

City of North Chicago, Illinois

Annual Financial Report

Year Ended April 30, 2013

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

Report on the Financial Statements

We have audited the accompanying financial statements of 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this also includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 position, and revenues of the fiduciary funds. Those statements were audited by an other auditor 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 auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditors' Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the component unit financial statements, as described below, 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 financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of North Chicago, Illinois as of April 30, 2013, and the respective changes in financial position and cash flows, thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Component Unit

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 \$2,174,136, total revenues of \$0, and net position of (\$4,864,113).

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15, the Illinois Municipal Retirement Fund historical data on page 74, the other postemployment benefits data, and the Police and Firefighter's Pension Funds supplementary information on pages 75 through 76, and the budgetary comparison schedules and notes to the required supplementary information on pages 77 through 80 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by 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.

Other Matters (Continued)

Required Supplementary Information (Continued)

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.

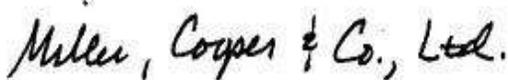
Other Information

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.

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

The other supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

MILLER, COOPER & CO., LTD.



Certified Public Accountants

Deerfield, Illinois
October 30, 2013

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, 2013.

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 \$33,824,093 (net position).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,144,910. Of this amount, \$8,327,680 or 41.3 percent of total general fund expenditures was unassigned, 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 \$8,327,680.
- The City's outstanding General Obligation Bonds is \$26,175,000, a decrease of \$1,045,000 for principal payments made 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 (RSI).

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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 City itself.

The government-wide financial statements can be found on pages 16-19 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. Budgetary comparison schedules have been provided for the General Fund and any major special revenue funds, in the RSI, to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

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

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

The proprietary fund financial statements provide separate information for the water and sewer operations, which are considered to be a major funds of the City. Conversely, both internal service funds are combined into a single, aggregated presentation on 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 position of the enterprise funds, at the end of the fiscal year, amounted to \$6,797,102 and those of the internal service funds amounted to \$120,095.

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-73 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 74-80 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 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 104-111 and 120-122 of this report, respectively.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceeded liabilities by \$33,824,093, at the close of the most recent fiscal year.

By far the largest portion of the City's net position reflects its investment in capital assets (i.e., land, infrastructure, 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 position:

**CITY OF NORTH CHICAGO
Net Position**

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$34,246,432	\$31,498,519	\$8,658,627	\$7,753,781	\$42,905,059	\$39,252,300
Noncurrent assets	19,924,728	20,158,564	16,483,857	16,484,510	36,408,585	36,643,074
Total assets	54,171,160	51,657,083	25,142,484	24,238,291	79,313,644	75,895,374
Current liabilities	7,981,427	8,719,520	328,227	441,726	8,309,654	9,161,246
Noncurrent liabilities	32,806,599	32,727,575	4,373,298	4,655,297	37,179,897	37,382,872
Total liabilities	40,788,026	41,447,095	4,701,525	5,097,023	45,489,551	46,544,118
Net position:						
Invested in assets, net of related debt	6,181,346	3,615,731	12,226,906	11,945,919	18,408,252	15,561,650
Restricted by enabling legislation	3,223,616	3,555,856	-	-	3,223,616	3,555,856
Restricted for sales tax refund	1,827,690	-	-	-	1,827,690	-
Unrestricted	2,150,482	3,038,401	8,214,053	7,195,349	10,364,535	10,233,750
Total net position	\$13,383,134	\$10,209,988	\$20,440,959	\$19,141,268	\$33,824,093	\$29,351,256

At the end of the current fiscal year, the City is able to report positive balances in both categories of net position, 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 position and total revenues, expenses, and transfers for governmental and business-type activities are reflected in the following:

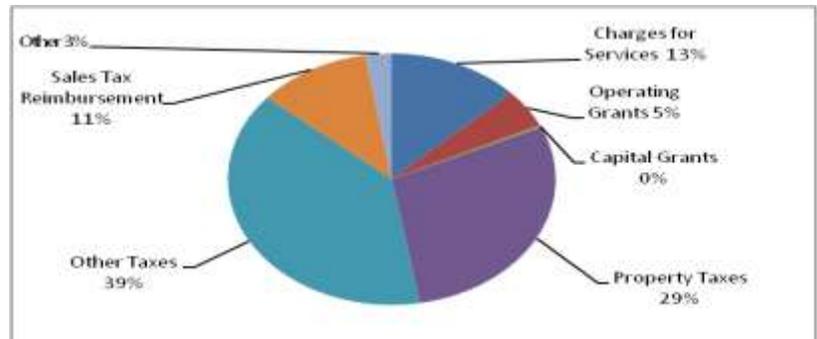
CITY OF NORTH CHICAGO
Changes in Net Position

	Governmental		Business-type		Total	
	activities		activities			
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 3,481,941	\$ 3,243,376	\$ 7,598,128	\$ 6,759,231	\$11,080,069	\$10,002,607
Operating grants	1,335,854	1,461,651	-	-	1,335,854	1,461,651
Capital grants and contributions	80,251	1,385,751	-	814,000	80,251	2,199,751
General revenues:						
Property taxes	7,778,521	8,921,309	-	-	7,778,521	8,921,309
Other taxes	10,456,534	9,533,042	-	-	10,456,534	9,533,042
Other	695,381	473,148	24,408	11,114	719,789	484,262
Sales tax reimbursement	2,991,204				2,991,204	
Total revenues	26,819,686	25,018,277	7,622,536	7,584,345	34,442,222	32,602,622
Expenses:						
Administration and general government	6,042,400	7,853,980	-	-	6,042,400	7,853,980
Police	9,681,598	8,634,399	-	-	9,681,598	8,634,399
Fire	3,487,513	3,218,729	-	-	3,487,513	3,218,729
Public works	2,126,584	2,162,532	-	-	2,126,584	2,162,532
Library	662,614	634,945	-	-	662,614	634,945
Economic development	1,517,500	1,733,747	-	-	1,517,500	1,733,747
Interest and other	1,211,217	1,254,712	-	-	1,211,217	1,254,712
Water	-	-	3,443,586	3,398,485	3,443,586	3,398,485
Sewer	-	-	879,259	679,652	879,259	679,652
Total expenses	24,729,426	25,493,044	4,322,845	4,078,137	29,046,453	29,052,271
Extraordinary item	917,114	2,109,290	-	-	917,114	2,109,290
Change in net position before transfers	1,173,146	(2,584,057)	3,299,691	3,506,208	4,472,837	922,151
Transfers	2,000,000	2,000,000	(2,000,000)	(2,000,000)	-	-
Increase in net position	3,173,146	(584,057)	1,299,691	1,506,208	4,472,837	922,151
Net position - May 1, 2012	10,209,988	10,794,045	19,141,268	17,635,060	29,351,256	28,429,105
Net position - April 30, 2013	\$13,383,134	\$10,209,988	\$20,440,959	\$19,141,268	\$33,824,093	\$29,351,256

Revenues by Source – Governmental Activities

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

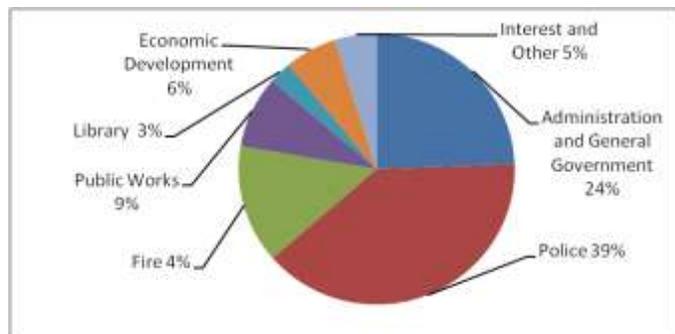
Charges for Services	\$3,476,123
Operating Grants	1,335,854
Capital Grants	80,251
Property Taxes	7,778,521
Other Taxes	10,456,534
Sales Tax Reimbursement	2,991,204
Other	695,381
Total revenues	\$26,813,868



Expenses by Function – Governmental Activities

The chart below shows the expenses by function. The cost of all governmental activities was \$24,723,608. The Statement of Activities on pages 18-19 shows that \$3,476,123 was financed by those who use the services; \$1,416,105 was financed by grants, with the City's general revenues, operating transfers, and net position financing \$19,831,380.

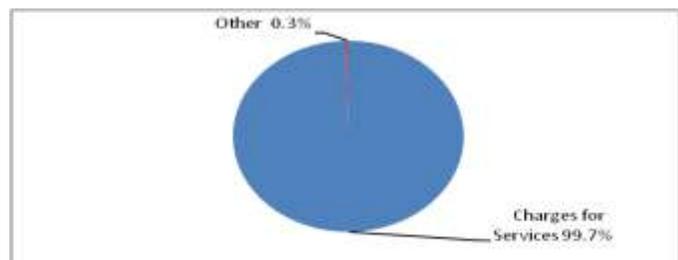
Administration and General Government	\$ 6,042,400
Police	9,681,598
Fire	3,487,513
Public Works	2,126,584
Library	662,614
Economic Development	1,511,682
Interest and Other	1,211,217
Total expenses	\$24,723,608



Revenues by Source – 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 \$7,622,536 for the year ended April 30, 2013. Ninety-nine percent of the revenues come from charges paid by the users of services and less than one percent from other sources.

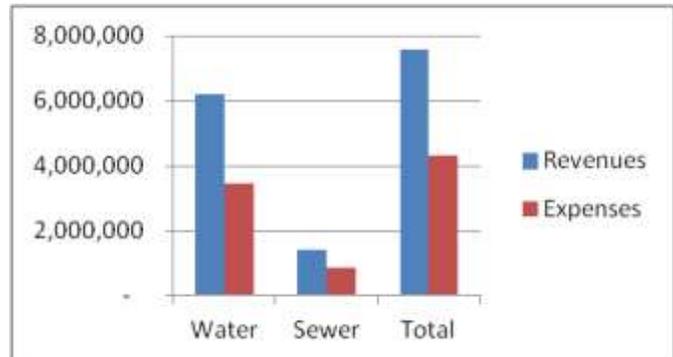
Charges for Services	\$7,598,128
Other	24,408
Total revenues	\$7,622,536



Expenses and Program Revenues – Business-type Activities

The following graph compares the revenues by source and expenses by function for business-type activities. The program revenues and costs of these activities were \$7,598,128 and \$4,322,845, respectively. The Statement of Activities on pages 18-19 shows that the water and wastewater systems cover all costs and operate at a profit.

	Revenues	Expenses
Water	\$6,204,814	\$3,443,586
Sewer	1,393,314	879,259
Total	\$7,598,128	\$4,322,845



Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,144,910, an increase of \$3,435,405 in comparison with the prior year. Approximately 32% or \$8.3 million constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been designated for 1) inventory of \$5,345, 2) prepaid items or \$35,867, 3) special revenue funds of \$4,809,462, 4) debt service \$1,273,292, 5) capital projects of \$1,820,423, 6) land held for resale of \$6,324,086, 7) restricted for due from a component unit \$1,721,065, and 8) note payable to Illinois Department of Revenue of \$1,827,690 for sales tax reimbursement.

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 \$8,327,680. 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 41.4 percent of total General Fund expenditures, while total fund balance represents 50.4 percent of that same amount.

The fund balance of the City's General Fund increased by \$3,570,663, during the current fiscal year. Key factors in this growth are as follows:

- Other financing sources include revenue of \$2.9 million for sales tax reimbursement.
- Revenue from real estate transfer tax was greater than estimated due to the unexpected sale of a large parcel of industrial property.

- State income tax increased approximately 12% over the amount expected as a result of improved economic conditions.
- Expenditures were less than budget, attributable to certain staff positions that were not filled and various other operating efficiencies.

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 position of the water and wastewater operations at the end of the year amounted to \$20,440,959, as compared to \$19,141,268 for the prior year, an increase of \$1,299,691. The unrestricted amount, at the end of the year, is \$8,214,053. 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 a budget deficit of \$1,399,546. As a result, the recruitment of certain budgeted positions and capital items were deferred, coupled with other operating efficiencies.

Realized revenues and other financing sources were \$24,609,026, compared to the budget of \$20,653,081, greater than budgeted revenues by \$3,955,945. The difference between the budget and the amount realized is primarily attributable to other financing sources of \$2.9 million for sales tax reimbursement. Expenditures are \$21,038,363, compared to the budget of \$22,052,627, under budget by \$1,014,264. The difference between budget and actual is again related to deferring the recruitment of certain authorized positions and deferring the acquisition of capital items. 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, 2013 amounts to \$36,049,989 (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:

- Acquired a fully electronic utility meter reading system to improve the management of our water resources. The system provides highly accurate and high quality integrated metering. Acquisition cost was \$680,000.
- Purchased twelve law enforcement vehicles and three code enforcement vehicles for a combined cost of \$419,000.
- A variety of street resurfacing and rehabilitation projects were completed at a cost of \$355,000.
- Outlay for other capital items, such as building improvements, library collections, and various machinery and equipment was capitalized at a cost of approximately \$380,000.

