100%	\$ -
4/30/11	459,612	100%	-
4/30/10	357,106	100%	-

The required contribution for 2011 was determined as part of the December 31, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009 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, 2009 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, 2011, the most recent actuarial valuation date, the regular plan was 87.79% funded. The actuarial accrued liability for benefits was \$10,280,457 and the actuarial value of assets was \$9,025,155, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,255,302. The covered payroll for year 2011 (annual payroll of active employees covered by the plan) was \$4,608,949, and the ratio of the UAAL to covered payroll was 27%.

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, 2012

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	47	26
Active plan members	<u>56</u>	<u>29</u>
Total participants	<u><u>103</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, 2012

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, 2012, 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 Plan at 1850 Lewis Avenue, North Chicago, IL 60064.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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) 7.25% investment rate of return, compounded annually including a 2.50% 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 30 years. The asset valuation method was a market value method.

The actuarial assumptions for the Firefighters' Pension Fund included (a) 7.0% investment rate of return, compounded annually including a 3% inflation factor and (b) projected salary increase of 5.0%, compounded annually including a 3% inflation factor. The actuarial cost method was entry age normal. The amortization method was level of percent of pay, closed. The amortization target was 100% funded in year 2040. The asset valuation method was a market value method.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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, 2011) performed by the City's actuary and estimate of the actuary through April 30, 2012 as follows:

	<u>Police</u>	<u>Firefighters'</u>	<u>Total</u>
Annual required contribution	\$ 1,005,324	\$ 573,496	\$ 1,578,820
Interest on net pension obligation	96,200	95,969	192,169
Adjustment to annual required contribution	<u>(73,070)</u>	<u>(72,895)</u>	<u>(145,965)</u>
Annual pension cost	1,028,454	596,570	1,625,024
Contributions made	<u>(674,945)</u>	<u>(509,850)</u>	<u>(1,184,795)</u>
Increase in net pension obligation	353,509	86,720	440,229
Net pension obligation at May 1, 2011	<u>1,282,673</u>	<u>1,279,593</u>	<u>2,562,266</u>
Net pension obligation at April 30, 2012	<u>\$ 1,636,182</u>	<u>\$ 1,366,313</u>	<u>\$ 3,002,495</u>

The above net pension obligation figures were derived from the most recent actuarial report prepared by the City's independent actuary. 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, 2012

NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

2. Police and Firefighters' Pension Plans (Continued)

f. Funded Status and Funding Progress

As of April 30, 2012, the most recent actuarial valuation date, the Police Pension's plan was 51.10 percent funded. The actuarial accrued liability for benefits was \$35,358,720, and the actuarial value of assets was \$18,068,424, resulting in an unfunded actuarial accrued liability (UAAL) of \$17,290,296. The covered payroll (annual payroll of active police officers covered by the plan) was \$3,946,967, and the ratio of the UAAL to the covered payroll was 438.07%.

As of April 30, 2012, the most recent actuarial date, the Firefighters' Pension plan was 43.85 percent funded. The actuarial accrued liability for benefits was \$20,568,832, and the actuarial value of assets was \$9,018,550, resulting in a UAAL of \$11,550,282. The covered payroll (annual payroll of active firefighters covered by the plan) was \$2,014,259, and the ratio of the UAAL to the covered payroll was 573.43%.

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	04/30/11	\$ 1,028,454	\$ 1,028,454	65.6%	\$ 1,636,182
	04/30/10	1,024,897	1,024,897	62.2%	1,282,673
	04/30/08	727,797	727,797	41.3%	895,478
Firefighters'	04/30/11	\$ 596,570	\$ 596,570	85.5%	\$ 1,366,313
	04/30/10	598,858	598,858	80.1%	1,279,593
	04/30/08	531,636	531,636	58.9%	1,160,330

The above net pension obligation figures were derived from the most recent actuarial report prepared by the City's independent actuary.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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, 2012, membership in the Plan consisted of the following:

	<u>Membership</u>
Retirees and beneficiaries receiving benefits	7
Terminated employees entitled to, but not yet receiving, benefits	-
Active vested plan members	83
Active nonvested plan members	<u>75</u>
Total membership	<u><u>165</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 premium to the health insurance 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, 2012, retirees contributed \$26,167, 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, 2012

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, 2012. 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, 2012.

	Amount
Annual Required Contribution (ARC)	\$ 47,141
Interest on net OPEB obligation	1,812
Adjustment to annual required contribution	(1,510)
Annual OPEB cost	47,443
Contributions made	(26,167)
Increase in OPEB obligation	21,276
Net OPEB obligation at May 1, 2011	45,303
Net OPEB obligation at April 30, 2012	\$ 66,579

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 2012 are as follows:

<u>Trend Information - Other Postemployment Benefits</u>			
Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation
04/30/12	\$ 47,443	55.20%	\$ 66,579
04/30/11	48,099	68.80%	45,303
04/30/10	47,852	69.10%	30,291

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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 April 30, 2012

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*	4.00%
Projected salary increases	4.00%
Healthcare inflation rate	8.00% initial 6.00% ultimate

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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

5. Funding Policy and Actuarial Assumptions (Continued)

Mortality, Turnover, Disability, Retirement Ages	Same rates 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: 40% of premium to age 65 Premium: (50% of \$416/mo + 50% of \$653/mo)

*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.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

NOTE K - RESTRICTIONS BY ENABLING LEGISLATION

The government-wide statement of net assets reports \$3,555,856 of net assets restricted by enabling legislation which consists of the following:

Road maintenance (Motor Fuel Tax)	\$ 1,438,634
Drug law enforcement	25,477
Emergency phone	256,338
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2005A	1,247,693
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2007A	112,494
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2007B	111,551
Grant Place Retail Center Debt Service 2007C	<u>363,669</u>
Total government-wide net assets restricted by enabling legislation	<u>\$ 3,555,856</u>

NOTE L - RISK MANAGEMENT - SELF-INSURED DENTAL AND VISION

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

The City self-insures dental and vision insurance claims up to \$1,000 and \$350 per covered employee per year, respectively. The City accounts for this health insurance activity in the separate Dental and Vision Fund. As of the date of this report, the City has accrued \$26,285 in the Dental and Vision Fund relating to the City's estimate of losses resulting from these claims.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

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

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

	<u>2012</u>	<u>2011</u>
Unpaid claims, beginning of fiscal year	\$ 39,629	\$ 31,021
Incurred claims including claims incurred but not yet reported (IBNRs)	158,639	154,494
Claim payments	<u>(171,983)</u>	<u>(145,886)</u>
Unpaid claims, end of fiscal year	<u>\$ 26,285</u>	<u>\$ 39,629</u>

NOTE M - 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. The City has accrued \$250,000 (the liability insurance deductible) in the General Fund for lawsuits in which it is more likely than not that the City will be liable for damages. The amount is included in other liabilities in the statement of net assets and the governmental balance sheet.

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.

NOTE N - 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 2012. In response to this, the City established a reserve of \$5,384,794 against the due from component unit balance, as the Grant Place Retail Center building is the only significant asset Five Points Economic Development Corporation has to use for repayment of this receivable balance.

City of North Chicago, Illinois

Notes to the Financial Statements

April 30, 2012

NOTE O - 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, 2012. The loans receivable, net of the allowance, are \$126,887 at April 30, 2012.

2. Capital Assets

Capital asset activity for the year ended April 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 243,100	\$ -	\$ -	\$ 243,100
Buildings and improvements	1,356,900	-	-	1,356,900
 Total capital assets not being depreciated	 \$ 1,600,000	 \$ -	 \$ -	 \$ 1,600,000

NOTE P - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 7, 2012, the date these financial statements were available to be issued. Management has determined that no events or transactions have occurred subsequent to the balance sheet date that require disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

City of North Chicago, Illinois

Illinois Municipal Retirement Fund

Schedule of Funding Progress

Required Supplementary Information

April 30, 2012

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
12/31/2011	\$ 9,025,155	\$ 10,280,457	\$ 1,255,302	87.79 %	\$ 4,608,949	27.24 %
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

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$8,589,876. On a market basis, the funded ratio would be 83.56%.

City of North Chicago, Illinois

Other Postemployment Benefits

Schedule of Funding Progress

Required Supplementary Information

April 30, 2012

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>
4/30/2012	\$ -	\$ 623,220	\$ 623,220	0.00 %
4/30/2011 ¹	-	797,655	797,655	0.00
4/30/2010 ¹	-	797,655	797,655	0.00

No valuation was performed for fiscal years ended April 30, 2011 or April 30, 2010.

¹ Results from last available actuarial study.

City of North Chicago, Illinois
 Police Pension Fund and Firefighters' Pension Fund
 Schedules of Funding Progress
 Required Supplementary Information
April 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
<u>Police Pension Fund</u>						
4/30/2011*	\$ 18,068,424	\$ 35,358,720	\$ 17,290,296	51.10 %	\$ 3,946,967	438.07 %
4/30/2010	17,484,677	32,887,292	15,402,615	53.17	3,718,278	414.24
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
<u>Firefighters' Pension Fund</u>						
4/30/2011*	\$ 8,819,917	\$ 18,301,438	\$ 9,481,521	48.19 %	\$ 1,919,171	494.04 %
4/30/2010	8,761,910	17,156,162	8,394,252	51.07	1,857,776	451.84
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

* Most recent actuarial valuation date

Note: April 30, 2009 information is not available.

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, 2012

	Original and Final Budget	Actual	Variance from Final Budget
Revenues			
Property taxes	\$ 5,316,093	\$ 6,166,086	\$ 849,993
Taxes - other	3,714,977	3,702,910	(12,067)
Licenses and permits	387,250	466,739	79,489
Intergovernmental	5,557,202	5,601,948	44,746
Grants	-	41,746	41,746
Fines and fees	2,510,795	2,710,765	199,970
Interest	3,000	2,371	(629)
Miscellaneous	196,606	310,173	113,567
Total revenues	<u>17,685,923</u>	<u>19,002,738</u>	<u>1,316,815</u>
Expenditures			
General government			
Mayor's office	227,458	179,580	47,878
City Clerk's office	160,724	156,888	3,836
Legislative	190,052	174,437	15,615
City Treasurer	41,580	38,358	3,222
Comptroller	569,492	504,188	65,304
Information technology	474,689	432,930	41,759
Human resources	247,793	221,996	25,797
Building and community development	697,275	1,205,906	(508,631)
Buildings and grounds department	243,643	216,665	26,978
Total general government	<u>2,852,706</u>	<u>3,130,948</u>	<u>(278,242)</u>
Administration services	<u>4,255,925</u>	<u>3,828,110</u>	<u>427,815</u>
Highway and streets	<u>1,046,832</u>	<u>952,314</u>	<u>94,518</u>

(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, 2012

	<u>Original and Final Budget</u>	<u>2012 Actual</u>	<u>Variance from Final Budget</u>
Expenditures (continued)			
Public safety			
Police department	\$ 7,532,528	\$ 8,091,038	\$ (558,510)
Fire department	3,068,602	2,942,736	125,866
Civil defense -ESDA	9,000	5,560	3,440
Total public safety	<u>10,610,130</u>	<u>11,039,334</u>	<u>(429,204)</u>
Economic development			
Economic development department	343,218	341,677	1,541
Economic development incentive	935,000	841,300	93,700
Total economic development	<u>1,278,218</u>	<u>1,182,977</u>	<u>95,241</u>
Debt service	-	70,400	(70,400)
Total expenditures	<u>20,043,811</u>	<u>20,204,083</u>	<u>(160,272)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,357,888)</u>	<u>(1,201,345)</u>	<u>1,156,543</u>
Other financing sources			
Loan proceeds	-	2,109,290	2,109,290
Transfers in	2,030,000	2,030,000	-
Total other financing sources	<u>2,030,000</u>	<u>4,139,290</u>	<u>2,109,290</u>
Extraordinary item			
State sales tax refund expense	-	2,109,290	(2,109,290)
Net change in fund balance	<u>\$ (327,888)</u>	828,655	<u>\$ 5,375,123</u>
Fund balance, beginning of year		<u>5,947,564</u>	
Fund balance, end of year		<u>\$ 6,776,219</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, 2012

	Original and Final Budget	Actual	Variance from Final Budget
Revenues			
Interest	\$ 2,000	\$ 1,098	\$ (902)
Total revenues	<u>2,000</u>	<u>1,098</u>	<u>(902)</u>
Expenditures			
General government			
Other professional services	75,000	43,548	31,452
Capital projects	<u>1,670,422</u>	<u>159,874</u>	<u>1,510,548</u>
Total expenditures	<u>1,745,422</u>	<u>203,422</u>	<u>1,542,000</u>
Deficiency of revenues over expenditures	<u>(1,743,422)</u>	<u>(202,324)</u>	<u>1,541,098</u>
Other financing sources (uses)			
Gain on the sale of land	-	500	500
Transfers out	<u>(96,578)</u>	<u>(17,049)</u>	<u>79,529</u>
Total other financing sources (uses)	<u>(96,578)</u>	<u>(16,549)</u>	<u>80,029</u>
Net change in fund balance	\$ <u>(1,840,000)</u>	(218,873)	\$ <u>1,621,127</u>
Fund balance, beginning of year		<u>8,234,074</u>	
Fund balance, end of year		\$ <u>8,015,201</u>	

City of North Chicago, Illinois
Notes to the Required Supplementary Information
April 30, 2012

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. The annual appropriation exceeded the annual budget by approximately 8%.

Budget amounts are used in the various budget to actual schedules for comparative purposes

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 no amendments made to the fiscal year budget.

Expenditures exceeded budgets in the following funds for the year ended April 30, 2012:

	Final Budget		Actual		Excess of Expenditures Over Budget
	<u> </u>		<u> </u>		<u> </u>
General Fund	\$ 20,043,811	\$	22,313,373	\$	2,269,562
Downtown Tax Increment Financing Redevelopment					
Project Area Debt Service 2005A Fund	887,775		887,840		65
Downtown Tax Increment Financing Redevelopment					
Project Area Debt Service 2007A Fund	229,150		231,895		2,745
Downtown Tax Increment Financing Redevelopment					
Project Area Debt Service 2007B Fund	205,610		205,655		45
MMC Water Improvements Fund	738,864		744,613		5,749
Grant Place Retail Center Debt Service 2007C Fund	711,652		781,275		69,623
Grant Place Operating	124,981		138,302		13,321
DCEO Water VFD	59,764		59,769		5

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, 2012

	Original and Final Budget	Actual	Variance from Final Budget
	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>
Property taxes			
Real estate taxes	\$ 4,069,961	\$ 4,718,463	\$ 648,502
Real estate taxes - Firefighters' and Police pensions	<u>1,246,132</u>	<u>1,447,623</u>	<u>201,491</u>
Total property taxes	<u>5,316,093</u>	<u>6,166,086</u>	<u>849,993</u>
Taxes - other			
Hotel/motel tax	170,000	128,891	(41,109)
Real estate transfer tax	40,000	155,314	115,314
Food and beverage tax	250,000	229,118	(20,882)
Municipal motor fuel tax	310,000	302,556	(7,444)
Self storage facility tax	20,000	24,703	4,703
Utility tax	1,375,000	1,363,667	(11,333)
Simplified telecommunications tax	1,075,000	971,576	(103,424)
Local use tax	429,977	471,350	41,373
Road and bridge tax	<u>45,000</u>	<u>55,735</u>	<u>10,735</u>
Total taxes - other	<u>3,714,977</u>	<u>3,702,910</u>	<u>(12,067)</u>
Total property taxes and taxes - other	<u>9,031,070</u>	<u>9,868,996</u>	<u>837,926</u>
Licenses and permits			
Amusement tax license	2,000	1,600	(400)
Barber license	1,100	1,017	(83)
Contractors license	12,500	19,910	7,410
Pet tag license	350	1,615	1,265
Dry cleaner license	500	1,250	750
Garage/gas station license	4,000	3,100	(900)
Liquor license	28,000	38,628	10,628
Pool hall license	600	1,000	400
Restaurant license	2,000	3,115	1,115
Taxi class B license	30,000	37,000	7,000

(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, 2012

	Original and Final Budget	Actual	Variance from Final Budget
Licenses and permits (continued)			
Tobacco license	\$ 750	\$ 825	\$ 75
Business license	55,000	36,467	(18,533)
Landlord license	15,000	27,606	12,606
Prop. Vacancies registration	2,500	21,520	19,020
Juke box and vending permits	6,000	7,985	1,985
Sign permits	5,000	2,495	(2,505)
Building permits	100,000	101,041	1,041
Rezoning variance permits	1,000	55	(945)
Miscellaneous permits	17,950	11,705	(6,245)
Vehicle stickers			
Truck	15,000	16,210	1,210
Other	3,000	3,850	850
Occupancy permits	25,000	56,525	31,525
Hazardous materials permits	35,000	38,500	3,500
Taxi A drivers license	20,000	23,850	3,850
Taxi inspection fees	5,000	9,870	4,870
	<hr/>	<hr/>	<hr/>
Total licenses and permits	387,250	466,739	79,489
	<hr/>	<hr/>	<hr/>
Intergovernmental			
State income tax	2,508,198	2,759,867	251,669
Sales tax	2,815,000	2,568,921	(246,079)
State - street maintenance (IDOT)	14,232	-	(14,232)
Replacement tax - state	205,772	263,389	57,617
North Chicago Housing Authority	14,000	9,771	(4,229)
	<hr/>	<hr/>	<hr/>
Total intergovernmental	5,557,202	5,601,948	44,746
	<hr/>	<hr/>	<hr/>
Grants	-	41,746	41,746
	<hr/>	<hr/>	<hr/>

(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, 2012

	Original and Final Budget	Actual	Variance from Final Budget
Fines and fees			
Lien fees	\$ 35,000	\$ 120,361	\$ 85,361
Photocopies	4,000	4,649	649
Code books and maps	-	4,930	4,930
Fire service charges			
Fire inspections	12,000	10,200	(1,800)
Ambulance fees	250,000	256,812	6,812
Policing charges			
Parking fines	35,000	18,557	(16,443)
Police fines	75,000	-	(75,000)
Redflex fines	280,000	422,938	142,938
Adjudication fines	275,000	168,698	(106,302)
Adjudication fines - Redflex	-	-	-
Adjudication court costs	7,500	7,900	400
Police services fees	202,735	416,091	213,356
Alarm service fees	60,560	16,725	(43,835)
Magistrate	225,000	264,288	39,288
Building fines and penalties	1,000	-	(1,000)
Cable franchise fees	100,000	111,625	11,625
Railroad parking lot pass fees	75,000	38,372	(36,628)
Community day fees	75,000	63,454	(11,546)
Garbage fees	798,000	785,165	(12,835)
	<hr/>	<hr/>	<hr/>
Total fines and fees	2,510,795	2,710,765	199,970
	<hr/>	<hr/>	<hr/>
Interest	3,000	2,371	(629)
	<hr/>	<hr/>	<hr/>
Miscellaneous			
Cable land use lease	86,000	102,265	16,265
Miscellaneous	84,000	125,960	41,960