CITY OF NORTH CHICAGO
Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,831,841	\$ 2,831,841	\$ 2,435	\$ 2,435	\$ 2,834,276	\$2,834,276
Construction in progress	-	-	-	103,988	-	103,988
Land improvements	232,428	244,992	113,189	118,284	345,617	363,276
Buildings and improvements	1,878,043	1,870,588	4,324,382	4,495,576	6,202,425	6,366,164
Infrastructure	12,019,202	12,233,998	-	-	12,019,202	12,233,998
Library collections	191,107	212,184	-	-	191,107	212,184
Machinery and equipment	2,413,512	2,364,449	12,043,850	11,764,227	14,457,362	14,128,676
Total	\$19,566,133	\$19,758,052	\$16,483,856	\$16,484,510	\$36,049,989	\$36,242,562

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$26,175,000. The total amount of the outstanding issues is government obligation bonds backed by the full faith and credit of the City. Other City debt is \$11,004,897 as listed in the following table. Total bonded debt and other debt, at the end of the fiscal year, was \$37,179,897.

CITY OF NORTH CHICAGO

Long Term Debt

	Governmental		Business-type		Total	
	activities		activities			
	2013	2012	2013	2012	2013	2012
GO Bonds:						
Series 2005A	\$ 7,965,000	\$ 8,475,000	\$ -	\$ -	\$ 7,965,000	\$ 8,475,000
Series 2005B	-	-	2,840,000	3,000,000	2,840,000	3,000,000
Series 2007A	2,190,000	2,340,000	-	-	2,190,000	2,340,000
Series 2007B	4,740,000	4,740,000	-	-	4,740,000	4,740,000
Series 2007C	8,440,000	8,665,000	-	-	8,440,000	8,665,000
Total Bonds	23,335,000	24,220,000	2,840,000	3,000,000	26,175,000	27,220,000
Other:						
Bond issuance premium	304,886	345,107	-	-	304,886	345,107
Compensated Absences	1,912,012	1,917,284	116,347	116,706	2,028,359	2,033,990
Capital lease	278,097	-	-	-	278,097	-
Other post employment benefits	88,825	66,579	-	-	88,825	66,579
Lawsuit settlement liability	52,000	55,700	-	-	52,000	55,700
Note payable to Lake Forest Bank	494,301	672,049	-	-	494,301	672,049
Note payable to State of Illinois, Office of the Fire Marshal	40,000	60,000	-	-	40,000	60,000
Note payable to IL Department of Revenue	1,827,690	2,038,890	-	-	1,827,690	2,038,890
Component unit note payable	339,471	339,471	-	-	339,471	339,471
Net Firefighter and police pension obligation	4,134,317	3,002,495	-	-	4,134,317	3,002,495
Note payable to Abbott Laboratories	-	-	404,134	467,899	404,134	467,899
Note payable to IL Environmental Protection Agency	-	-	1,012,817	1,070,692	1,012,817	1,070,692
Total Other	9,471,599	8,497,575	1,533,298	1,655,297	11,004,897	10,152,872
Total	\$32,806,599	\$32,717,575	\$ 4,373,298	\$ 4,655,297	\$37,179,897	\$37,372,872

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

Economic Factors and Next Year's Budget and Rates

The City's fiscal concerns continue amid economic conditions that impact revenues and the cost of providing essential services. As the economy continues through a slow recovery, our normal revenue sources remain well below historical levels. The national economic condition 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 2014 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 required the City to continue to identify and implement revenues increases and contain or reduce expenditures.

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 collect 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 containing certain operating costs through process changes and efficiency measurers 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 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 Obligations Bonds, Series 2007B in the amount of \$4,740,000, General Obligation Bonds, Series 2007C in the amount of \$8,860,000; a total of \$25,400,000. The City also issued General Obligation Bonds, Series 2005B in the amount of \$3,860,000 for the purpose of water and wastewater improvements. The proceeds of all these issues contributed greatly to the Sheridan Crossing Town Center, Grant Place 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 2014 budget for the General Fund does not provide for sufficient revenue to meet anticipated expenditures. The budget deficit is \$719,428. As such, the City will continue to evaluate ways to increase revenues and must continue our aggressive cost containment initiatives.

The fiscal year 2014 budget for the Enterprise Fund for the City's water and wastewater operations reflects a deficit of \$170,324. 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 and 2) is seeking new customers contiguous to City boundaries.

The unemployment rate for the City is 13.7 percent. The unemployment rate for the State of Illinois is 8.7 percent. The current national rate is 7.5 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 Position

April 30, 2013

	Primary Government			(Unaudited) Component Unit
	Governmental Activities	Business-type Activities	Total	Five Points Economic Development Corporation
ASSETS				
Current assets				
Cash, cash equivalents, and investments	\$ 13,182,499	\$ 7,415,357	\$ 20,597,856	\$ 156,606
Property taxes receivable	7,868,217	-	7,868,217	-
Other taxes receivable	485,744	-	485,744	-
Intergovernmental receivable	132,016	-	132,016	-
Loans receivable, net	-	-	-	108,212
Other receivables, net	4,489,389	1,245,474	5,734,863	-
Internal balances	2,204	(2,204)	-	-
Prepaid expenses	35,867	-	35,867	-
Due from component unit, net of \$5,427,691 reserve	1,721,065	-	1,721,065	-
Inventory	5,345	-	5,345	-
Land held for resale	6,324,086	-	6,324,086	-
Total current assets	34,246,432	8,658,627	42,905,059	264,818
Noncurrent assets				
Note receivable, City of North Chicago	-	-	-	339,471
Deferred bond issuance charges, net	358,595	-	358,595	-
Land and other capital assets not being depreciated	2,831,841	2,435	2,834,276	243,100
Capital assets, net of accumulated depreciation	16,734,292	16,481,422	33,215,714	1,326,747
Total noncurrent assets	19,924,728	16,483,857	36,408,585	1,909,318
Total assets	54,171,160	25,142,484	79,313,644	2,174,136

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Statement of Net Position

April 30, 2013

	Primary Government			(Unaudited) Component Unit
	Governmental Activities	Business-type Activities	Total	Five Points Economic Development Corporation
	LIABILITIES			
Current liabilities				
Accounts payable	\$ 1,977,766	\$ 292,228	\$ 2,269,994	\$ -
Accrued payroll	371,426	35,999	407,425	-
Unearned revenue	4,669,500	-	4,669,500	-
Claims payable	21,914	-	21,914	-
Other liabilities	940,821	-	940,821	-
Due to primary government	-	-	-	7,038,249
Noncurrent liabilities				
Due within one year	1,582,572	322,855	1,905,427	-
Due in more than one year	31,224,027	4,050,443	35,274,470	-
Total liabilities	40,788,026	4,701,525	45,489,551	7,038,249
NET POSITION				
Invested in capital assets, net of related debt	6,181,346	12,226,906	18,408,252	-
Restricted by enabling legislation	3,223,616	-	3,223,616	-
Restricted for sales tax refund	1,827,690	-	1,827,690	-
Unrestricted	2,150,482	8,214,053	10,364,535	(4,864,113)
Total net position	\$ 13,383,134	\$ 20,440,959	\$ 33,824,093	\$ (4,864,113)

(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, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities				
Administration and general government	\$ 6,042,400	\$ 114,915	\$ -	\$ -
Police	9,681,598	1,258,230	-	5,818
Fire	3,487,513	346,995	-	-
Public works	2,126,584	1,745,283	931,651	19,255
Library	662,614	16,518	35,889	-
Economic development	1,517,500	-	368,314	55,178
Interest and other	1,211,217	-	-	-
Total governmental activities	<u>24,729,426</u>	<u>3,481,941</u>	<u>1,335,854</u>	<u>80,251</u>
Business-type activities				
Water	3,443,586	6,204,814	-	-
Sewer	879,259	1,393,314	-	-
Total business-type activities	<u>4,322,845</u>	<u>7,598,128</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 29,052,271</u>	<u>\$ 11,080,069</u>	<u>\$ 1,335,854</u>	<u>\$ 80,251</u>
(Unaudited) Component unit - Five Points				
Economic Development Corporation	<u>\$ 97,390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
		General revenues		
		Property taxes		
		Other taxes		
		Intergovernmental		
		Miscellaneous		
		Interest income		
		Sales tax reimbursement		
		Transfers		
		Total general revenues and transfers		
		Extraordinary item		
		Change in net position		
		Net position, beginning of year		
		Net position, end of year		

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			(Unaudited)
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Five Points Economic Development Corporation
\$ (5,927,485)	\$ -	\$ (5,927,485)	\$ -
(8,417,550)	-	(8,417,550)	-
(3,140,518)	-	(3,140,518)	-
569,605	-	569,605	-
(610,207)	-	(610,207)	-
(1,094,008)	-	(1,094,008)	-
(1,211,217)	-	(1,211,217)	-
<u>(19,831,380)</u>	<u>-</u>	<u>(19,831,380)</u>	<u>-</u>
-	2,761,228	2,761,228	-
-	514,055	514,055	-
<u>-</u>	<u>3,275,283</u>	<u>3,275,283</u>	<u>-</u>
(19,831,380)	3,275,283	(16,556,097)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(97,390)</u>
7,778,521	-	7,778,521	-
4,259,721	-	4,259,721	-
6,196,813	-	6,196,813	-
686,803	19,265	706,068	-
8,578	5,143	13,721	5,667
2,991,204	-	2,991,204	-
2,000,000	(2,000,000)	-	-
<u>23,921,640</u>	<u>(1,975,592)</u>	<u>21,946,048</u>	<u>5,667</u>
917,114	-	917,114	-
3,173,146	1,299,691	4,472,837	(91,723)
10,209,988	19,141,268	29,351,256	(4,772,390)
<u>\$ 13,383,134</u>	<u>\$ 20,440,959</u>	<u>\$ 33,824,093</u>	<u>\$ (4,864,113)</u>

City of North Chicago, Illinois

Governmental Funds

Balance Sheet

April 30, 2013

	General	Downtown Tax Increment Financing Redevelopment Project Area	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,578,726	\$ 1,793,215	\$ 4,631,356	\$ 13,003,297
Property taxes receivable	5,608,550	-	2,259,667	7,868,217
Other taxes receivable	485,744	-	-	485,744
Intergovernmental receivable	-	-	132,016	132,016
Other receivables	3,138,796	-	1,350,593	4,489,389
Prepaid expense	34,167	-	1,700	35,867
Due from other funds	33,806	-	38,938	72,744
Due from component unit, net of reserve	-	-	1,721,065	1,721,065
Inventory	5,345	-	-	5,345
Land held for resale	152,000	6,150,314	21,772	6,324,086
Total assets	\$ 16,037,134	\$ 7,943,529	\$ 10,157,107	\$ 34,137,770
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,075,996	\$ 4,905	\$ 859,672	\$ 1,940,573
Accrued payroll	355,489	-	15,937	371,426
Unearned revenue	3,375,709	-	1,293,791	4,669,500
Other liabilities	883,022	-	57,799	940,821
Due to other funds	36	-	70,504	70,540
Total liabilities	5,690,252	4,905	2,297,703	7,992,860
Fund balances				
Nonspendable for inventory	5,345	-	-	5,345
Nonspendable for prepaid items	34,167	-	1,700	35,867
Restricted for special revenue funds	-	-	4,809,462	4,809,462
Restricted for debt service	-	-	1,273,292	1,273,292
Restricted for capital projects	-	1,788,310	32,113	1,820,423
Restricted for land held for resale	152,000	6,150,314	21,772	6,324,086
Restricted for due from component unit	-	-	1,721,065	1,721,065
Restricted for sales tax refund	1,827,690	-	-	1,827,690
Unassigned	8,327,680	-	-	8,327,680
Total fund balances	10,346,882	7,938,624	7,859,404	26,144,910
Total liabilities and fund balances	\$ 16,037,134	\$ 7,943,529	\$ 10,157,107	\$ 34,137,770

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 Position

April 30, 2013

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

Total fund balances - governmental funds	\$ 26,144,910
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	19,566,133
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.	(32,448,004)
The net position of the internal service funds are included in the governmental activities in the statement of net position.	<u>120,095</u>
Net position of governmental activities	<u><u>\$ 13,383,134</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, 2013