(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, 2012

	Original and Final Budget	Actual	Variance from Final Budget
Miscellaneous (continued)			
Worker's compensation reimbursements	\$ 5,000	\$ 21,817	\$ 16,817
Train station lease	14,160	14,610	450
Fieldcrest development	600	600	-
Abbott IL Revenue Claim	-	35,200	35,200
Donations and contributions	6,846	6,600	(246)
Reimbursements	-	3,121	3,121
	<u>196,606</u>	<u>310,173</u>	<u>113,567</u>
Total miscellaneous			
	<u>196,606</u>	<u>310,173</u>	<u>113,567</u>
Total revenues	<u>17,685,923</u>	<u>19,002,738</u>	<u>1,316,815</u>
Other financing sources			
Loan proceeds	-	2,109,290	2,109,290
Transfer in from Water Fund	1,600,000	1,600,000	-
Transfer in from Sewer Fund	400,000	400,000	-
Transfer in from Community Development	30,000	30,000	-
	<u>2,030,000</u>	<u>4,139,290</u>	<u>2,109,290</u>
Total other financing sources			
	<u>2,030,000</u>	<u>4,139,290</u>	<u>2,109,290</u>
Total revenues and other financing sources	<u>\$ 19,715,923</u>	<u>\$ 23,142,028</u>	<u>\$ 3,426,105</u>

(Concluded)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual

For the Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance from Final Budget
General government			
Mayor's office			
Salaries and wages			
Full-time salaries and wages	\$ 110,157	\$ 111,359	\$ (1,202)
Part-time salaries and wages	5,000	5,000	-
Overtime allowances	1,000	-	1,000
Car allowances	-	246	(246)
Total salaries and wages	116,157	116,605	(448)
Fringe benefits			
IMRF match	11,333	11,259	74
Employer's dental and vision insurance	2,005	2,005	-
Social security match	7,199	7,174	25
Medicare match	1,684	1,678	6
Life insurance premiums	180	198	(18)
Total fringe benefits	22,401	22,314	87
Contractual services			
Maintenance - vehicles	4,000	411	3,589
Telephone	3,500	1,438	2,062
Travel and training	24,936	9,462	15,474
Per diem	64	64	-
Postage	1,000	234	766
Printing and publishing	3,000	-	3,000
Other professional services	5,000	-	5,000
Dues and memberships	12,000	7,878	4,122
Total contractual services	53,500	19,487	34,013
Commodities			
Office supplies	7,000	3,086	3,914
Gasoline and oil	2,400	2,359	41
Publications	1,000	336	664

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
General government (continued)			
Mayor's office (continued)			
Commodities (continued)			
Miscellaneous expenses	\$ 20,000	\$ 15,143	\$ 4,857
Mayor's expense account	5,000	250	4,750
Total commodities	<u>35,400</u>	<u>21,174</u>	<u>14,226</u>
Total Mayor's office	<u>227,458</u>	<u>179,580</u>	<u>47,878</u>
City Clerk's office			
Salaries and wages			
Full-time salaries and wages	108,369	111,054	(2,685)
Gas allowance	-	364	(364)
	<u>108,369</u>	<u>111,418</u>	<u>(3,049)</u>
Fringe benefits			
IMRF match	10,577	10,772	(195)
Employer's health insurance	10,603	10,815	(212)
Employer's dental and vision insurance	2,005	2,005	-
Social security match	6,719	6,582	137
Medicare match	1,571	1,539	32
Life insurance premiums	180	198	(18)
Total fringe benefits	<u>31,655</u>	<u>31,911</u>	<u>(256)</u>
Contractual services			
Maintenance - equipment	1,000	803	197
Travel and training	3,000	-	3,000
Postage	200	13	187
Printing and publishing	8,500	6,444	2,056
Dues and memberships	1,000	631	369
Total contractual services	<u>13,700</u>	<u>7,891</u>	<u>5,809</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
General government (continued)			
City Clerk's office (continued)			
Commodities			
Office supplies	\$ 4,100	\$ 2,998	\$ 1,102
Gasoline and oil	1,500	1,270	230
Publications	400	400	-
Miscellaneous expenses	1,000	1,000	-
Total commodities	<u>7,000</u>	<u>5,668</u>	<u>1,332</u>
Total City Clerk's office	<u>160,724</u>	<u>156,888</u>	<u>3,836</u>
Legislative			
Salaries and wages			
Part-time salaries and wages	<u>68,110</u>	<u>68,076</u>	<u>34</u>
Fringe benefits			
IMRF match	3,904	4,335	(431)
Employer's health insurance	65,530	51,245	14,285
Employer's dental and vision insurance	7,017	7,017	-
Social security match	4,223	3,374	849
Medicare match	988	789	199
Life insurance premiums	630	678	(48)
Total fringe benefits	<u>82,292</u>	<u>67,438</u>	<u>14,854</u>
Contractual services			
Travel and training	14,500	20,956	(6,456)
Per diem	-	4,147	(4,147)
Postage	400	673	(273)
Printing and publishing	3,000	512	2,488
Dues and memberships	7,800	2,049	5,751

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
General government (continued)			
Legislative (continued)			
Contractual services (continued)			
Boards and commissions	\$ 2,500	\$ 137	\$ 2,363
Total contractual services	<u>28,200</u>	<u>28,474</u>	<u>(274)</u>
Commodities			
Office supplies	950	3,145	(2,195)
Publications	500	-	500
Miscellaneous expenses	10,000	7,304	2,696
Total commodities	<u>11,450</u>	<u>10,449</u>	<u>1,001</u>
Total legislative	<u>190,052</u>	<u>174,437</u>	<u>15,615</u>
City Treasurer			
Salaries and wages			
Part-time salaries and wages	15,000	15,000	-
Gas allowance	-	120	(120)
	<u>15,000</u>	<u>15,120</u>	<u>(120)</u>
Fringe benefits			
IMRF match	1,464	1,455	9
Employer's health insurance	12,076	13,647	(1,571)
Employer's dental and vision insurance	1,002	1,002	-
Social security match	930	799	131
Medicare match	218	187	31
Life insurance premiums	90	99	(9)
Total fringe benefits	<u>15,780</u>	<u>17,189</u>	<u>(1,409)</u>
Contractual services			
Travel and training	4,670	3,574	1,096
Printing and publishing	1,000	474	526
Dues and memberships	1,000	427	573
Total contractual services	<u>6,670</u>	<u>4,475</u>	<u>2,195</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
City Treasurer (continued)			
Commodities			
Office supplies	\$ 2,300	\$ 34	\$ 2,266
Gasoline and oil	550	700	(150)
Miscellaneous expenses	1,280	840	440
Total commodities	4,130	1,574	2,556
Total City Treasurer	41,580	38,358	3,222
Comptroller			
Salaries and wages			
Full-time salaries and wages	315,712	292,532	23,180
Compensated absences	-	(4,172)	4,172
Holiday taken	-	8,626	(8,626)
Overtime allowances	2,250	7,249	(4,999)
Total salaries and wages	317,962	304,235	13,727
Fringe benefits			
IMRF match	36,783	30,684	6,099
Employer's health insurance	78,866	51,015	27,851
Employer's dental and vision insurance	6,015	5,764	251
Social security match	23,366	17,716	5,650
Medicare match	5,465	4,143	1,322
Life insurance premiums	540	356	184
Total fringe benefits	151,035	109,678	41,357
Contractual services			
Maintenance - equipment	1,995	1,128	867
Travel and training	2,500	42	2,458
Postage	5,000	2,803	2,197
Printing and publishing	8,000	7,423	577

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Comptroller (continued)			
Contractual services (continued)			
Other professional services	\$ 59,000	\$ 57,280	\$ 1,720
Dues and memberships	1,500	1,469	31
Total contractual services	77,995	70,145	7,850
Commodities			
Office supplies	21,000	19,246	1,754
Publications	500	-	500
Miscellaneous expenses	1,000	884	116
Total commodities	22,500	20,130	2,370
Total Comptroller	569,492	504,188	65,304
Information technology			
Salaries and wages			
Full-time salaries and wages	183,940	189,301	(5,361)
Overtime allowance	2,000	-	2,000
	185,940	189,301	(3,361)
Fringe benefits			
IMRF match	18,140	18,286	(146)
Employer's health insurance	23,162	25,604	(2,442)
Employer's dental and vision insurance	3,007	3,007	-
Social security match	11,523	11,240	283
Medicare match	2,695	2,629	66
Life insurance premiums	270	235	35
Total fringe benefits	58,797	61,001	(2,204)
Contractual services			
Telephone	4,000	1,833	2,167
Postage	50	28	22
Travel and training	5,000	-	5,000
Other professional services	59,700	26,931	32,769
Total contractual services	68,750	28,792	39,958