	General	Downtown Tax Increment Financing Redevelopment Project Area	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 5,483,431	\$ -	\$ 2,295,090	\$ 7,778,521
Taxes - other	4,067,398	-	192,323	4,259,721
Licenses and permits	683,065	-	-	683,065
Intergovernmental	5,886,254	-	1,242,210	7,128,464
Grants	-	-	484,454	484,454
Fines and fees	2,731,829	-	16,518	2,748,347
Interest	2,245	1,504	4,757	8,506
Miscellaneous	477,022	500	209,281	686,803
Total revenues	19,331,244	2,004	4,444,633	23,777,881
Expenditures				
Current				
General government	2,772,171	69,898	-	2,842,069
Administration services	3,458,438	-	53,895	3,512,333
Highway and streets	953,697	-	602,897	1,556,594
Public safety	11,365,210	-	313,228	11,678,438
Culture and recreation	-	-	561,438	561,438
Economic development	1,132,203	-	385,297	1,517,500
Debt service				
Principal retirement	388,713	-	885,000	1,273,713
Interest and other	30,817	-	1,197,420	1,228,237
Capital outlay	20,000	8,683	504,139	532,822
Total expenditures	20,121,249	78,581	4,503,314	24,703,144
Deficiency of revenues over expenditures	(790,005)	(76,577)	(58,681)	(925,263)
Other financing sources (uses)				
Loan proceeds	286,578	-	-	286,578
Sales tax reimbursement	2,991,204	-	-	2,991,204
Transfers in	2,000,000	-	65,000	2,065,000
Transfers out	-	-	(65,000)	(65,000)
Total other financing sources	5,277,782	-	-	5,277,782
Extraordinary item				
State sales tax refund expense	917,114	-	-	917,114
Net change in fund balance	3,570,663	(76,577)	(58,681)	3,435,405
Fund balances, beginning of year	6,776,219	8,015,201	7,918,085	22,709,505
Fund balances, end of year	\$ 10,346,882	\$ 7,938,624	\$ 7,859,404	\$ 26,144,910

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, 2013

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

Net change in fund balances - total governmental funds	\$ 3,435,405
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.	(191,919)
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.	1,015,851
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.	(1,136,792)
Internal service funds are reported separately in the fund financial statements.	<u>50,601</u>
Change in net position - governmental activities	<u>\$ 3,173,146</u>

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Proprietary Funds
Statement of Net Position
April 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Major Funds			Internal Service Funds
	Water	Sewer	Total	Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,893,619	\$ 2,521,738	\$ 7,415,357	\$ 179,202
Other receivables, net	966,383	279,091	1,245,474	-
Due from other funds	36	-	36	-
Total current assets	5,860,038	2,800,829	8,660,867	179,202
Noncurrent assets				
Land and other capital assets				
not being depreciated	2,435	-	2,435	-
Capital assets, net of accumulated depreciation	12,235,708	4,245,714	16,481,422	-
Total noncurrent assets	12,238,143	4,245,714	16,483,857	-
Total assets	18,098,181	7,046,543	25,144,724	179,202

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 Service Funds</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 222,939	\$ 69,289	\$ 292,228	\$ 37,193
Accrued payroll	27,354	8,645	35,999	-
Noncurrent liabilities -				
current portion	180,388	142,467	322,855	-
Claims payable	-	-	-	21,914
Due to other funds	2,240	-	2,240	-
Total current liabilities	<u>432,921</u>	<u>220,401</u>	<u>653,322</u>	<u>59,107</u>
Noncurrent liabilities	<u>1,689,590</u>	<u>2,360,853</u>	<u>4,050,443</u>	<u>-</u>
Total liabilities	<u>2,122,511</u>	<u>2,581,254</u>	<u>4,703,765</u>	<u>59,107</u>
NET POSITION				
Invested in capital assets, net of				
related debt	10,450,361	1,776,545	12,226,906	-
Unrestricted	<u>5,525,309</u>	<u>2,688,744</u>	<u>8,214,053</u>	<u>120,095</u>
Total net position	<u>\$ 15,975,670</u>	<u>\$ 4,465,289</u>	<u>\$ 20,440,959</u>	<u>\$ 120,095</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 Position

For the Year Ended April 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Major Funds			
	Water	Sewer	Total	
Operating revenues				
Charges for sales and services	\$ 6,204,814	\$ 1,393,314	\$ 7,598,128	\$ 354,779
Miscellaneous	19,265	-	19,265	-
Total operating revenues	6,224,079	1,393,314	7,617,393	354,779
Operating expenses				
Operations	2,826,392	689,163	3,515,555	304,250
Depreciation	549,576	118,919	668,495	-
Total operating expenses	3,375,968	808,082	4,184,050	304,250
Operating income	2,848,111	585,232	3,433,343	50,529
Nonoperating revenues (expenses)				
Interest income	3,041	2,102	5,143	72
Interest expense	(67,618)	(71,177)	(138,795)	-
Total nonoperating revenues (expenses)	(64,577)	(69,075)	(133,652)	72
Income before transfers	2,783,534	516,157	3,299,691	50,601

(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 Position (Continued)

For the Year Ended April 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental
	Major Funds			Activities -
	Water	Sewer	Total	Internal Service Funds
Transfers out	\$ (1,600,000)	\$ (400,000)	\$ (2,000,000)	\$ -
Change in net position	1,183,534	116,157	1,299,691	50,601
Net position, beginning of year	14,792,136	4,349,132	19,141,268	69,494
Net position, end of year	<u>\$ 15,975,670</u>	<u>\$ 4,465,289</u>	<u>\$ 20,440,959</u>	<u>\$ 120,095</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, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Major Funds			
	Water	Sewer	Total	
Cash flows from operating activities				
Cash received from customers	\$ 5,961,620	1,282,358	\$ 7,243,978	\$ 354,779
Cash payments for goods and services	(1,787,577)	(337,050)	(2,124,627)	(341,998)
Cash payments to employees	(1,178,736)	(325,550)	(1,504,286)	-
Net cash provided by operating activities	2,995,307	619,758	3,615,065	12,781
Cash flows from noncapital financing activities				
Interfund borrowing	194,355	87,572	281,927	-
Operating transfers out	(1,600,000)	(400,000)	(2,000,000)	-
Net cash used in noncapital financing activities	(1,405,645)	(312,428)	(1,718,073)	-
Cash flows from capital and related financing activities				
Purchase of equipment and infrastructure	(625,827)	(42,015)	(667,842)	-
Payment of note payable	(63,765)	-	(63,765)	-
Payment of bond principal	(77,949)	(82,051)	(160,000)	-
Proceeds from loan payable	-	(57,875)	(57,875)	-
Interest paid	(67,618)	(71,177)	(138,795)	-
Net cash used in capital and related financing activities	(835,159)	(253,118)	(1,088,277)	-
Cash flows from investing activities				
Interest received	3,041	2,102	5,143	72
Net cash provided by investing activities	3,041	2,102	5,143	72
NET INCREASE				
CASH AND CASH EQUIVALENTS	757,544	56,314	813,858	12,853
Cash and cash equivalents, beginning of year	4,136,075	2,465,424	6,601,499	166,349
Cash and cash equivalents, end of year	\$ 4,893,619	\$ 2,521,738	\$ 7,415,357	\$ 179,202

(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, 2013

	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	\$ 2,848,111	\$ 585,232	\$ 3,433,343	\$ 50,529
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	549,576	118,919	668,495	-
Increase in other receivables	(262,459)	(110,956)	(373,415)	-
Decrease in prepaid expense	500	-	500	-
Increase (decrease) in accounts payable	(140,858)	21,945	(118,913)	(33,377)
Increase in accrued payroll	2,895	2,519	5,414	-
Increase (decrease) in compensated absences payable	(2,458)	2,099	(359)	-
Decrease in claims payable	-	-	-	(4,371)
Net cash provided by operating activities	\$ 2,995,307	\$ 619,758	\$ 3,615,065	\$ 12,781

(Concluded)

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Fiduciary Funds

Statement of Fiduciary Net Position

April 30, 2013

	Pension Trust Funds			Agency Fund
	Police Pension	Firefighters' Pension	Total	Temporary Escrow
ASSETS				
Cash and cash equivalents	\$ 93,275	\$ 66,165	\$ 159,440	\$ 95,512
Investments	16,388,404	9,212,555	25,600,959	-
Interest receivable	72,392	1,033	73,425	-
Total assets	<u>16,554,071</u>	<u>9,279,753</u>	<u>25,833,824</u>	<u>95,512</u>
LIABILITIES				
Accounts payable	13,750	6,051	19,801	-
Escrow funds payable	-	-	-	95,512
Total liabilities	<u>13,750</u>	<u>6,051</u>	<u>19,801</u>	<u>95,512</u>
PLAN NET POSITION				
Plan net position held in trust for pension benefits	<u>\$ 16,540,321</u>	<u>\$ 9,273,702</u>	<u>\$ 25,814,023</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 Position
For the Year Ended April 30, 2013

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
Additions			
Contributions			
Employer	\$ 733,084	\$ 556,338	\$ 1,289,422
Plan members	<u>380,435</u>	<u>170,193</u>	<u>550,628</u>
Total contributions	<u>1,113,519</u>	<u>726,531</u>	<u>1,840,050</u>
Investment earnings			
Interest and dividends	392,161	160,601	552,762
Net change in fair value of investments	<u>704,166</u>	<u>863,268</u>	<u>1,567,434</u>
Total investment earnings	1,096,327	1,023,869	2,120,196
Less investment expenses	<u>115,871</u>	<u>31,206</u>	<u>147,077</u>
Net investment income	<u>980,456</u>	<u>992,663</u>	<u>1,973,119</u>
Total additions	<u>2,093,975</u>	<u>1,719,194</u>	<u>3,813,169</u>
Deductions			
Administration	57,139	43,781	100,920
Benefits	1,741,580	1,173,977	2,915,557
Refunds of contributions	<u>144,614</u>	<u>-</u>	<u>144,614</u>
Total deductions	<u>1,943,333</u>	<u>1,217,758</u>	<u>3,161,091</u>
Change in net position	150,642	501,436	652,078
Net position held in trust for pension benefits			
Beginning of year	<u>16,389,679</u>	<u>8,772,266</u>	<u>25,161,945</u>
End of year	<u>\$ 16,540,321</u>	<u>\$ 9,273,702</u>	<u>\$ 25,814,023</u>

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois
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April 30, 2013

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City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

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 City (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. New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), which was adopted by the District as of the fiscal year ended April 30, 2013. In the government-wide financial statements, the District is now required to report five elements on the statement of net position (formerly known as the statement of net assets), assets, deferred outflow of resources, liabilities, deferred inflows of resources, and net position (formerly known as net assets). The types of deferred outflows and inflows of resources to be reported currently consist of service concession arrangements and derivative instruments. As of April 30, 2013, the District has no deferred outflows or deferred inflows of resources.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position 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.

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 and proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds are reported in the supplementary information.

4. 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, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. 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.

5. 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 is 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 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.

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.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports both of its enterprise funds as major funds, as detailed below:

The *Water Fund* accounts for the provision of water services to the individual residents and commercial entities 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 individual residents and commercial entities 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.

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

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

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

6. 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 10%. Budget information is used for comparison to operations in various schedules as it reflects the operational plans set forth by the City.

7. 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.

8. 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, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. 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.

10. 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.

11. 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.

12. 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, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. 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

13. Land Held for Resale

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

14. 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 \$1,912,012 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.

15. 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 position. 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, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. 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.

16. Property Tax Revenue

Property taxes are levied by the second week of December and are based on the assessed value of property as determined by 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 2012 levy year are payable in two installments on or about June 1, 2013 and September 1, 2013.

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

17. Postemployment Healthcare Benefits

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

18. Use of Estimates

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

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

19. Fund Balance

In accordance with the Governmental Accounting Standards Board's (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*, in the fund financial statements, governmental funds 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, 2013.
- 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, 2013.
- 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.