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Information technology (continued)			
Commodities			
Operating supplies	\$ 90,440	\$ 83,377	\$ 7,063
Total commodities	<u>90,440</u>	<u>83,377</u>	<u>7,063</u>
Debt service			
Loan principal and interest	<u>70,762</u>	<u>70,459</u>	<u>303</u>
Total information technology	<u>474,689</u>	<u>432,930</u>	<u>41,759</u>
Human resources			
Salaries and wages			
Full-time salaries and wages	139,311	142,862	(3,551)
Part-time salaries and wages	<u>2,805</u>	<u>-</u>	<u>2,805</u>
Total salaries and wages	<u>142,116</u>	<u>142,862</u>	<u>(746)</u>
Fringe benefits			
IMRF match	13,938	13,507	431
Employer's health insurance	4,923	18,615	(13,692)
Employer's dental and vision insurance	2,005	2,005	-
Social security match	9,021	8,684	337
Medicare match	2,110	2,031	79
Life insurance premiums	<u>180</u>	<u>198</u>	<u>(18)</u>
Total fringe benefits	<u>32,177</u>	<u>45,040</u>	<u>(12,863)</u>
Contractual services			
Telephone	2,000	-	2,000
Travel and training	4,950	4,234	716
In-house training	20,000	2,984	17,016

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
General government (continued)			
Human resources (continued)			
Contractual services (continued)			
Postage	\$ 1,500	\$ 819	\$ 681
Printing and publishing	4,000	3,191	809
Other professional services	5,000	2,637	2,363
Dues and memberships	1,500	1,417	83
Total contractual services	<u>38,950</u>	<u>15,282</u>	<u>23,668</u>
Commodities			
Office supplies	3,000	2,750	250
Publications	2,000	-	2,000
Advertising-all departments	20,000	13,058	6,942
Employee recognition	2,550	2,535	15
Public relations	1,500	-	1,500
Safety incentives	5,000	354	4,646
Miscellaneous expenses	500	115	385
Total commodities	<u>34,550</u>	<u>18,812</u>	<u>15,738</u>
Total human resources	<u>247,793</u>	<u>221,996</u>	<u>25,797</u>
Building and community development			
Salaries and wages			
Full-time salaries and wages	293,767	308,023	(14,256)
Overtime allowances	3,000	552	2,448
Comp time	-	681	(681)
Total salaries and wages	<u>296,767</u>	<u>309,256</u>	<u>(12,489)</u>
Fringe benefits			
IMRF match	28,953	29,580	(627)
Employer's health insurance	44,729	37,910	6,819
Employer's dental and vision insurance	5,513	5,012	501
Social security match	18,392	18,304	88

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
General government (continued)			
Building and community development (continued)			
Fringe benefits (continued)			
Medicare match	\$ 4,301	\$ 4,281	\$ 20
Life insurance premiums	495	436	59
Total fringe benefits	<u>102,383</u>	<u>95,523</u>	<u>6,860</u>
Contractual services			
Maintenance - vehicle	4,500	1,306	3,194
Maintenance - equipment	750	263	487
Telephone	4,000	4,412	(412)
Travel and training	2,000	80	1,920
Postage	3,275	1,866	1,409
Printing and publishing	4,000	8,287	(4,287)
Other professional services	110,000	486,489	(376,489)
Dues and memberships	1,500	832	668
Demolition	150,000	278,264	(128,264)
Total contractual services	<u>280,025</u>	<u>781,799</u>	<u>(501,774)</u>
Commodities			
Office supplies	9,500	7,693	1,807
Publications	500	94	406
Uniforms	600	-	600
Publications	500	-	500
Gas and oil	6,500	4,779	1,721
Miscellaneous expenses	500	-	500
Total commodities	<u>18,100</u>	<u>12,566</u>	<u>5,534</u>
Capital Outlay			
Equipment	-	6,762	(6,762)
Total building and community development	<u>697,275</u>	<u>1,205,906</u>	<u>(508,631)</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
General government (continued)			
Building and grounds department			
Contractual services			
Maintenance - buildings	\$ 84,000	\$ 67,964	\$ 16,036
Other professional services	107,468	107,880	(412)
Total contractual services	<u>191,468</u>	<u>175,844</u>	<u>15,624</u>
Commodities			
Pest control	39,425	33,401	6,024
Maintenance supplies	10,000	6,793	3,207
Operating supplies	2,750	627	2,123
Total commodities	<u>52,175</u>	<u>40,821</u>	<u>11,354</u>
Total building and grounds department	<u>243,643</u>	<u>216,665</u>	<u>26,978</u>
Total general government	<u>2,852,706</u>	<u>3,130,948</u>	<u>(278,242)</u>
Administration services			
Contractual services			
Health services account	10,000	-	10,000
Unemployment insurance	150,000	48,129	101,871
Maintenance of equipment	45,000	37,309	7,691
Workers' compensation	610,697	575,331	35,366
Workers' compensation deductible	254,111	155,952	98,159
Liability insurance	414,979	439,466	(24,487)
Liability deductibility	416,033	626,451	(210,418)
Telephone	170,000	141,598	28,402
Utilities	255,000	206,874	48,126
Postage	10,000	10,715	(715)
Landfill and rolloff (garbage)	2,000	-	2,000
Printing and publishing	14,000	3,720	10,280

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance from Final Budget
Administration services (continued)			
Auditing services	\$ 60,775	\$ 60,775	-
Payroll service	24,516	25,052	(536)
Engineering services	114,000	76,056	37,944
Retainer fees	24,000	24,000	-
Medical services	48,000	20,721	27,279
Other professional services	94,500	21,968	72,532
Refuse collection	818,000	774,542	43,458
Redflex traffic systems fees	174,814	199,532	(24,718)
Lawsuits and attorney fees	360,000	231,459	128,541
Public relations	30,000	34,827	(4,827)
Public relations - community day	75,000	63,454	11,546
Reimbursements	30,000	30,000	-
Lake Bluff sales tax sharing	17,000	13,575	3,425
Bad debt expense	7,500	3,775	3,725
Total contractual services	<u>4,229,925</u>	<u>3,825,281</u>	<u>404,644</u>
Commodities			
Office supplies	1,000	-	1,000
Miscellaneous expense	25,000	2,829	22,171
Total commodities	<u>26,000</u>	<u>2,829</u>	<u>23,171</u>
Total administration services	<u>4,255,925</u>	<u>3,828,110</u>	<u>427,815</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance from Final Budget
Highway and streets			
Street department			
Salaries and wages			
Full-time salaries and wages	\$ 322,329	\$ 339,448	\$ (17,119)
Part-time salaries and wages	110,373	57,086	53,287
Sick leave sell back	-	526	(526)
Overtime allowances	5,500	4,608	892
Workers' compensation	-	8,708	(8,708)
Total salaries and wages	<u>438,202</u>	<u>410,376</u>	<u>27,826</u>
Fringe benefits			
IMRF match	36,355	33,429	2,926
Employer's health insurance	63,917	43,357	20,560
Employer's dental and vision insurance	7,017	6,182	835
Social security match	27,155	25,008	2,147
Medicare match	6,351	5,598	753
Life insurance premiums	630	557	73
Total fringe benefits	<u>141,425</u>	<u>114,131</u>	<u>27,294</u>
Contractual services			
Maintenance - building	5,000	3,808	1,192
Maintenance - vehicles	75,000	44,076	30,924
Maintenance - equipment	94,000	86,829	7,171
Maintenance - streets	25,000	38,342	(13,342)
Maintenance - grounds	23,000	22,699	301
Telephone	3,500	2,811	689