Any fund with a deficit fund balance is classified as unassigned.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

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 Position

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

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	\$ (23,335,000)
Note payable to Lake Forest Bank	(494,301)
Note payable to State of Illinois, Office of the State Fire Marshal	(40,000)
Note payable to Illinois Department of Revenue	(1,827,690)
Component unit note payable	(339,471)
Bond issuance premium	(304,886)
Deferred bond issuance charges	358,595
Compensated absences payable	(1,912,012)
Capital lease	(278,097)
Other postemployment benefits obligation	(88,825)
Lawsuit settlement liability	(52,000)
Net pension obligation	<u>(4,134,317)</u>
Net adjustment to reduce total fund balances - governmental funds to net position of governmental activities	<u>\$ (32,448,004)</u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

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**

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 position - governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Depreciation expense	\$ (1,246,793)
Capital outlay	1,057,972
Loss on disposal of capital assets	<u>(3,098)</u>
 Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	 \$ <u><u>(191,919)</u></u>

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

Principal retirement of long-term debt	\$ 1,302,429
Issuance of long-term debt	<u>(286,578)</u>
 Net long-term debt adjustment to decrease net change in fund balances - funds to arrive at change in net position - governmental activities	 \$ <u><u>1,015,851</u></u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

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

(Continued)

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

Another element of that reconciliation states that "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:

Net compensated absences	\$	5,272
Amortization of bond issuance premium		40,221
Amortization of deferred bond issuance charges		(31,917)
Net other postemployment benefits obligation		(22,246)
Lawsuit settlement liability		3,700
Net fire and police pension fund obligation		<u>(1,131,822)</u>
Net current adjustment to increase net change in fund balances - total funds to arrive at change in net position - governmental activities	\$	<u><u>(1,136,792)</u></u>

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.
- 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.
- 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.
- State of Illinois Public Treasurer's Investment Pool.
- Bonds of the State of Illinois and any local government in the State of Illinois, which bonds have at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency.
- Any investments authorized by the Public Funds Investment Act.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

The deposits and investments of the Pension Funds are held separately from those of other City funds. Statutes and the Pension Funds' investment policies 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 policies 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 position of \$2.5 million or more may invest up to forty-five percent of plan net position in a separate account of life insurance companies and mutual funds. In addition, pension funds with net position 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 position in common and preferred stocks which meet specific restrictions.

As of April 30, 2013, the City's cash, cash equivalents, and investments consisted of the following:

	<u>Government-wide</u>	<u>Fiduciary</u>	<u>Total</u>
Cash, cash equivalents, and investments	\$ <u>20,597,856</u>	\$ <u>25,855,911</u>	\$ <u>46,453,767</u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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:

	Total
Cash on hand	\$ 6,400
Deposits with financial institutions - City	17,862,693
Deposits with financial institutions - Police and Firefighters' Pension Funds	351,312
Deposits with financial institutions - Temporary Escrow Fund	95,512
The Illinois Funds - City	2,728,763
Investments - Police and Firefighters' Pension Funds	25,409,087
Total	\$ 46,453,767

As of April 30, 2013, 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	\$ 4,514,326	\$ -	\$ 1,273,797	\$ 2,433,628	\$ 806,901
Money Market Mutual Funds	2,067,087	2,067,087	-	-	-
Corporate bonds	3,369,683	1,992,038	1,377,645	-	-
	9,951,096	\$ 4,059,125	\$ 2,651,442	\$ 2,433,628	\$ 806,901
Equity Mutual Funds	2,810,907				
Insurance Company Contracts	6,566,984				
Equity Securities	6,080,100				
	\$ 25,409,087				

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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."

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."

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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, 2013.

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, 2013, 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, 2013, 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, 2013, the Police Pension Fund has over 5%, \$827,016, of net position invested in various insurance contracts and mutual funds. The Police Pension Fund does not have a formal written policy with regards to concentration of credit risk.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

4. Concentration of Credit Risk (Continued)

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, 2013 the Firefighters' Pension Fund has over 5%, \$463,685, of plan net assets; invested in various agency securities and insurance contract and mutual funds. Agency investments represent a larger portion of the portfolio; however, the investments are diversified by maturity date and are backed by the issuing organization.

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are intended to be repaid currently from other resources of respective funds. Individual interfund balances at April 30, 2013 are shown as follows:

	Due From	Due To
Major Governmental Funds		
General Fund	\$ 36	\$ 33,806
Major Enterprise Funds		
Water Fund	2,240	36
Nonmajor Governmental Funds	73,824	42,258
	76,100	76,100
Less amounts eliminated during GASB 34 adjustments	(73,896)	(73,896)
Total internal balances as shown on the statement of net position	\$ 2,204	\$ 2,204

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2013 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
 Total capital assets not being depreciated	 <u>2,831,841</u>	 <u>-</u>	 <u>-</u>	 <u>2,831,841</u>
 Capital assets being depreciated				
Land improvements	397,174	-	-	397,174
Buildings and improvements	4,765,431	105,021	-	4,870,452
Infrastructure	21,646,621	355,194	227,254	21,774,561
Library collections	867,061	41,477	29,374	879,164
Machinery and equipment	7,719,680	556,280	1,022,844	7,253,116
 Total capital assets being depreciated	 <u>35,395,967</u>	 <u>1,057,972</u>	 <u>1,279,472</u>	 <u>35,174,467</u>
 Less accumulated depreciation for				
Land improvements	152,182	12,564	-	164,746
Buildings and improvements	2,894,843	97,566	-	2,992,409
Infrastructure	9,412,623	569,990	227,254	9,755,359
Library collections	654,877	62,554	29,374	688,057
Machinery and equipment	5,355,231	504,119	1,019,746	4,839,604
 Total accumulated depreciation	 <u>18,469,756</u>	 <u>1,246,793</u>	 <u>1,276,374</u>	 <u>18,440,175</u>
 Total capital assets being depreciated, net	 <u>16,926,211</u>	 <u>(188,821)</u>	 <u>3,098</u>	 <u>16,734,292</u>
 Governmental activities capital assets, net	 <u>\$ 19,758,052</u>	 <u>\$ (188,821)</u>	 <u>\$ 3,098</u>	 <u>\$ 19,566,133</u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

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	103,988	-	103,988	-
	106,423	-	103,988	2,435
Total capital assets not being depreciated				
Capital assets being depreciated				
Land improvements	209,813	-	-	209,813
Buildings	8,064,217	-	-	8,064,217
Machinery and equipment	16,540,599	775,208	60,941	17,254,866
Underground equipment	15,081,706	-	-	15,081,706
	39,896,335	775,208	60,941	40,610,602
Total capital assets being depreciated				
Less accumulated depreciation for				
Land improvements	91,529	5,095	-	96,624
Buildings	3,568,641	171,194	-	3,739,835
Machinery and equipment	10,483,790	292,334	60,941	10,715,183
Underground equipment	9,374,288	203,251	-	9,577,539
	23,518,248	671,874	60,941	24,129,181
Total accumulated depreciation				
Total capital assets being depreciated, net	16,378,087	103,334	-	16,481,421
Business-type activities capital assets, net	\$ 16,484,510	\$ 103,334	\$ 103,988	\$ 16,483,856

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

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	\$ 196,776
Police	170,740
Fire	208,111
Public works	569,990
Library	<u>101,176</u>
 Total depreciation expense - governmental activities	 \$ <u><u>1,246,793</u></u>
 Business-type activities	
Water	\$ 552,955
Sewer	<u>118,919</u>
 Total depreciation expense - business-type activities	 \$ <u><u>671,874</u></u>

4. Construction Commitments

The City has certain contracts in various funds for construction projects which were in progress at April 30, 2013. Remaining commitments under these contracts approximated \$51,000.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

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, 2013:

	<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	\$ 8,475,000	\$ -	\$ 510,000	\$ 7,965,000	\$ 550,000
Series 2007A	2,340,000	-	150,000	2,190,000	160,000
Series 2007B	4,740,000	-	-	4,740,000	-
Series 2007C	8,665,000	-	225,000	8,440,000	255,000
Bond issuance premium					
	345,107	-	40,221	304,886	40,221
Compensated absences					
	1,917,284	23,021	28,293	1,912,012	68,783
Capital lease					
	-	286,578	8,481	278,097	84,550
Other postemployment benefits					
	66,579	48,413	26,167	88,825	-
Lawsuit settlement liability					
	55,700	-	3,700	52,000	7,800
Note payable to Lake Forest Bank					
	672,049	-	177,748	494,301	185,018
Note payable to State of Illinois, Office of the State Fire Marshal					
	60,000	-	20,000	40,000	20,000
Note payable to Illinois Department of Revenue					
	2,038,890	-	211,200	1,827,690	211,200
Component unit note payable					
	339,471	-	-	339,471	-
Net fire and police pension obligation					
	3,002,495	2,364,672	1,232,850	4,134,317	-
Governmental activity long-term liabilities					
	<u>\$ 32,717,575</u>	<u>\$ 2,722,684</u>	<u>\$ 2,633,660</u>	<u>\$ 32,806,599</u>	<u>\$ 1,582,572</u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE F - LONG-TERM DEBT (Continued)

1. Changes in Long-Term Debt (Continued)

	<u>Beginning Balance</u>	<u>Additions/ Issuances</u>	<u>Reductions/ Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
General obligation					
bonds Series					
2005B	\$ 3,000,000	\$ -	\$ 160,000	\$ 2,840,000	\$ 165,000
Note payable to					
Abbott					
Laboratories	467,899	-	63,765	404,134	100,000
Note payable to					
Illinois Environ-					
mental Protection					
Agency	1,070,692	-	57,875	1,012,817	57,855
Compensated					
absences					
	<u>116,706</u>	<u>361</u>	<u>720</u>	<u>116,347</u>	<u>-</u>
Business-type activity					
long-term					
liabilities					
	<u>\$ 4,655,297</u>	<u>\$ 361</u>	<u>\$ 282,360</u>	<u>\$ 4,373,298</u>	<u>\$ 322,855</u>

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, 2013

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. Interest is payable on May 1 and November 1 of each year at rates from 3.25 to 5.00%. \$ 7,965,000

\$2,475,000 General Obligation Bonds, Series 2007A, dated May 9, 2007. Principal is payable on November 1 of each year. Interest is payable on May 1 and November 1 of each year at a rate of 4%. 2,190,000

\$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. Interest is payable on May 1 and November 1 of each year at rates ranging from 5.39 to 6.01%. 8,440,000

Total governmental activities general obligation bonds outstanding 23,335,000

Business-type activities

\$3,860,000 General Obligation Bonds, Series 2005B, dated March 10, 2005. Principal is payable on November 1 of each year. Interest is payable on May 1 and November 1 of each year at rates from 3.00 to 5.00%. 2,840,000

Total general obligation bonds outstanding \$ 26,175,000

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE F - LONG-TERM DEBT (Continued)

2. General Obligation Bonds (Continued)

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

<u>Year Ending</u> <u>April 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	1,365,000	936,847	195,000	102,375
2019-2023	8,780,000	3,466,300	1,130,000	351,750
2024-2028	4,065,000	1,664,615	820,000	62,750
2029-2033	2,260,000	838,895	-	-
2034-2038	2,480,000	300,803	-	-
Total	<u>\$ 23,335,000</u>	<u>\$ 11,544,766</u>	<u>\$ 2,840,000</u>	<u>\$ 1,008,838</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, 2013 is \$494,301.

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

<u>Year Ending</u> <u>April 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 185,018	\$ 17,282
2015	192,637	9,661
2016	116,646	1,897
Total	<u>\$ 494,301</u>	<u>\$ 28,840</u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE F - LONG-TERM DEBT (Continued)

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. The note required that the City make five annual principal payments of \$20,000 through November 2014. The note is non interest bearing. The balance due under this note, at April 30, 2013, is \$40,000.

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, 2013, is \$404,134. 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. The City is required to make semi-annual principal payments of \$28,927 through October 2030. The note is non interest bearing. The balance due to IEPA, at April 30, 2013, is \$1,012,817.

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 \$52,000 has been recorded as a liability, at April 30, 2013.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE F - LONG-TERM DEBT (Continued)

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 was recorded as a liability. In addition, the City 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, 2013, the City is obligated for future payments under the note payable as follows:

Year Ending April 30,	Principal
2014	\$ 211,200
2015	211,200
2016	211,200
2017	211,200
2018	211,200
2019-2022	771,690
Total	\$ 1,827,690

9. Capital Lease

In April 2013, the City entered into a capital lease agreement with a leasing company for the lease of twelve vehicles. Monthly principal and interest payments of \$8,481 are due over a three year period. Interest is charged at 4.4%. The balance due under this lease, at April 30, 2013, is \$278,097.

At April 30, 2013, the City is obligated for future payments under the lease as follows:

Year Ending April 30,	Principal
2014	\$ 91,364
2015	95,466
2016	91,267
Total	\$ 278,097

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

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, 2013, were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		
Sewer Fund	\$ 400,000	\$ -
Water Fund	1,600,000	-
Total General Fund	2,000,000	-
Special revenue funds		
Motor Fuel Tax Fund		
Community Development Block Grant Fund	65,000	-
Community Development Block Grant Fund		
Motor Fuel Tax Fund	-	65,000
Total special revenue funds	65,000	65,000
Enterprise funds		
Sewer Fund		
General Fund	-	400,000
Water Fund		
General Fund	-	1,600,000
Total enterprise funds	-	2,000,000
Total all funds	2,065,000	2,065,000
Less amounts eliminated during GASB 34 adjustments	(65,000)	(65,000)
Total transfers	\$ 2,000,000	\$ 2,000,000

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, 2013

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 2012 was 9.51% of annual covered payroll. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

c. Annual Pension Cost

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 2013 was \$418,896.

<u>Three-Year Trend Information for the Regular Plan</u>			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
4/30/13	\$ 418,896	100%	\$ -
4/30/12	433,319	100%	-
4/30/11	459,612	100%	-

City of North Chicago, Illinois
 NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

1. Illinois Municipal Retirement Fund (Continued)

c. Annual Pension Cost (Continued)

The required contribution for 2012 was determined as part of the December 31, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010 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 net position 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, 2010 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, 2012, the most recent actuarial valuation date, the regular plan was 89.76% funded. The actuarial accrued liability for benefits was \$10,680,476 and the actuarial value of assets was \$9,586,722, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,093,754. The covered payroll for year 2012 (annual payroll of active employees covered by the plan) was \$4,6209,166, and the ratio of the UAAL to covered payroll was 26%.

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.

	Police	Firefighters'
Retirees and beneficiaries currently receiving benefits and terminated members entitled to but not yet receiving benefits	53	29
Active plan members	52	28
Total participants	105	57

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

2. Police and Firefighters' Pension Plans (Continued)

a. Plan Descriptions (Continued)

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.

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 position are recorded when earned and deductions from net position 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.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

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 police employees participate in the Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member Pension Board. Two members appointed by the City's Mayor, one elected pension beneficiary, and two elected police employees constitute the pension board. The City and PPERS 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 PPERS is included in the City's annual financial report and is reported as a pension trust fund. A copy of this pension plan audit may be obtained from the City.

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 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 five-year smoothed market value method.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

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, 2012) performed by the City's actuary and estimate of the actuary through April 30, 2013 as follows:

	Police	Firefighters'	Total
Annual required contribution	\$ 1,515,844	\$ 764,825	\$ 2,280,669
Interest on net pension obligation	122,714	102,473	225,187
Adjustment to annual required contribution	(76,937)	(64,247)	(141,184)
Annual pension cost	1,561,621	803,051	2,364,672
Contributions made	(701,412)	(531,438)	(1,232,850)
Increase in net pension obligation	860,209	271,613	1,131,822
Net pension obligation at May 1, 2012	1,636,182	1,366,313	3,002,495
Net pension obligation at April 30, 2013	\$ 2,496,391	\$ 1,637,926	\$ 4,134,317

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 position.

f. Funded Status and Funding Progress

As of April 30, 2012, the most recent actuarial valuation date, the Police Pension's plan was 47.01 percent funded. The actuarial accrued liability for benefits was \$37,365,786, and the actuarial value of assets was \$17,566,456, resulting in an unfunded actuarial accrued liability (UAAL) of \$19,799,330. The covered payroll (annual payroll of active police officers covered by the plan) was \$3,827,229, and the ratio of the UAAL to the covered payroll was 517.33%.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

2. Police and Firefighters' Pension Plans (Continued)

f. Funded Status and Funding Progress (Continued)

As of April 30, 2013, the Firefighters' Pension plan was 38.70 percent funded. The actuarial accrued liability for benefits was \$23,592,246, and the actuarial value of assets was \$9,131,091, resulting in a UAAL of \$14,461,155. The covered payroll (annual payroll of active firefighters covered by the plan) was \$1,849,137, and the ratio of the UAAL to the covered payroll was 782.05%.

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 net position 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	04/30/12	\$ 1,561,621	\$ 1,561,621	44.9%	\$ 2,496,391
	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
Firefighters'	04/30/12	\$ 803,051	\$ 803,051	66.2%	\$ 1,637,926
	04/30/11	596,570	596,570	85.5%	1,366,313
	04/30/10	598,858	598,858	80.1%	1,279,593

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

NOTE J - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

1. Plan Description

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

City of North Chicago, Illinois
 NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

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

1. Plan Description (Continued)

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

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

At April 30, 2012 (most recent date available), 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	75
Total membership	165

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, 2013, retirees contributed \$26,167, and the City made no contributions. Active employees do not contribute to the plan until retirement.

3. Annual OPEB Cost and Net OPEB Obligation

The City 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, 2013.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

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

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

	Amount
Annual Required Contribution (ARC)	\$ 45,750
Interest on net OPEB obligation	2,663
Annual OPEB cost	48,413
Contributions made	(26,167)
Increase in OPEB obligation	22,246
Net OPEB obligation at May 1, 2012	66,579
Net OPEB obligation at April 30, 2013	\$ 88,825

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 2013 are as follows:

Trend Information - Other Postemployment Benefits			
Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation
04/30/13	\$ 48,413	54.05%	\$ 88,825
04/30/12	47,443	55.20%	66,579
04/30/11	48,099	68.80%	45,303

5. Funding Policy and Actuarial Assumptions

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

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

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

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

5. Funding Policy and Actuarial Assumptions (Continued)

The following simplifying assumptions were made:

Contribution rates:

City	N/A
Plan members	0.00%

Actuarial valuation date April 30, 2012 (most recent available)

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

Mortality, Turnover, Disability, Retirement Ages Similar rates utilized for IMRF, Police and Fire Pension

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%

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE K - RESTRICTIONS BY ENABLING LEGISLATION

The government-wide statement of net position reports \$3,330,692 of net position restricted by enabling legislation which consists of the following:

Road maintenance (Motor Fuel Tax)	\$	1,506,796
Drug law enforcement		49,782
Emergency phone		393,746
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2005A		751,555
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2007A		114,441
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2007B		107,233
Grant Place Retail Center Debt Service 2007C		<u>300,063</u>
Total government-wide net position restricted by enabling legislation	\$	<u><u>3,223,616</u></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 \$21,914 in the Dental and Vision Fund relating to the City's estimate of losses resulting from these claims.

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

	<u>2013</u>		<u>2012</u>
Unpaid claims, beginning of fiscal year	\$ 26,285	\$	39,629
Incurred claims including claims incurred but not yet reported (IBNRs)	144,795		158,639
Claim payments	<u>(149,166)</u>		<u>(171,983)</u>
Unpaid claims, end of fiscal year	<u>\$ 21,914</u>	\$	<u>26,285</u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

NOTE M - OTHER COMMITMENTS AND CONTINGENCIES

1. Litigation

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

2. Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

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 as of April 30, 2013. In response to this, the City established a reserve of \$5,427,691 against the due from component unit balance, as the Grant Place Retail Center building is the only significant asset Five Points Economic Development Corporation has to use for repayment of this receivable balance.

NOTE 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 \$42,990 has been recorded at April 30, 2013. The loans receivable, net of the allowance, are \$108,212, at April 30, 2013.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2013

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

2. Capital Assets

Capital asset activity for the year ended April 30, 2013 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
Total capital assets not being depreciated	<u>243,100</u>	<u>-</u>	<u>-</u>	<u>243,100</u>
Capital assets being depreciated				
Buildings and improvements	1,356,900	-	-	1,356,900
Total capital assets being depreciated	<u>1,356,900</u>	<u>-</u>	<u>-</u>	<u>1,356,900</u>
Less accumulated depreciation for				
Buildings and improvements	-	30,153	-	30,153
Total accumulated depreciation	<u>-</u>	<u>30,153</u>	<u>-</u>	<u>30,153</u>
Total capital assets being depreciated, net	<u>1,356,900</u>	<u>(30,153)</u>	<u>-</u>	<u>1,326,747</u>
Capital assets, net	<u>\$ 1,600,000</u>	<u>\$ (30,153)</u>	<u>\$ -</u>	<u>\$ 1,569,847</u>

NOTE P - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 30, 2013, the date these financial statements were available to be issued. Management has determined that no events or transactions have occurred subsequent to the statement of net position/balance sheet date that require disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

City of North Chicago, Illinois

Illinois Municipal Retirement Fund

Schedule of Funding Progress

Required Supplementary Information

April 30, 2013

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
12/31/2012	\$ 9,586,722	\$ 10,680,476	\$ 1,093,754	89.76 %	\$ 4,209,166	25.99 %
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

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$9,917,283. On a market basis, the funded ratio would be 92.85%.

The actuarial value of assets and accrued liabilities cover active and inactive members who have service credit with Skokie Park District. They do not include amounts for retirees. The Actuarial accrued liability for retirees is 100% funded.

City of North Chicago, Illinois

Other Postemployment Benefits

Schedule of Funding Progress

Required Supplementary Information

April 30, 2013

<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>
4/30/2013 ¹	\$ -	\$ 623,220	\$ 623,220	0.00 %
4/30/2012	-	623,220	623,220	0.00
4/30/2011 ¹	-	797,655	797,655	0.00

No valuation was performed for fiscal years ended April 30, 2013 or April 30, 2011.

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, 2013

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>						
4/30/2012*	\$ 17,566,456	\$ 37,365,786	\$ 19,799,330	47.01 %	\$ 3,827,229	517.33 %
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
<u>Firefighters' Pension Fund</u>						
4/30/2013	\$ 9,131,091	\$ 23,592,246	\$ 14,461,155	38.70 %	\$ 1,849,137	782.05 %
4/30/2012	9,018,550	20,568,832	11,550,282	43.85	2,014,259	573.43
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	5,151,338	53.81	1,769,980	423.27

* 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, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Revenues			
Property taxes	\$ 5,582,520	\$ 5,483,431	\$ (99,089)
Taxes - other	3,869,669	4,067,398	197,729
Licenses and permits	446,131	683,065	236,934
Intergovernmental	5,655,782	5,886,254	230,472
Fines and fees	2,928,610	2,731,829	(196,781)
Interest	2,000	2,245	245
Miscellaneous	168,369	477,022	308,653
Total revenues	<u>18,653,081</u>	<u>19,331,244</u>	<u>678,163</u>
Expenditures			
General government			
Mayor's office	215,084	198,967	16,117
City Clerk's office	175,379	171,140	4,239
Legislative	171,869	224,056	(52,187)
City Treasurer	36,679	35,941	738
Comptroller	552,782	551,795	987
Information technology	477,169	453,947	23,222
Human resources	249,113	169,622	79,491
Building and community development	801,075	707,589	93,486
Buildings and grounds department	428,654	329,561	99,093
Total general government	<u>3,107,804</u>	<u>2,842,618</u>	<u>265,186</u>
Administration services	<u>4,517,380</u>	<u>3,458,438</u>	<u>1,058,942</u>
Highway and streets	<u>1,015,873</u>	<u>1,036,129</u>	<u>(20,256)</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, 2013

	<u>Original and Final Budget</u>	<u>2013 Actual</u>	<u>Variance from Final Budget</u>
Expenditures (continued)			
Public safety			
Police department	\$ 8,712,910	\$ 8,408,572	\$ 304,338
Fire department	3,191,362	3,027,789	163,573
Civil defense -ESDA	9,000	4,300	4,700
Total public safety	<u>11,913,272</u>	<u>11,440,661</u>	<u>472,611</u>
Economic development			
Economic development department	352,098	318,963	33,135
Economic development incentive	935,000	813,240	121,760
Total economic development	<u>1,287,098</u>	<u>1,132,203</u>	<u>154,895</u>
Debt service	<u>211,200</u>	<u>211,200</u>	<u>-</u>
Total expenditures	<u>22,052,627</u>	<u>20,121,249</u>	<u>1,931,378</u>
Deficiency of revenues over expenditures	<u>(3,399,546)</u>	<u>(790,005)</u>	<u>2,609,541</u>
Other financing sources			
Loan proceeds	-	286,578	286,578
Sales tax reimbursement	-	2,991,204	2,991,204
Transfers in	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Total other financing sources	<u>2,000,000</u>	<u>5,277,782</u>	<u>3,277,782</u>
Extraordinary item			
State sales tax refund expense	<u>-</u>	<u>917,114</u>	<u>(917,114)</u>
Net change in fund balance	<u>\$ (1,399,546)</u>	3,570,663	<u>\$ 6,804,437</u>
Fund balance, beginning of year		<u>6,776,219</u>	
Fund balance, end of year		<u>\$ 10,346,882</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, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Revenues			
Interest	\$ 400	\$ 1,504	\$ 1,104
Miscellaneous	-	500	500
Total revenues	<u>400</u>	<u>2,004</u>	<u>1,604</u>
Expenditures			
General government			
Other professional services	80,000	69,898	10,102
Capital projects	<u>1,749,170</u>	<u>8,683</u>	<u>1,740,487</u>
Total expenditures	<u>1,829,170</u>	<u>78,581</u>	<u>1,750,589</u>
Deficiency of revenues over expenditures	<u>(1,828,770)</u>	<u>(76,577)</u>	<u>1,752,193</u>
Other financing uses			
Transfers out	<u>(20,830)</u>	-	<u>20,830</u>
Total other financing uses	<u>(20,830)</u>	-	<u>20,830</u>
Net change in fund balance	<u>\$ (1,849,600)</u>	<u>(76,577)</u>	<u>\$ 1,773,023</u>
Fund balance, beginning of year		<u>8,015,201</u>	
Fund balance, end of year		<u>\$ 7,938,624</u>	

City of North Chicago, Illinois
Notes to the Required Supplementary Information
April 30, 2013

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 10%.