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance from Final Budget
Highway and streets (continued)			
Street department (continued)			
Contractual services (continued)			
Street lighting	\$ 8,000	\$ 4,024	\$ 3,976
Rentals	8,000	6,705	1,295
Travel and training	1,000	1,000	-
Postage	500	109	391
Printing and publishing	500	119	381
Medical services	600	492	108
Other professional services	9,000	9,012	(12)
Total contractual services	<u>253,100</u>	<u>220,026</u>	<u>33,074</u>
Commodities			
Office supplies	3,500	3,667	(167)
Gasoline and oil	75,300	63,314	11,986
Maintenance and supplies	15,000	14,922	78
Operating supplies	18,000	24,633	(6,633)
Uniforms	18,500	17,181	1,319
Miscellaneous expenses	1,000	1,617	(617)
Total commodities	<u>131,300</u>	<u>125,334</u>	<u>5,966</u>
Debt service			
Loan principal and interest	<u>82,805</u>	<u>82,447</u>	<u>358</u>
Total highway and streets	<u>1,046,832</u>	<u>952,314</u>	<u>94,518</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance from Final Budget
Public safety			
Police department			
Salaries and wages			
Full-time salaries and wages	\$ 4,739,354	\$ 4,680,941	\$ 58,413
Part-time salaries and wages	130,896	124,041	6,855
Administrative leave	-	36,700	(36,700)
Compensated absences	-	(51,346)	51,346
Voluntary separation plan	-	2	(2)
Holiday taken	-	186,774	(186,774)
Police special detail	-	79,406	(79,406)
Independent investigator	-	25,850	(25,850)
Overtime allowances	60,000	116,095	(56,095)
Police overtime	300,000	543,226	(243,226)
Sick leave sell back	-	10,008	(10,008)
Workers' compensation	-	47,759	(47,759)
Total salaries and wages	<u>5,230,250</u>	<u>5,799,456</u>	<u>(569,206)</u>
Fringe benefits			
IMRF match	79,107	85,182	(6,075)
Employer pension contribution	710,102	701,412	8,690
Employer's health insurance	581,488	587,720	(6,232)
Employer's dental and vision insurance	73,680	74,016	(336)
Social security match	58,368	65,028	(6,660)
Medicare match	73,041	77,842	(4,801)
Life insurance premiums	6,615	9,748	(3,133)
Total fringe benefits	<u>1,582,401</u>	<u>1,600,948</u>	<u>(18,547)</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Police department (continued)			
Contractual services			
Uniform allowance	\$ 11,900	\$ 16,200	\$ (4,300)
Maintenance - vehicle	96,600	118,961	(22,361)
Maintenance - equipment	76,250	67,746	8,504
Other maintenance	1,000	-	1,000
Telephone	25,000	11,496	13,504
Rentals	14,350	250	14,100
Travel and training	50,000	23,964	26,036
Postage	5,000	584	4,416
Printing and publishing	19,400	5,221	14,179
Other professional services	83,375	81,677	1,698
Dues and memberships	2,700	15,430	(12,730)
Animal control	10,000	10,365	(365)
Other communication service	15,000	-	15,000
Total contractual services	<u>410,575</u>	<u>351,894</u>	<u>58,681</u>
Commodities			
Office supplies	17,500	27,498	(9,998)
Gasoline and oil	104,000	145,889	(41,889)
Maintenance supplies	14,000	-	14,000
Operating supplies	32,670	46,737	(14,067)
Uniforms	43,900	59,809	(15,909)
Prisoner meals	7,500	1,437	6,063
Publications	3,500	-	3,500
Reimbursements	5,000	89	4,911
Investigative expenses	10,000	6,000	4,000
Crime prevention	20,500	2,191	18,309
Miscellaneous	2,000	419	1,581
Total commodities	<u>260,570</u>	<u>290,069</u>	<u>(29,499)</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Police department (continued)			
Debt service			
Loan principal and interest	\$ 48,732	\$ 48,671	\$ 61
Total police department	<u>7,532,528</u>	<u>8,091,038</u>	<u>(558,510)</u>
Fire department			
Salaries and wages			
Full-time salaries and wages	1,962,782	1,849,009	113,773
Fire overtime	70,000	57,365	12,635
Holiday taken	-	53,490	(53,490)
Fire lieutenant pay	-	2,761	(2,761)
Overtime allowances	2,000	11	1,989
Sick leave buy back	-	6,352	(6,352)
Workers' compensation	-	3,911	(3,911)
Total salaries and wages	<u>2,034,782</u>	<u>1,972,899</u>	<u>61,883</u>
Fringe benefits			
IMRF match	4,112	-	4,112
Employer pension contribution	536,030	531,438	4,592
Employer's health insurance	280,874	267,551	13,323
Employer's dental and vision insurance	30,074	30,074	-
Social security match	2,612	29	2,583
Medicare match	22,568	22,199	369
Life insurance premiums	2,700	2,831	(131)
Total fringe benefits	<u>878,970</u>	<u>854,122</u>	<u>24,848</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Fire department (continued)			
Contractual services			
Maintenance - vehicles	\$ 30,000	\$ 19,106	\$ 10,894
Maintenance - equipment	13,600	4,138	9,462
Telephone	6,000	4,642	1,358
Rentals	2,500	-	2,500
Travel and training	19,500	19,459	41
Postage	200	109	91
Printing and publishing	4,500	2,579	1,921
Other professional service	2,600	1,292	1,308
Linen services	1,200	-	1,200
Dues and memberships	4,100	1,474	2,626
Total contractual services	<u>84,200</u>	<u>52,799</u>	<u>31,401</u>
Commodities			
Office supplies	2,900	657	2,243
Gasoline and oil	23,500	23,100	400
Maintenance supplies	4,000	3,916	84
Operating supplies	4,000	55	3,945
Ambulance operating supplies	7,400	7,264	136
Uniforms	6,500	6,457	43
Reimbursements	500	81	419
Miscellaneous	350	112	238
Total commodities	<u>49,150</u>	<u>41,642</u>	<u>7,508</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Public safety (continued)			
Fire department (continued)			
Capital outlay			
Vehicles	\$ 20,000	\$ 20,000	\$ -
Equipment	1,500	1,274	226
Total capital outlay	<u>21,500</u>	<u>21,274</u>	<u>226</u>
Total fire department	<u>3,068,602</u>	<u>2,942,736</u>	<u>125,866</u>
Civil defense -ESDA			
Commodities			
Travel and training	1,700	-	1,700
Office supplies	2,400	684	1,716
Miscellaneous	4,900	4,876	24
Total commodities	<u>9,000</u>	<u>5,560</u>	<u>3,440</u>
Total civil defense -ESDA	<u>9,000</u>	<u>5,560</u>	<u>3,440</u>
Total public safety	<u>10,610,130</u>	<u>11,039,334</u>	<u>(429,204)</u>
Economic development department			
Salaries and wages			
Full-time salaries and wages	215,759	220,468	(4,709)
Comp time	-	882	(882)
Overtime allowances	1,000	112	888
Total salaries and wages	<u>216,759</u>	<u>221,462</u>	<u>(4,703)</u>
Fringe benefits			
IMRF match	21,152	21,386	(234)
Employer's health insurance	30,930	30,930	-
Employer's dental and vision insurance	3,508	3,007	501
Social security match	13,437	12,828	609
Medicare match	3,142	3,000	142
Life insurance premiums	315	289	26
Total fringe benefits	<u>72,484</u>	<u>71,440</u>	<u>1,044</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Economic development department (continued)			
Contractual services			
Telephone	\$ 1,800	\$ 1,014	\$ 786
Travel and training	2,200	2,187	13
Postage	1,000	374	626
Printing and publishing	2,000	175	1,825
Other professional services	37,400	35,623	1,777
Dues and memberships	3,125	3,099	26
Total contractual services	<u>47,525</u>	<u>42,472</u>	<u>5,053</u>
Commodities			
Office supplies	5,500	5,395	105
Gasoline and oil	700	678	22
Publications	250	230	20
Total commodities	<u>6,450</u>	<u>6,303</u>	<u>147</u>
Total economic development department	343,218	341,677	1,541
Economic development incentive	<u>935,000</u>	<u>841,300</u>	<u>93,700</u>
Total economic development	<u>1,278,218</u>	<u>1,182,977</u>	<u>95,241</u>
Debt service			
State tax loan payment	<u>-</u>	<u>70,400</u>	<u>(70,400)</u>
Total expenditures	20,043,811	20,204,083	(160,272)
Extraordinary Item			
State sales tax refund expense	<u>-</u>	<u>2,109,290</u>	<u>(2,109,290)</u>
Total expenditures and extraordinary item	<u>\$ 20,043,811</u>	<u>\$ 22,313,373</u>	<u>\$ (2,269,562)</u>

(Concluded)

NONMAJOR GOVERNMENTAL FUNDS

City of North Chicago, Illinois

Nonmajor Governmental Funds
 Combining Balance Sheet (Continued)
April 30, 2012

	<u>Special Revenue Funds</u>			
	<u>Library</u>	<u>Motor Fuel Tax</u>	<u>Community Development Block Grant</u>	<u>Federal Forfeited Property (DEA)</u>
ASSETS				
Cash and cash equivalents	\$ 816,283	\$ 1,407,797	\$ 82,862	\$ 5,511
Property tax receivable	717,293	-	-	-
Intergovernmental receivable	-	63,239	-	-
Other receivables	33,405	68	1,123,233	-
Due from other funds	-	-	-	-
Due from component unit, net of reserve	-	-	-	-
Land held for resale	-	-	21,771	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,566,981</u>	<u>\$ 1,471,104</u>	<u>\$ 1,227,866</u>	<u>\$ 5,511</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 33,895	\$ 25,531	\$ 90,672	\$ -
Accrued payroll	6,012	6,939	-	-
Unearned revenue	404,097	-	-	-
Other liabilities	-	-	7	-
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>444,004</u>	<u>32,470</u>	<u>90,679</u>	<u>-</u>
Fund balances (deficit)				
Restricted for special revenue funds	1,122,977	1,438,634	1,115,416	5,511
Restricted for debt service	-	-	-	-
Restricted for capital projects	-	-	-	-
Restricted for land held for resale	-	-	21,771	-
Restricted for due from component unit	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,122,977</u>	<u>1,438,634</u>	<u>1,137,187</u>	<u>5,511</u>
Total liabilities and fund balances	<u>\$ 1,566,981</u>	<u>\$ 1,471,104</u>	<u>\$ 1,227,866</u>	<u>\$ 5,511</u>

<u>E911 Emergency</u>	<u>Seized Drug Money (State)</u>	<u>IDOT Safe Routes to School</u>	<u>DCEO Infrastructure</u>	<u>IEPA Brownsfield Grant</u>	<u>Grant Place Grant Place</u>	<u>Grant Place Operating</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 218,910	\$ 19,967	\$ -	\$ 25,005	\$ -	\$ 547,426	\$ 8,263	\$ 3,132,024
-	-	-	-	-	-	-	717,293
-	-	-	-	-	-	-	63,239
45,165	-	-	-	-	-	-	1,201,871
-	-	-	-	-	-	69,558	69,558
-	-	-	-	-	1,600,000	-	1,600,000
-	-	-	-	-	-	-	21,771
<u>\$ 264,075</u>	<u>\$ 19,967</u>	<u>\$ -</u>	<u>\$ 25,005</u>	<u>\$ -</u>	<u>\$ 2,147,426</u>	<u>\$ 77,821</u>	<u>\$ 6,805,756</u>
\$ 7,737	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,412	\$ 227,247
-	-	-	-	-	560	-	13,511
-	-	-	25,005	-	-	-	429,102
-	-	-	-	-	-	3,473	3,480
-	-	-	-	-	-	10,000	10,000
<u>7,737</u>	<u>-</u>	<u>-</u>	<u>25,005</u>	<u>-</u>	<u>560</u>	<u>82,885</u>	<u>683,340</u>
256,338	19,967	-	-	-	546,866	(5,064)	4,500,645
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	21,771
-	-	-	-	-	1,600,000	-	1,600,000
<u>256,338</u>	<u>19,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,146,866</u>	<u>(5,064)</u>	<u>6,122,416</u>
<u>\$ 264,075</u>	<u>\$ 19,967</u>	<u>\$ -</u>	<u>\$ 25,005</u>	<u>\$ -</u>	<u>\$ 2,147,426</u>	<u>\$ 77,821</u>	<u>\$ 6,805,756</u>