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, 2013:

Fund	Final Budget	Actual	Excess of Expenditures Over Budget
Seized Drug Money	\$ 50,000	\$ 286,317	\$ 236,317
Lake County Brownsfield Grants	85,105	99,855	14,750
Grant Place Operating	126,940	146,323	19,383

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, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Property taxes			
Real estate taxes	\$ 4,272,441	\$ 4,193,763	\$ (78,678)
Real estate taxes - Firefighters' and Police pensions	1,310,079	1,289,668	(20,411)
Total property taxes	5,582,520	5,483,431	(99,089)
Taxes - other			
Hotel/motel tax	170,000	117,475	(52,525)
Real estate transfer tax	40,000	336,293	296,293
Food and beverage tax	250,000	251,753	1,753
Municipal motor fuel tax	460,000	496,942	36,942
Self storage facility tax	25,000	29,463	4,463
Utility tax	1,375,000	1,418,809	43,809
Simplified telecommunications tax	990,000	842,330	(147,670)
Local use tax	514,669	520,122	5,453
Road and bridge tax	45,000	49,605	4,605
Video gaming tax	-	4,606	4,606
Total taxes - other	3,869,669	4,067,398	197,729
Total property taxes and taxes - other	9,452,189	9,550,829	98,640
Licenses and permits			
Contractors license	12,500	16,395	3,895
Pet tag license	1,200	677	(523)
Liquor license	38,856	40,950	2,094
Taxi class B license	35,000	23,550	(11,450)
Business license	107,075	99,491	(7,584)
Landlord license	20,000	36,550	16,550
Prop. Vacancies registration	15,000	26,700	11,700
Sign permits	4,500	150	(4,350)
Building permits	75,000	291,224	216,224
Rezoning variance permits	500	-	(500)

(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, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Licenses and permits (continued)			
Miscellaneous permits	\$ 25,000	\$ 10,645	\$ (14,355)
Vehicle stickers			
Truck	15,000	24,135	9,135
Other	3,500	-	(3,500)
Occupancy permits	40,000	49,798	9,798
Hazardous materials permits	35,000	43,000	8,000
Taxi A drivers license	12,000	19,800	7,800
Taxi inspection fees	6,000	-	(6,000)
	<hr/>	<hr/>	<hr/>
Total licenses and permits	446,131	683,065	236,934
	<hr/>	<hr/>	<hr/>
Intergovernmental			
State income tax	2,612,434	3,082,069	469,635
Sales tax	2,815,000	2,515,671	(299,329)
Replacement tax - state	216,348	278,770	62,422
North Chicago Housing Authority	12,000	9,744	(2,256)
	<hr/>	<hr/>	<hr/>
Total intergovernmental	5,655,782	5,886,254	230,472
	<hr/>	<hr/>	<hr/>
Fines and fees			
Lien fees	80,000	52,769	(27,231)
Animal fines and fees	-	2,224	2,224
Photocopies	4,000	4,183	183
Code books and maps	3,000	5,115	2,115
Fire service charges			
Fire inspections	12,000	-	(12,000)
Ambulance fees	250,000	389,995	139,995

(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, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Fines and fees (continued)			
Policing charges			
Parking fines	\$ 25,000	\$ 13,875	\$ (11,125)
Redflex fines	440,000	367,976	(72,024)
Adjudication fines	225,000	116,425	(108,575)
Adjudication court costs	12,000	4,000	(8,000)
Police services fees	606,950	527,092	(79,858)
Alarm service fees	15,000	12,159	(2,841)
Magistrate	240,000	216,703	(23,297)
Building fines and penalties	-	95	95
Cable franchise fees	89,660	122,223	32,563
Railroad parking lot pass fees	76,000	44,805	(31,195)
Community day fees	75,000	80,396	5,396
Garbage fees	775,000	771,794	(3,206)
	<u>2,928,610</u>	<u>2,731,829</u>	<u>(196,781)</u>
 Interest	 <u>2,000</u>	 <u>2,245</u>	 <u>245</u>
 Miscellaneous			
Cable land use lease	107,910	86,928	(20,982)
Miscellaneous	39,339	98,831	59,492
Worker's compensation reimbursements	-	26,758	26,758
Train station lease	14,520	10,920	(3,600)
Fieldcrest development	600	50	(550)
Sale of city property	-	24,823	24,823
Donations and contributions	6,000	1,800	(4,200)
Reimbursements	-	226,912	226,912
	<u>168,369</u>	<u>477,022</u>	<u>308,653</u>
 Total revenues	 <u>18,653,081</u>	 <u>19,331,244</u>	 <u>678,163</u>

(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, 2013

	Original and Final Budget	Actual	Variance from Final Budget
	<u> </u>	<u> </u>	<u> </u>
Other financing sources			
Loan proceeds	\$ -	\$ 286,578	\$ 286,578
Sales tax reimbursement	-	2,991,204	2,991,204
Transfer in from Water Fund	1,600,000	1,600,000	-
Transfer in from Sewer Fund	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Total other financing sources	<u>2,000,000</u>	<u>5,277,782</u>	<u>3,277,782</u>
Total revenues and other financing sources	<u>\$ 20,653,081</u>	<u>\$ 24,609,026</u>	<u>\$ 3,955,945</u>

(Concluded)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures and Extraordinary Item - Budget and Actual

For the Year Ended April 30, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
General government			
Mayor's office			
Salaries and wages			
Full-time salaries and wages	\$ 109,045	\$ 107,231	\$ 1,814
Part-time salaries and wages	5,000	8,175	(3,175)
Overtime allowances	1,000	113	887
Comptime used	-	933	(933)
Car allowances	-	268	(268)
Total salaries and wages	<u>115,045</u>	<u>116,720</u>	<u>(1,675)</u>
Fringe benefits			
IMRF match	11,511	11,411	100
Employer's health insurance	-	1,484	(1,484)
Employer's dental and vision insurance	1,868	2,005	(137)
Social security match	7,505	7,152	353
Medicare match	1,755	1,672	83
Life insurance premiums	180	228	(48)
Total fringe benefits	<u>22,819</u>	<u>23,952</u>	<u>(1,133)</u>
Contractual services			
Maintenance - vehicles	3,500	2,564	936
Telephone	1,000	-	1,000
Travel and training	17,700	11,250	6,450
Postage	1,000	270	730
Printing and publishing	500	-	500
Other professional services	6,000	5,526	474
Dues and memberships	17,220	15,613	1,607
Total contractual services	<u>46,920</u>	<u>35,223</u>	<u>11,697</u>
Commodities			
Office supplies	4,300	3,875	425
Gasoline and oil	2,500	2,250	250
Publications	1,500	938	562

(Continued)

City of North Chicago, Illinois

General Fund

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

For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance from Final Budget
<hr/>			
General government (continued)			
Mayor's office (continued)			
Commodities (continued)			
Miscellaneous expenses	\$ 17,000	\$ 15,910	\$ 1,090
Vehicles	-	99	(99)
Mayor's expense account	5,000	-	5,000
Total commodities	<u>30,300</u>	<u>23,072</u>	<u>7,228</u>
Total Mayor's office	<u>215,084</u>	<u>198,967</u>	<u>16,117</u>
City Clerk's office			
Salaries and wages			
Full-time salaries and wages	115,368	114,410	958
Gas allowance	-	306	(306)
Total salaries and wages	<u>115,368</u>	<u>114,716</u>	<u>652</u>
Fringe benefits			
IMRF match	10,972	11,377	(405)
Sick leave sell back	-	2,011	(2,011)
Employer's health insurance	12,265	19,098	(6,833)
Employer's dental and vision insurance	1,868	2,005	(137)
Social security match	7,153	6,885	268
Medicare match	1,673	1,610	63
Life insurance premiums	180	228	(48)
Total fringe benefits	<u>34,111</u>	<u>43,214</u>	<u>(9,103)</u>
Contractual services			
Maintenance - equipment	1,000	819	181
Travel and training	3,000	1,256	1,744
Postage	200	23	177
Printing and publishing	6,900	4,538	2,362
Dues and memberships	1,200	854	346

(Continued)

City of North Chicago, Illinois

General Fund

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

For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
City Clerk's office (continued)			
Contractual services (continued)			
Other professional service	\$ 5,000	\$ -	\$ 5,000
Equipment	1,600	1,541	59
Total contractual services	18,900	9,031	9,869
Commodities			
Office supplies	4,500	2,747	1,753
Gasoline and oil	1,500	1,294	206
Publications	-	70	(70)
Miscellaneous expenses	1,000	68	932
Total commodities	7,000	4,179	2,821
Total City Clerk's office	175,379	171,140	4,239
Legislative			
Salaries and wages			
Part-time salaries and wages	68,110	75,966	(7,856)
Fringe benefits			
IMRF match	3,804	3,904	(100)
Employer's health insurance	57,077	47,833	9,244
Employer's dental and vision insurance	6,537	7,017	(480)
Social security match	4,223	3,803	420
Medicare match	988	890	98
Life insurance premiums	630	799	(169)
Total fringe benefits	73,259	64,246	9,013
Contractual services			
Travel and training	15,500	13,815	1,685
Postage	500	294	206
Printing and publishing	500	-	500
Dues and memberships	4,500	4,795	(295)

(Continued)

City of North Chicago, Illinois

General Fund

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

For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Legislative (continued)			
Contractual services (continued)			
Boards and commissions	\$ 2,500	\$ 271	\$ 2,229
Other professional service	-	8,900	(8,900)
Total contractual services	23,500	28,075	(4,575)
Commodities			
Office supplies	2,500	1,429	1,071
Publications	500	-	500
Miscellaneous expenses	4,000	54,340	(50,340)
Total commodities	7,000	55,769	(48,769)
Total legislative	171,869	224,056	(52,187)
City Treasurer			
Salaries and wages			
Part-time salaries and wages	15,000	15,000	-
Gas allowance	-	134	(134)
	15,000	15,134	(134)
Fringe benefits			
IMRF match	1,427	1,464	(37)
Employer's health insurance	7,280	12,369	(5,089)
Employer's dental and vision insurance	934	1,002	(68)
Social security match	930	851	79
Medicare match	218	199	19
Life insurance premiums	90	114	(24)
Total fringe benefits	10,879	15,999	(5,120)
Contractual services			
Travel and training	5,500	1,970	3,530
Printing and publishing	1,000	502	498
Dues and memberships	1,000	469	531
Total contractual services	7,500	2,941	4,559

(Continued)

City of North Chicago, Illinois

General Fund

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

For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
City Treasurer (continued)			
Commodities			
Office supplies	\$ 2,050	\$ 1,010	\$ 1,040
Gasoline and oil	800	857	(57)
Miscellaneous expenses	450	-	450
Total commodities	<u>3,300</u>	<u>1,867</u>	<u>1,433</u>
Total City Treasurer	<u>36,679</u>	<u>35,941</u>	<u>738</u>
Comptroller			
Salaries and wages			
Full-time salaries and wages	335,653	331,490	4,163
Holiday taken	-	12,426	(12,426)
Comptime used	-	3,168	(3,168)
Overtime allowances	3,100	6,183	(3,083)
Total salaries and wages	<u>338,753</u>	<u>353,267</u>	<u>(14,514)</u>
Fringe benefits			
IMRF match	36,019	34,585	1,434
Employer's health insurance	54,865	49,762	5,103
Employer's dental and vision insurance	5,214	7,017	(1,803)
Social security match	23,483	20,619	2,864
Medicare match	5,492	4,822	670
Life insurance premiums	503	603	(100)
Total fringe benefits	<u>125,576</u>	<u>117,408</u>	<u>8,168</u>
Contractual services			
Maintenance - equipment	1,423	1,128	295
Travel and training	1,000	-	1,000
Postage	5,000	3,605	1,395
Printing and publishing	6,650	5,355	1,295

(Continued)

City of North Chicago, Illinois

General Fund

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

For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Comptroller (continued)			
Contractual services (continued)			
Other professional services	\$ 52,500	\$ 53,499	\$ (999)
Dues and memberships	1,430	1,249	181
Total contractual services	68,003	64,836	3,167
Commodities			
Office supplies	18,500	14,705	3,795
Publications	250	-	250
Miscellaneous expenses	1,700	1,579	121
Total commodities	20,450	16,284	4,166
Total Comptroller	552,782	551,795	987
Information technology			
Salaries and wages			
Full-time salaries and wages	201,924	186,227	15,697
Comptime used	-	4,310	(4,310)
Overtime allowance	2,000	-	2,000
Total salaries and wages	203,924	190,537	13,387
Fringe benefits			
IMRF match	19,393	18,669	724
Employer's health insurance	26,318	22,434	3,884
Employer's dental and vision insurance	2,801	3,007	(206)
Social security match	12,643	11,394	1,249
Medicare match	2,957	2,665	292
Life insurance premiums	270	298	(28)
Total fringe benefits	64,382	58,467	5,915

(Continued)

City of North Chicago, Illinois

General Fund

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

For the Year Ended April 30, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
General government (continued)			
Information technology (continued)			
Contractual services			
Maintenance - equipment	\$ 68,100	\$ 64,877	\$ 3,223
Telephone	2,000	1,848	152
Postage	100	70	30
Travel and training	-	-	-
Other professional services	27,300	35,173	(7,873)
Total contractual services	<u>97,500</u>	<u>101,968</u>	<u>(4,468)</u>
Commodities			
Operating supplies	39,850	32,528	7,322
Gasoline and oil	750	-	750
Total commodities	<u>40,600</u>	<u>32,528</u>	<u>8,072</u>
Debt service			
Loan principal and interest	70,763	70,447	316
Total information technology	<u>477,169</u>	<u>453,947</u>	<u>23,222</u>
Human resources			
Salaries and wages			
Full-time salaries and wages	94,071	61,371	32,700
Part-time salaries and wages	2,805	-	2,805
Comptime used	-	101	(101)
Total salaries and wages	<u>96,876</u>	<u>61,472</u>	<u>35,404</u>
Fringe benefits			
IMRF match	13,939	5,006	8,933
Employer's health insurance	18,408	5,601	12,807
Employer's dental and vision insurance	1,790	2,005	(215)
Social security match	9,261	3,768	5,493
Medicare match	2,166	881	1,285
Life insurance premiums	173	141	32
Total fringe benefits	<u>45,737</u>	<u>17,402</u>	<u>28,335</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, 2013

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Human resources (continued)			
Contractual services			
Telephone	\$ -	\$ 340	\$ (340)
Travel and training	4,000	108	3,892
In-house training	12,500	935	11,565
Postage	1,500	882	618
Printing and publishing	3,000	-	3,000
Other professional services	57,500	74,474	(16,974)
Dues and memberships	1,000	549	451
Total contractual services	79,500	77,288	2,212
Commodities			
Office supplies	4,500	1,808	2,692
Publications	1,500	-	1,500
Advertising-all departments	12,500	6,593	5,907
Employee recognition	2,500	1,298	1,202
Public relations	1,500	-	1,500
Safety incentives	4,000	1,605	2,395
Miscellaneous expenses	500	56	444
Total commodities	27,000	11,360	15,640
Capital Outlay			
Total human resources	249,113	169,622	79,491
Building and community development			
Salaries and wages			
Full-time salaries and wages	324,960	336,214	(11,254)
Part-time salaries and wages	39,600	-	39,600
Overtime allowances	3,000	1,003	1,997
Comp time	-	1,013	(1,013)
Total salaries and wages	367,560	338,230	29,330

(Continued)

City of North Chicago, Illinois

General Fund

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

For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Building and community development (continued)			
Fringe benefits			
IMRF match	\$ 31,189	\$ 31,378	\$ (189)
Employer's health insurance	40,376	30,419	9,957
Employer's dental and vision insurance	5,136	5,012	124
Social security match	22,789	20,339	2,450
Medicare match	5,330	4,757	573
Life insurance premiums	495	651	(156)
Total fringe benefits	<u>105,315</u>	<u>92,556</u>	<u>12,759</u>
Contractual services			
Maintenance - vehicle	5,000	902	4,098
Maintenance - equipment	750	182	568
Telephone	4,800	4,589	211
Travel and training	1,500	168	1,332
Postage	1,750	1,715	35
Printing and publishing	3,000	2,631	369
Other professional services	54,500	53,860	640
Dues and memberships	950	1,688	(738)
Demolition	168,750	127,584	41,166
Total contractual services	<u>241,000</u>	<u>193,319</u>	<u>47,681</u>
Commodities			
Office supplies	10,000	4,324	5,676
Publications	400	300	100
Uniforms	600	-	600
Gas and oil	4,700	5,012	(312)
Miscellaneous expenses	500	61	439
Total commodities	<u>16,200</u>	<u>9,697</u>	<u>6,503</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, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
General government (continued)			
Building and community development (continued)			
Capital Outlay			
Vehicles	\$ 63,000	\$ 7,152	\$ 55,848
Equipment	8,000	-	8,000
Total commodities	<u>71,000</u>	<u>7,152</u>	<u>63,848</u>
Debt Service			
Loan principal and interest	-	2,735	(2,735)
Capital lease	-	63,900	(63,900)
Total debt service	<u>-</u>	<u>66,635</u>	<u>(66,635)</u>
Total building and community development	<u>801,075</u>	<u>707,589</u>	<u>93,486</u>
Building and grounds department			
Contractual services			
Maintenance - buildings	125,000	122,176	2,824
Building improvements	101,654	43,026	58,628
Other professional services	126,000	123,873	2,127
Total contractual services	<u>352,654</u>	<u>289,075</u>	<u>63,579</u>
Commodities			
Pest control	40,000	32,270	7,730
Maintenance supplies	11,000	7,213	3,787
Operating supplies	25,000	1,003	23,997
Total commodities	<u>76,000</u>	<u>40,486</u>	<u>35,514</u>
Total building and grounds department	<u>428,654</u>	<u>329,561</u>	<u>99,093</u>
Total general government	<u>3,107,804</u>	<u>2,842,618</u>	<u>265,186</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, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Administration services			
Contractual services			
Unemployment insurance	\$ 80,000	\$ 23,504	\$ 56,496
Maintenance of equipment	43,064	42,935	129
Workers' compensation	563,542	428,185	135,357
Workers' compensation deductible	253,202	224,966	28,236
Liability insurance	441,812	534,264	(92,452)
Liability deductibility	900,000	280,967	619,033
Telephone	165,000	166,134	(1,134)
Utilities	251,000	207,593	43,407
Postage	5,500	2,877	2,623
Printing and publishing	18,000	8,527	9,473
Auditing services	62,950	62,950	-
Payroll service	25,110	24,614	496
Engineering services	60,000	30,401	29,599
Retainer fees	24,000	24,000	-
Medical services	43,000	23,787	19,213
Other professional services	53,850	41,078	12,772
Refuse collection	795,000	782,658	12,342
Redflex traffic systems fees	209,100	187,850	21,250
Lawsuits and attorney fees	358,000	206,126	151,874
Public relations	33,250	32,158	1,092
Public relations - community day	75,000	79,221	(4,221)
Reimbursements	30,000	30,000	-
Lake Bluff sales tax sharing	17,000	9,554	7,446
Total contractual services	<u>4,507,380</u>	<u>3,454,349</u>	<u>1,053,031</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, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Administration services (continued)			
Commodities			
Office supplies	\$ 5,000	\$ 80	\$ 4,920
Miscellaneous expense	5,000	4,009	991
Total commodities	<u>10,000</u>	<u>4,089</u>	<u>5,911</u>
Total administration services	<u>4,517,380</u>	<u>3,458,438</u>	<u>1,058,942</u>
Highway and streets			
Street department			
Salaries and wages			
Full-time salaries and wages	356,398	442,737	(86,339)
Part-time salaries and wages	58,240	-	58,240
Sick leave sell back	-	543	(543)
Comptime used	-	1,149	(1,149)
Overtime allowances	9,000	7,418	1,582
Total salaries and wages	<u>423,638</u>	<u>451,847</u>	<u>(28,209)</u>
Fringe benefits			
IMRF match	34,749	36,071	(1,322)
Employer's health insurance	46,779	51,643	(4,864)
Employer's dental and vision insurance	5,603	7,017	(1,414)
Social security match	26,266	27,129	(863)
Medicare match	6,143	6,345	(202)
Life insurance premiums	540	1,025	(485)
Total fringe benefits	<u>120,080</u>	<u>129,230</u>	<u>(9,150)</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, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Highway and streets (continued)			
Street department (continued)			
Contractual services			
Maintenance - building	\$ 18,510	\$ 18,507	\$ 3
Maintenance - vehicles	59,090	49,251	9,839
Maintenance - equipment	61,000	66,673	(5,673)
Maintenance - streets	30,600	20,988	9,612
Maintenance - grounds	15,400	14,878	522
Other maintenance	2,000	2,308	(308)
Telephone	3,000	2,471	529
Street lighting	26,000	37,791	(11,791)
Rentals	5,000	5,351	(351)
Travel and training	2,400	2,377	23
Postage	500	100	400
Printing and publishing	500	-	500
Medical services	400	309	91
Other professional services	-	3,915	(3,915)
Total contractual services	<u>224,400</u>	<u>224,919</u>	<u>(519)</u>
Commodities			
Office supplies	2,650	4,781	(2,131)
Gasoline and oil	67,900	56,735	11,165
Maintenance and supplies	15,000	15,594	(594)
Operating supplies	18,600	14,897	3,703
Uniforms	17,000	14,523	2,477
Miscellaneous expenses	1,300	882	418
Total commodities	<u>122,450</u>	<u>107,412</u>	<u>15,038</u>
Debt service			
Loan principal and interest	<u>82,805</u>	<u>82,432</u>	<u>373</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, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Highway and streets (continued)			
Street department (continued)			
Capital outlay			
Vehicles	\$ -	\$ 23,875	\$ (23,875)
Equipment	42,500	16,414	26,086
Total capital outlay	<u>42,500</u>	<u>40,289</u>	<u>2,211</u>
Total highway and streets	<u>1,015,873</u>	<u>1,036,129</u>	<u>(20,256)</u>
Public safety			
Police department			
Salaries and wages			
Full-time salaries and wages	5,364,475	4,500,386	864,089
Part-time salaries and wages	169,409	124,419	44,990
Administrative leave	-	(7,012)	7,012
Holiday taken	-	169,635	(169,635)
Police special detail	64,000	39,126	24,874
Independent investigator	-	200	(200)
Overtime allowances	58,700	82,497	(23,797)
Police overtime	294,000	721,891	(427,891)
Comp time accrued	-	3,568	(3,568)
Sick leave sell back	-	12,460	(12,460)
Workers' compensation	-	44,684	(44,684)
Total salaries and wages	<u>5,950,584</u>	<u>5,691,854</u>	<u>258,730</u>
Fringe benefits			
IMRF match	80,152	80,218	(66)
Employer pension contribution	745,698	733,084	12,614
Employer's health insurance	797,716	648,662	149,054
Employer's dental and vision insurance	71,749	73,682	(1,933)
Social security match	62,758	60,901	1,857
Medicare match	82,622	75,753	6,869
Life insurance premiums	6,915	8,047	(1,132)
Total fringe benefits	<u>1,847,610</u>	<u>1,680,347</u>	<u>167,263</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, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Police department (continued)			
Contractual services			
Uniform allowance	\$ 14,175	\$ 10,800	\$ 3,375
Maintenance - vehicle	135,000	84,602	50,398
Maintenance - equipment	69,000	79,592	(10,592)
Other maintenance	1,000	-	1,000
Telephone	10,000	11,403	(1,403)
Rentals	400	13,950	(13,550)
Travel and training	49,000	46,420	2,580
Postage	3,300	583	2,717
Police investigation unit	-	1,736	(1,736)
Printing and publishing	14,400	3,905	10,495
Other professional services	71,555	92,323	(20,768)
Dues and memberships	1,315	2,546	(1,231)
Animal control	9,000	8,859	141
Other communication service	15,000	4,498	10,502
Total contractual services	<u>393,145</u>	<u>361,217</u>	<u>31,928</u>
Commodities			
Office supplies	15,000	12,459	2,541
Gasoline and oil	145,000	132,593	12,407
Maintenance supplies	2,000	74	1,926
Operating supplies	26,670	32,222	(5,552)
Uniforms	43,900	44,896	(996)
Prisoner meals	3,000	2,019	981
Publications	1,500	100	1,400
Reimbursements	2,500	717	1,783
Investigative expenses	10,000	11,816	(1,816)
Crime prevention	18,000	2,132	15,868
Miscellaneous	15,000	1,129	13,871
Total commodities	<u>282,570</u>	<u>240,157</u>	<u>42,413</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, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Police department (continued)			
Debt service			
Loan principal and interest	\$ 48,732	\$ 55,451	\$ (6,719)
Capital lease	-	222,253	(222,253)
Total debt service	<u>48,732</u>	<u>277,704</u>	<u>(228,972)</u>
Capital outlay			
Vehicles	135,269	117,457	17,812
Equipment	55,000	39,836	15,164
Total capital outlay	<u>190,269</u>	<u>157,293</u>	<u>32,976</u>
Total police department	<u>8,712,910</u>	<u>8,408,572</u>	<u>304,338</u>
Fire department			
Salaries and wages			
Full-time salaries and wages	2,031,520	1,784,979	246,541
Fire overtime	70,000	118,742	(48,742)
Holiday taken	-	77,763	(77,763)
Fire lieutenant pay	-	16,068	(16,068)
Overtime allowances	-	147	(147)
Sick leave buy back	-	4,699	(4,699)
Total salaries and wages	<u>2,101,520</u>	<u>2,002,398</u>	<u>99,122</u>
Fringe benefits			
IMRF match	-	1,142	(1,142)
Employer pension contribution	564,381	556,338	8,043
Employer's health insurance	308,322	227,681	80,641
Employer's dental and vision insurance	27,548	30,074	(2,526)
Social security match	-	1,015	(1,015)
Medicare match	25,386	23,598	1,788
Life insurance premiums	2,655	3,148	(493)
Total fringe benefits	<u>928,292</u>	<u>842,996</u>	<u>85,296</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, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Fire department (continued)			
Contractual services			
Maintenance - vehicles	\$ 31,000	\$ 33,145	\$ (2,145)
Maintenance - equipment	12,400	12,134	266
Telephone	6,000	4,323	1,677
Rentals	2,500	2,110	390
Travel and training	16,500	13,723	2,777
Postage	200	108	92
Printing and publishing	4,300	4,239	61
Medical services	-	11,956	(11,956)
Other professional service	12,200	5,719	6,481
Dues and memberships	4,100	11,479	(7,379)
Total contractual services	89,200	98,936	(9,736)
Commodities			
Office supplies	2,000	1,778	222
Gasoline and oil	23,000	25,137	(2,137)
Maintenance supplies	1,100	4,721	(3,621)
Operating supplies	3,500	1,364	2,136
Ambulance operating supplies	7,000	6,677	323
Uniforms	12,200	21,705	(9,505)
Hazardous material enforcement	3,000	2,034	966
Reimbursements	300	17	283
Miscellaneous	250	26	224
Total commodities	52,350	63,459	(11,109)
Capital outlay			
Vehicles	20,000	20,000	-
Total capital outlay	20,000	20,000	-
Total fire department	3,191,362	3,027,789	163,573