(Continued)

City of North Chicago, Illinois

Nonmajor Governmental Funds

Combining Balance Sheet (Continued)

April 30, 2012

	Debt Service Funds		
	Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2005A	Downtown Tax Increment Financing Redevelopment Project Area Debt Service 2007A	Downtown Tax Increment Financing Redevelopment Project Area Debt Service 2007B
ASSETS			
Cash and cash equivalents	\$ 1,007,209	\$ 5,112	\$ 19,072
Property tax receivable	500,758	246,036	207,111
Intergovernmental receivable	-	-	-
Other receivables	-	-	-
Due from other funds	-	-	-
Due from component unit, net of reserve	-	-	-
Land held for resale	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,507,967</u>	<u>\$ 251,148</u>	<u>\$ 226,183</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Unearned revenue	260,274	138,654	116,632
Other liabilities	-	-	-
Due to other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>260,274</u>	<u>138,654</u>	<u>116,632</u>
Fund balances (deficit)			
Restricted for special revenue funds	-	-	-
Restricted for debt service	1,247,693	112,494	109,551
Restricted for capital projects	-	-	-
Restricted for land held for resale	-	-	-
Restricted for due from component unit	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,247,693</u>	<u>112,494</u>	<u>109,551</u>
Total liabilities and fund balances	<u><u>\$ 1,507,967</u></u>	<u><u>\$ 251,148</u></u>	<u><u>\$ 226,183</u></u>

Capital Project Funds

Grant Place Retail Center Debt Service 2007C	Total Nonmajor Debt Service Funds	Capital Improvement	DCEO Business Study	MMC Water Plant Improvement	Lake County Brownsfield Grants	DCEO Public Infrastructure
\$ 39,204	\$ 1,070,597	\$ 727,489	\$ -	\$ -	\$ -	\$ -
743,205	1,697,110	-	-	-	-	-
-	-	76,753	-	-	7,248	97,602
-	-	-	-	132,382	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 782,409</u>	<u>\$ 2,767,707</u>	<u>\$ 804,242</u>	<u>\$ -</u>	<u>\$ 132,382</u>	<u>\$ 7,248</u>	<u>\$ 97,602</u>
\$ -	\$ -	\$ 714,328	\$ -	\$ -	\$ 7,248	\$ 10,030
-	-	-	-	-	-	-
418,740	934,300	-	-	-	-	-
-	-	58,094	-	-	-	-
<u>69,558</u>	<u>69,558</u>	<u>-</u>	<u>-</u>	<u>132,382</u>	<u>-</u>	<u>87,572</u>
<u>488,298</u>	<u>1,003,858</u>	<u>772,422</u>	<u>-</u>	<u>132,382</u>	<u>7,248</u>	<u>97,602</u>
-	-	-	-	-	-	-
294,111	1,763,849	-	-	-	-	-
-	-	31,820	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>294,111</u>	<u>1,763,849</u>	<u>31,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 782,409</u>	<u>\$ 2,767,707</u>	<u>\$ 804,242</u>	<u>\$ -</u>	<u>\$ 132,382</u>	<u>\$ 7,248</u>	<u>\$ 97,602</u>

(Continued)

City of North Chicago, Illinois

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2012

Capital Project Funds (Continued)

	<u>DCEO</u>	<u>DCEO</u>	<u>U.S.</u>	<u>DCEO</u>
	<u>Early Warning</u>	<u>Water VFD</u>	<u>EPA</u>	<u>Sheridan Road</u>
				<u>Acquisition Grant</u>
ASSETS				
Cash and cash equivalents	\$ 15	\$ -	\$ 24,849	\$ 11,373
Property tax receivable	-	-	-	-
Intergovernmental receivable	-	59,769	-	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Due from component unit, net of reserve	-	-	-	-
Land held for resale	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 15	\$ 59,769	\$ 24,849	\$ 11,373
	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 24,849	\$ -
Accrued payroll	-	-	-	-
Unearned revenue	15	-	-	11,373
Other payables	-	-	-	-
Due to other funds	-	59,769	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	15	59,769	24,849	11,373
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances (deficit)				
Restricted for special revenue funds	-	-	-	-
Restricted for debt service	-	-	-	-
Restricted for capital projects	-	-	-	-
Restricted for land held for resale	-	-	-	-
Restricted for due from component unit	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 15	\$ 59,769	\$ 24,849	\$ 11,373
	<hr/>	<hr/>	<hr/>	<hr/>

		Total	
Total Nonmajor Capital Project Funds		Nonmajor Governmental Funds	
\$	763,726	\$	4,966,347
	-		2,414,403
	241,372		304,611
	132,382		1,334,253
	-		69,558
	-		1,600,000
	-		21,771
	<u>1,137,480</u>		<u>10,710,943</u>
\$	756,455	\$	983,702
	-		13,511
	11,388		1,374,790
	58,094		61,574
	279,723		359,281
	<u>1,105,660</u>		<u>2,792,858</u>
	-		4,500,645
	-		1,763,849
	31,820		31,820
	-		21,771
	-		1,600,000
	<u>31,820</u>		<u>7,918,085</u>
\$	<u>1,137,480</u>	\$	<u>10,710,943</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, 2012

	Special Revenue Funds			
	Library	Motor Fuel Tax	Community Development Block Grant	Federal Forfeited Property (DEA)
Revenues				
Property taxes	\$ 789,413	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	973,228	-	-
Grants	34,595	-	453,828	-
Fines and fees	17,012	-	-	-
Interest	589	980	587	4
Miscellaneous	1,269	15,965	-	1,425
Total revenues	842,878	990,173	454,415	1,429
Expenditures				
Current				
Administration	-	-	3,190	-
Highway and streets	-	621,413	-	-
Public safety	-	-	-	-
Culture and recreation	537,604	-	-	-
Economic development	-	-	317,315	-
Debt service				
Principal retirement	-	-	-	-
Interest and other	-	-	-	-
Capital outlay	62,265	242,940	-	-
Total expenditures	599,869	864,353	320,505	-
Excess (deficiency) of revenues over expenditures	243,009	125,820	133,910	1,429
Other financing sources (uses)				
Loss on the sale of land	-	-	(19,665)	-
Transfers in	-	75,000	-	-
Transfers out	-	-	(105,000)	-
Net change in fund balances	243,009	200,820	9,245	1,429
Fund balance (deficit), beginning' of year	879,968	1,237,814	1,127,942	4,082
Fund balance (deficit), end of year	\$ 1,122,977	\$ 1,438,634	\$ 1,137,187	\$ 5,511

								Total Nonmajor Special Revenue Funds
E911 Emergency	Seized Drug Money (State)	IDOT Safe Routes to School	DCEO Infrastructure	IEPA Brownsfield Grant	Grant Place	Grant Place Operating		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 789,413
175,398	-	-	-	-	-	-	-	175,398
-	52,786	-	-	-	-	-	-	1,026,014
-	-	17,041	-	405	-	-	-	505,869
-	-	-	-	-	-	-	-	17,012
140	22	-	-	-	300	1	-	2,623
-	-	-	-	-	-	119,672	-	138,331
<u>175,538</u>	<u>52,808</u>	<u>17,041</u>	<u>-</u>	<u>405</u>	<u>300</u>	<u>119,673</u>		<u>2,654,660</u>
-	-	-	-	-	16,152	-	-	19,342
-	-	-	-	-	-	-	-	621,413
29,576	48,502	17,041	-	-	-	-	-	95,119
-	-	-	-	-	-	-	-	537,604
-	-	-	-	405	-	126,053	-	443,773
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>100,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,249</u>		<u>418,176</u>
<u>130,298</u>	<u>48,502</u>	<u>17,041</u>	<u>-</u>	<u>405</u>	<u>16,152</u>	<u>138,302</u>		<u>2,135,427</u>
45,240	4,306	-	-	-	(15,852)	(18,629)	-	519,233
-	-	-	-	-	-	-	-	(19,665)
-	-	-	-	-	-	69,558	-	144,558
-	-	-	-	-	-	-	-	(105,000)
<u>45,240</u>	<u>4,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,852)</u>	<u>50,929</u>		<u>539,126</u>
<u>211,098</u>	<u>15,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,162,718</u>	<u>(55,993)</u>		<u>5,583,290</u>
<u>\$ 256,338</u>	<u>\$ 19,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,146,866</u>	<u>\$ (5,064)</u>		<u>\$ 6,122,416</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, 2012

	Debt Service Funds		
	Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2005A	Downtown Tax Increment Financing Redevelopment Project Area Debt Service 2007A	Downtown Tax Increment Financing Redevelopment Project Area Debt Service 2007B
Revenues			
Property taxes	\$ 626,386	\$ 272,735	\$ 235,481
Taxes - other	-	-	-
Intergovernmental	-	-	-
Grants	-	-	-
Fines and fees	-	-	-
Interest	890	39	68
Miscellaneous	-	-	-
Total revenues	627,276	272,774	235,549
Expenditures			
Current			
Administration	-	-	-
Highway and streets	-	-	-
Public safety	-	-	-
Culture and recreation	-	-	-
Economic development	-	-	-
Debt service			
Principal retirement	475,000	135,000	-
Interest and other	412,840	96,895	205,655
Capital outlay	-	-	-
Total expenditures	887,840	231,895	205,655
Excess (deficiency) of revenues over expenditures	(260,564)	40,879	29,894
Other financing sources (uses)			
Loss on the sale of land	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Net change in fund balances	(260,564)	40,879	29,894
Fund balance, beginning of year	1,508,257	71,615	79,657
Fund balance (deficit), end of year	\$ 1,247,693	\$ 112,494	\$ 109,551

Capital Project Funds

Grant Place Retail Center Debt Service 2007C	Total Nonmajor Debt Service Funds	Capital Improvement	DCEO Business Study	MMC Water Plant Improvement	Lake County Brownsfield Grants	DCEO Public Infrastructure
\$ 831,208	\$ 1,965,810	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	113,570	-	744,613	52,755	97,602
-	-	-	-	-	-	-
179	1,176	387	-	-	-	-
-	-	-	-	-	36,072	-
<u>831,387</u>	<u>1,966,986</u>	<u>113,957</u>	<u>-</u>	<u>744,613</u>	<u>88,827</u>	<u>97,602</u>
-	-	-	-	-	-	-
-	-	113,936	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	105,509	-
195,000	805,000	-	-	-	-	-
516,717	1,232,107	-	14	-	-	-
-	-	-	-	744,613	-	97,602
<u>711,717</u>	<u>2,037,107</u>	<u>113,936</u>	<u>14</u>	<u>744,613</u>	<u>105,509</u>	<u>97,602</u>
119,670	(70,121)	21	(14)	-	(16,682)	-
-	-	-	-	-	-	-
-	-	367	-	-	16,682	-
<u>(69,558)</u>	<u>(69,558)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
50,112	(139,679)	388	(14)	-	-	-
<u>243,999</u>	<u>1,903,528</u>	<u>31,432</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 294,111</u>	<u>\$ 1,763,849</u>	<u>\$ 31,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2012

	<u>Capital Project Funds (Continued)</u>			
	<u>DCEO</u>	<u>DCEO</u>	<u>U.S.</u>	<u>DCEO</u>
	<u>Early Warning</u>	<u>Water VFD</u>	<u>EPA</u>	<u>Sheridan Road</u>
				<u>Acquisition Grant</u>
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Grants	250,000	59,769	-	8,250
Fines and fees	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>250,000</u>	<u>59,769</u>	<u>-</u>	<u>8,250</u>
Expenditures				
Current				
Administration	-	-	-	-
Highway and streets	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	8,250
Debt service				
Principal retirement	-	-	-	-
Interest and other	-	-	-	-
Capital outlay	250,000	59,769	-	-
Total expenditures	<u>250,000</u>	<u>59,769</u>	<u>-</u>	<u>8,250</u>
Excess (deficiency) of revenues over expenditure	-	-	-	-
Other financing sources (uses)				
Loss on the sale of land	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), beginning' of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

		Total	
Total Nonmajor Capital Project Funds		Nonmajor Governmental Funds	
\$ -	\$	2,755,223	
-		175,398	
-		1,026,014	
1,326,559		1,832,428	
-		17,012	
387		4,186	
36,072		174,403	
<u>1,363,018</u>		<u>5,984,664</u>	
-		19,342	
113,936		735,349	
-		95,119	
-		537,604	
113,759		557,532	
-		805,000	
14		1,232,121	
1,151,984		1,570,160	
<u>1,379,693</u>		<u>5,552,227</u>	
(16,675)		432,437	
-		(19,665)	
17,049		161,607	
-		(174,558)	
374		399,821	
31,446		7,518,264	
<u>\$ 31,820</u>	<u>\$</u>	<u>7,918,085</u>	
		(Concluded)	

ENTERPRISE FUNDS

City of North Chicago, Illinois

Water Fund

Schedule of Revenues, Expenses, and Changes in Net Assets - Budget and Actual For the Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance from Final Budget
Operating revenues			
Charges for sales and services	\$ 5,437,800	\$ 5,685,403	\$ 247,603
Miscellaneous	5,700	7,244	1,544
Total operating revenues	5,443,500	5,692,647	249,147
Operating expenses			
Operations	3,664,345	2,814,096	850,249
Depreciation	463,007	514,200	(51,193)
Total operating expenses	4,127,352	3,328,296	799,056
Operating income	1,316,148	2,364,351	1,048,203
Nonoperating revenues (expenses)			
Interest income	8,000	2,348	(5,652)
Principal retirement	(193,513)	-	193,513
Interest expense	(70,189)	(70,189)	-
Total nonoperating revenue (expenses)	(255,702)	(67,841)	187,861
Income before contributions and transfers	1,060,446	2,296,510	1,236,064
Capital contributions	-	814,000	814,000
Transfers out	(1,600,000)	(1,600,000)	-
Change in net assets	\$ (539,554)	1,510,510	\$ 2,050,064
Net assets, beginning of year		13,281,626	
Net assets, end of year		\$ 14,792,136	

City of North Chicago, Illinois
Water Fund
Schedule of Operating Revenues - Budget and Actual
For the Year Ended April 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Operating revenues			
Charges for sales and services			
Industrial water	\$ 1,860,240	\$ 1,945,588	\$ 85,348
Abbott park water	981,833	929,498	(52,335)
Abbott raw water	518,000	785,035	267,035
Residential water	1,401,971	1,303,222	(98,749)
Commercial water	293,956	284,702	(9,254)
Water resumption	5,700	8,588	2,888
Meter sales	10,000	27,925	17,925
Tie-in fees	2,500	4,517	2,017
Base fees	298,000	304,153	6,153
Water penalty	45,000	70,370	25,370
Raw water equipment	<u>20,600</u>	<u>21,805</u>	<u>1,205</u>
Total charges for sales and services	5,437,800	5,685,403	247,603
Miscellaneous	<u>5,700</u>	<u>7,244</u>	<u>1,544</u>
Total operating revenues	<u>\$ 5,443,500</u>	<u>\$ 5,692,647</u>	<u>\$ 249,147</u>

City of North Chicago, Illinois

Water Fund

Schedule of Operating Expenses - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance from Final Budget
Operating expenses			
Salaries and wages			
Full-time salaries and wages	\$ 896,350	\$ 853,255	\$ 43,095
Overtime allowances	24,000	77,774	(53,774)
Compensated absences	-	16,715	(16,715)
Holiday	-	3,432	(3,432)
Voluntary separation	-	24,296	(24,296)
Total salaries and wages	<u>920,350</u>	<u>975,472</u>	<u>(55,122)</u>
Fringe benefits			
IMRF match	91,054	95,002	(3,948)
Employer's health insurance	127,080	107,097	19,983
Employer's dental and vision insurance	15,538	15,789	(251)
Social security match	57,841	57,340	501
Medicare match	13,527	13,456	71
Life insurance premiums	1,395	1,226	169
Total fringe benefits	<u>306,435</u>	<u>289,910</u>	<u>16,525</u>
Contractual services			
Maintenance - buildings	57,900	24,023	33,877
Maintenance - vehicles	15,300	5,257	10,043
Maintenance - equipment	75,300	80,948	(5,648)
Maintenance - utility system	93,000	13,467	79,533
Other maintenance	66,000	47,059	18,941
Telephone	12,400	4,061	8,339
Utilities	645,637	638,566	7,071
Rentals	1,390	-	1,390
Travel and training	8,500	3,646	4,854
Postage	8,200	10,658	(2,458)
Printing and publishing	6,900	6,354	546
Engineering services	31,000	12,763	18,237
Foss Park easements	6,200	-	6,200
Other professional services	132,500	122,647	9,853

(Continued)

City of North Chicago, Illinois

Water Fund

Schedule of Operating Expenses - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance from Final Budget
Operating expenses (continued)			
Contractual services (continued)			
Dues and memberships	\$ 460	\$ 437	\$ 23
Sludge treatment	34,700	12,324	22,376
Intake inspection	163,000	-	163,000
Total contractual services	<u>1,358,387</u>	<u>982,210</u>	<u>376,177</u>
Commodities			
Office supplies	6,200	4,900	1,300
Gasoline and oil	21,800	21,977	(177)
Maintenance supplies	117,000	42,491	74,509
Operating supplies	147,200	148,473	(1,273)
Uniforms	11,800	14,675	(2,875)
Miscellaneous expenses	3,100	11,363	(8,263)
Total commodities	<u>307,100</u>	<u>243,879</u>	<u>63,221</u>
Bad debt expense	<u>-</u>	<u>3,392</u>	<u>(3,392)</u>
Capital outlay			
Other improvements	668,073	278,141	389,932
Equipment	54,000	28,916	25,084
Meters	50,000	12,176	37,824
Total capital outlay	<u>772,073</u>	<u>319,233</u>	<u>452,840</u>
Depreciation	<u>463,007</u>	<u>514,200</u>	<u>(51,193)</u>
Total operating expenses	<u>\$ 4,127,352</u>	<u>\$ 3,328,296</u>	<u>\$ 799,056</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, 2012

	Original and Final Budget	Actual	Variance from Final Budget
Operating revenues			
Charges for sales and services	\$ 1,068,630	\$ 1,073,828	\$ 5,198
Total operating revenues	<u>1,068,630</u>	<u>1,073,828</u>	<u>5,198</u>
Operating expenses			
Operations	850,007	483,820	366,187
Depreciation	<u>29,601</u>	<u>121,949</u>	<u>(92,348)</u>
Total operating expenses	<u>879,608</u>	<u>605,769</u>	<u>273,839</u>
Operating income	<u>189,022</u>	<u>468,059</u>	<u>279,037</u>
Nonoperating revenues (expenses)			
Proceeds from loan payable	203,566	-	(203,566)
Interest income	4,000	1,522	(2,478)
Principal retirement	(145,187)	-	145,187
Interest expense	<u>(73,884)</u>	<u>(73,883)</u>	<u>1</u>
Total nonoperating revenues (expenses)	<u>(11,505)</u>	<u>(72,361)</u>	<u>(60,856)</u>
Income before transfers	<u>177,517</u>	<u>395,698</u>	<u>218,181</u>
Transfers out	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>
Changes in net assets	\$ <u><u>(222,483)</u></u>	(4,302)	<u><u>218,181</u></u>
Net assets, beginning of year		<u>4,353,434</u>	
Net assets, end of year		\$ <u><u>4,349,132</u></u>	

City of North Chicago, Illinois
 Sewer Fund
 Schedule of Operating Revenues - Budget and Actual
For the Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance from Final Budget
	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>
Operating revenues			
Charges for sales and services			
Residential sewer	\$ 397,391	\$ 362,754	\$ (34,637)
Industrial sewer	527,287	577,786	50,499
Penalties	11,300	20,485	9,185
Commercial sewer	83,322	68,465	(14,857)
Base fees	<u>49,330</u>	<u>44,338</u>	<u>(4,992)</u>
Total charges for sales and services	<u>1,068,630</u>	<u>1,073,828</u>	<u>5,198</u>
Total operating revenues	<u>\$ 1,068,630</u>	<u>\$ 1,073,828</u>	<u>\$ 5,198</u>

City of North Chicago, Illinois
 Sewer Fund
 Schedule of Operating Expenses - Budget and Actual
For the Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance from Final Budget
Operating expenses			
Salaries and wages			
Full-time salaries and wages	\$ 186,775	\$ 227,652	\$ (40,877)
Part-time salaries and wages	66,675	11,809	54,866
Overtime allowances	22,500	13,522	8,978
Compensated absences	-	(25,650)	25,650
Voluntary separation	-	6,764	(6,764)
Total salaries and wages	<u>275,950</u>	<u>234,097</u>	<u>41,853</u>
Fringe benefits			
IMRF match	26,848	23,683	3,165
Employer's health insurance	53,010	49,779	3,231
Employer's dental and vision insurance	5,013	5,012	1
Social security match	17,055	14,515	2,540
Medicare match	3,989	3,395	594
Life insurance premiums	450	517	(67)
Total fringe benefits	<u>106,365</u>	<u>96,901</u>	<u>9,464</u>
Contractual services			
Maintenance - building	2,600	-	2,600
Maintenance - vehicles	16,900	11,733	5,167
Maintenance - equipment	11,400	8,854	2,546
Maintenance - grounds	520	703	500
Maintenance - utility system	75,000	29,494	45,506
Other maintenance	1,550	427	1,123
Rentals	4,600	669	3,931
Travel and training	1,240	945	295
Landfill and garbage	31,200	-	31,200
Engineering services	5,200	-	5,200
Other professional services	50,000	29,616	20,384
Dues and memberships	210	146	64
Total contractual services	<u>200,420</u>	<u>82,587</u>	<u>118,516</u>

(Continued)

City of North Chicago, Illinois

Sewer Fund

Schedule of Operating Expenses - Budget and Actual (Continued)

For the Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance from Final Budget
Operating expenses (continued)			
Commodities			
Office supplies	\$ 1,030	\$ 1,515	\$ (485)
Maintenance supplies	46,800	45,483	1,317
Operating supplies	5,000	19,567	(14,567)
Uniforms	3,176	3,396	(220)
Miscellaneous	-	274	(274)
Total commodities	<u>56,006</u>	<u>70,235</u>	<u>(14,229)</u>
Capital outlay			
Other improvements	203,566	-	203,566
Equipment	<u>7,700</u>	<u>-</u>	<u>7,700</u>
Total capital outlay	<u>211,266</u>	<u>-</u>	<u>211,266</u>
Depreciation	<u>29,601</u>	<u>121,949</u>	<u>(92,348)</u>
Total operating expenses	<u>\$ 879,608</u>	<u>\$ 605,769</u>	<u>\$ 274,522</u>

(Concluded)

INTERNAL SERVICE FUNDS

City of North Chicago, Illinois

Internal Service Funds

Combining Schedule of Net Assets

April 30, 2012

	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal Service Funds</u>
ASSETS			
Cash and cash equivalents	\$ <u>116,899</u>	\$ <u>49,450</u>	\$ <u>166,349</u>
Total assets	<u>116,899</u>	<u>49,450</u>	<u>166,349</u>
LIABILITIES			
Accounts payable	21,120	49,450	70,570
Claims payable	<u>26,285</u>	<u>-</u>	<u>26,285</u>
Total liabilities	<u>47,405</u>	<u>49,450</u>	<u>96,855</u>
NET ASSETS			
Unrestricted	\$ <u><u>69,494</u></u>	\$ <u><u>-</u></u>	\$ <u><u>69,494</u></u>

City of North Chicago, Illinois

Internal Service Funds

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

For the Year Ended April 30, 2012

	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal Service Funds</u>
Operating revenues			
Charges for sales and services	\$ <u>173,429</u>	\$ <u>171,695</u>	\$ <u>345,124</u>
Total operating revenues	<u>173,429</u>	<u>171,695</u>	<u>345,124</u>
Operating expenses			
Premiums / claim payments	<u>132,354</u>	<u>213,360</u>	<u>345,714</u>
Operating income	<u>41,075</u>	<u>(41,665)</u>	<u>(590)</u>
Nonoperating revenues			
Interest income	<u>60</u>	<u>22</u>	<u>82</u>
Change in net assets	41,135	(41,643)	(508)
Net assets, beginning of year	<u>28,359</u>	<u>41,643</u>	<u>70,002</u>
Net assets, end of year	\$ <u><u>69,494</u></u>	\$ <u><u>-</u></u>	\$ <u><u>69,494</u></u>

City of North Chicago, Illinois

Internal Service Funds

Combining Schedule of Cash Flows

For the year ended April 30, 2012

	<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	\$ 173,429	\$ 171,695	\$ 345,124
Cash payments for claims and services	<u>(124,578)</u>	<u>(163,910)</u>	<u>(288,488)</u>
Net cash provided by operating activities	<u>48,851</u>	<u>7,785</u>	<u>56,636</u>
Cash flows from investing activities			
Interest received	<u>60</u>	<u>22</u>	<u>82</u>
Net cash provided by investing activities	<u>60</u>	<u>22</u>	<u>82</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 48,911	 7,807	 56,718
Cash and cash equivalents, beginning of year	<u>67,988</u>	<u>41,643</u>	<u>109,631</u>
Cash and cash equivalents, end of year	\$ <u><u>116,899</u></u>	\$ <u><u>49,450</u></u>	\$ <u><u>166,349</u></u>
 Reconciliation of operating income to net cash used in operating activities			
Operating income	\$ 41,075	\$ (41,665)	\$ (590)
Adjustments to reconcile operating income to net cash used in operating activities			
Increase in claims payable	<u>7,776</u>	<u>-</u>	<u>7,776</u>
Net cash provided by operating activities	\$ <u><u>48,851</u></u>	\$ <u><u>(41,665)</u></u>	\$ <u><u>7,186</u></u>

OTHER SUPPLEMENTARY INFORMATION

City of North Chicago, Illinois
 General Obligation Bonds Series 2005A
 Schedule of Annual Debt Service Requirements
April 30, 2012

General Obligation Bonds
 Series 2005A
 General Governmental Obligation

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
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>\$ 8,475,000</u>	<u>\$ 2,624,932</u>	<u>\$ 11,099,932</u>

City of North Chicago, Illinois
 General Obligation Bonds Series 2005B
 Schedule of Annual Debt Service Requirements
April 30, 2012

General Obligation Bonds
 Series 2005B
 Enterprise Obligation

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
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>\$ 3,000,000</u>	<u>\$ 1,147,633</u>	<u>\$ 4,147,633</u>

City of North Chicago, Illinois
 General Obligation Bonds Series 2007A
 Schedule of Annual Debt Service Requirements
April 30, 2012

General Obligation Bonds
 Series 2007A
 General Governmental Obligation

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
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>\$ 2,340,000</u>	<u>\$ 623,200</u>	<u>\$ 2,963,200</u>

City of North Chicago, Illinois
 General Obligation Bonds Series 2007B
 Schedule of Annual Debt Service Requirements
April 30, 2012

General Obligation Bonds
 Series 2007B
 General Governmental Obligation

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
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
2031	4.300%	450,000	168,510	618,510

(Continued)

City of North Chicago, Illinois
 General Obligation Bonds Series 2007B (Continued)
 Schedule of Annual Debt Service Requirements
April 30, 2012

General Obligation Bonds
 Series 2007B (Continued)
 General Governmental Obligation

Fiscal Year Ended April 30,	Interest Rate	Principal	Interest	Annual Debt Service
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>\$ 4,420,658</u>	<u>\$ 9,160,658</u>

City of North Chicago, Illinois
 General Obligation Bonds Series 2007C
 Schedule of Annual Debt Service Requirements
April 30, 2012

Taxable General Obligation Bonds
 Series 2007C
 General Governmental Obligation

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
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>\$ 8,665,000</u>	<u>\$ 5,073,975</u>	<u>\$ 13,738,975</u>

City of North Chicago, Illinois

Legal Debt Margin

April 30, 2012

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.