(Continued)

City of North Chicago, Illinois

General Fund

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

For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Civil defense -ESDA			
Commodities			
Travel and training	\$ 3,000	\$ -	\$ 3,000
Office supplies	1,500	-	1,500
Miscellaneous	4,500	4,300	200
Total commodities	<u>9,000</u>	<u>4,300</u>	<u>4,700</u>
Total civil defense -ESDA	<u>9,000</u>	<u>4,300</u>	<u>4,700</u>
Total public safety	<u>11,913,272</u>	<u>11,440,661</u>	<u>472,611</u>
Economic development department			
Salaries and wages			
Full-time salaries and wages	230,839	228,444	2,395
Comp time	-	1,462	(1,462)
Overtime allowances	1,000	-	1,000
Total salaries and wages	<u>231,839</u>	<u>229,906</u>	<u>1,933</u>
Fringe benefits			
IMRF match	22,048	22,526	(478)
Employer's health insurance	34,642	32,629	2,013
Employer's dental and vision insurance	3,268	3,007	261
Social security match	14,374	13,364	1,010
Medicare match	3,362	3,126	236
Life insurance premiums	315	413	(98)
Total fringe benefits	<u>78,009</u>	<u>75,065</u>	<u>2,944</u>
Contractual services			
Telephone	1,350	862	488
Postage	750	93	657
Printing and publishing	2,000	929	1,071
Other professional services	30,000	4,454	25,546
Dues and memberships	2,600	2,865	(265)
Total contractual services	<u>36,700</u>	<u>9,203</u>	<u>27,497</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, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Economic development department (continued)			
Commodities			
Office supplies	\$ 5,000	\$ 4,245	\$ 755
Gasoline and oil	550	544	6
Total commodities	<u>5,550</u>	<u>4,789</u>	<u>761</u>
Total economic development department	352,098	318,963	33,135
Economic development incentive	<u>935,000</u>	<u>813,240</u>	<u>121,760</u>
Total economic development	<u>1,287,098</u>	<u>1,132,203</u>	<u>154,895</u>
Debt service			
State tax loan payment	<u>211,200</u>	<u>211,200</u>	<u>-</u>
Total expenditures	22,052,627	20,121,249	1,931,378
Extraordinary Item			
State sales tax refund expense	<u>-</u>	<u>917,114</u>	<u>(917,114)</u>
Total expenditures and extraordinary item	<u>\$ 22,052,627</u>	<u>\$ 21,038,363</u>	<u>\$ 1,014,264</u>

(Concluded)

City of North Chicago, Illinois

Nonmajor Governmental Funds
Combining Balance Sheet (Continued)

April 30, 2013

	<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	\$ 927,888	\$ 1,532,041	\$ 9,662	\$ 5,513
Property tax receivable	719,200	-	-	-
Intergovernmental receivable	-	56,019	-	-
Other receivables	33,475	136	1,269,511	-
Prepaid expenses	-	-	1,700	-
Due from other funds	-	-	(620)	-
Due from component unit, net of reserve	-	-	-	-
Land held for resale	-	-	21,772	-
	-	-	-	-
Total assets	<u>\$ 1,680,563</u>	<u>\$ 1,588,196</u>	<u>\$ 1,302,025</u>	<u>\$ 5,513</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 36,320	\$ 41,934	\$ 3,379	\$ -
Accrued payroll	7,417	8,520	-	-
Unearned revenue	406,248	-	-	-
Other liabilities	-	-	2	-
Due to other funds	-	30,946	-	-
Total liabilities	<u>449,985</u>	<u>81,400</u>	<u>3,381</u>	<u>-</u>
Fund balances (deficit)				
Nonspendable for prepaid items	-	-	1,700	-
Restricted for special revenue funds	1,230,578	1,506,796	1,275,172	5,513
Restricted for debt service	-	-	-	-
Restricted for capital projects	-	-	-	-
Restricted for land held for resale	-	-	21,772	-
Restricted for due from component unit	-	-	-	-
Total fund balances	<u>1,230,578</u>	<u>1,506,796</u>	<u>1,298,644</u>	<u>5,513</u>
Total liabilities and fund balances	<u>\$ 1,680,563</u>	<u>\$ 1,588,196</u>	<u>\$ 1,302,025</u>	<u>\$ 5,513</u>

	E911 Emergency	Seized Drug Money (State)	DCEO Infrastructure	Department of Justice Bulletproof Vest Grant	Grant Place	Grant Place Operating	Total Nonmajor Special Revenue Funds
\$	347,172	\$ 44,269	\$ 25,015	\$ -	\$ 383,286	\$ 3,888	\$ 3,278,734
	-	-	-	-	-	-	719,200
	-	-	-	-	-	-	56,019
	47,471	-	-	-	-	-	1,350,593
	-	-	-	-	-	-	1,700
	-	-	-	-	-	39,558	38,938
	-	-	-	-	1,721,065	-	1,721,065
	-	-	-	-	-	-	21,772
<u>\$</u>	<u>394,643</u>	<u>\$ 44,269</u>	<u>\$ 25,015</u>	<u>\$ -</u>	<u>\$ 2,104,351</u>	<u>\$ 43,446</u>	<u>\$ 7,188,021</u>
\$	897	\$ -	\$ -	\$ -	\$ -	\$ 64,916	\$ 147,446
	-	-	-	-	-	-	15,937
	-	-	25,015	-	-	4,955	436,218
	-	-	-	-	-	3,473	3,475
	-	-	-	-	-	-	30,946
	<u>897</u>	<u>-</u>	<u>25,015</u>	<u>-</u>	<u>-</u>	<u>73,344</u>	<u>634,022</u>
	-	-	-	-	-	-	1,700
	393,746	44,269	-	-	383,286	(29,898)	4,809,462
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	21,772
	-	-	-	-	1,721,065	-	1,721,065
	<u>393,746</u>	<u>44,269</u>	<u>-</u>	<u>-</u>	<u>2,104,351</u>	<u>(29,898)</u>	<u>6,553,999</u>
<u>\$</u>	<u>394,643</u>	<u>\$ 44,269</u>	<u>\$ 25,015</u>	<u>\$ -</u>	<u>\$ 2,104,351</u>	<u>\$ 43,446</u>	<u>\$ 7,188,021</u>

(Continued)

City of North Chicago, Illinois

Nonmajor Governmental Funds
Combining Balance Sheet (Continued)
April 30, 2013

	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	\$ 597,904	\$ 5,625	\$ 17,112
Property tax receivable	322,251	250,076	207,111
Intergovernmental receivable	-	-	-
Other receivables	-	-	-
Prepaid expenses	-	-	-
Due from other funds	-	-	-
Due from component unit, net of reserve	-	-	-
Land held for resale	-	-	-
Total assets	\$ 920,155	\$ 255,701	\$ 224,223
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Unearned revenue	168,600	141,260	116,990
Other liabilities	-	-	-
Due to other funds	-	-	-
Total liabilities	168,600	141,260	116,990
Fund balances (deficit)			
Nonspendable for prepaid items	-	-	-
Restricted for special revenue funds	-	-	-
Restricted for debt service	751,555	114,441	107,233
Restricted for capital projects	-	-	-
Restricted for land held for resale	-	-	-
Restricted for due from component unit	-	-	-
Total fund balances	751,555	114,441	107,233
Total liabilities and fund balances	\$ 920,155	\$ 255,701	\$ 224,223

		Capital Project Funds				Total	
Grant Place Retail Center Debt Service 2007C	Total Nonmajor Debt Service Funds	Capital Improvement	Lake County Brownsfield Grants	DCEO Sheridan Road Acquisition Grant	Total Nonmajor Capital Project Funds	Nonmajor Governmental Funds	
\$ 9,315	\$ 629,956	\$ 722,666	\$ -	\$ -	\$ 722,666	\$ 4,631,356	
761,029	1,540,467	-	-	-	-	2,259,667	
-	-	75,997	-	-	75,997	132,016	
-	-	-	-	-	-	1,350,593	
-	-	-	-	-	-	1,700	
-	-	-	-	-	-	38,938	
-	-	-	-	-	-	1,721,065	
-	-	-	-	-	-	21,772	
<u>\$ 770,344</u>	<u>\$ 2,170,423</u>	<u>\$ 798,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 798,663</u>	<u>\$ 10,157,107</u>	
\$ -	\$ -	\$ 712,226	\$ -	\$ -	\$ 712,226	\$ 859,672	
-	-	-	-	-	-	15,937	
430,723	857,573	-	-	-	-	1,293,791	
-	-	54,324	-	-	54,324	57,799	
<u>39,558</u>	<u>39,558</u>	-	-	-	-	<u>70,504</u>	
<u>470,281</u>	<u>897,131</u>	<u>766,550</u>	<u>-</u>	<u>-</u>	<u>766,550</u>	<u>2,297,703</u>	
-	-	-	-	-	-	1,700	
-	-	-	-	-	-	4,809,462	
300,063	1,273,292	-	-	-	-	1,273,292	
-	-	32,113	-	-	32,113	32,113	
-	-	-	-	-	-	21,772	
-	-	-	-	-	-	1,721,065	
<u>300,063</u>	<u>1,273,292</u>	<u>32,113</u>	<u>-</u>	<u>-</u>	<u>32,113</u>	<u>7,859,404</u>	
<u>\$ 770,344</u>	<u>\$ 2,170,423</u>	<u>\$ 798,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 798,663</u>	<u>\$ 10,157,107</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, 2013

	<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>
Revenues				
Property taxes	\$ 704,500	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	931,651	-	-
Grants	35,889	-	368,314	-
Fines and fees	16,518	-	-	-
Interest	427	735	593	2
Miscellaneous	1,537	23,978	1,350	-
Total revenues	<u>758,871</u>	<u>956,364</u>	<u>370,257</u>	<u>2</u>
Expenditures				
Current				
Administration	-	-	10,998	-
Highway and streets	-	583,640	-	-
Public safety	-	-	-	-
Culture and recreation	561,438	-	-	-
Economic development	-	-	132,802	-
Debt service				
Principal retirement	-	-	-	-
Interest and other	-	-	-	-
Capital outlay	89,832	369,562	-	-
Total expenditures	<u>651,270</u>	<u>953,202</u>	<u>143,800</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	107,601	3,162	226,457	2
Other financing sources (uses)				
Transfers in	-	65,000	-	-
Transfers out	-	-	(65,000)	-
Net change in fund balances	107,601	68,162	161,457	2
Fund balance (deficit), beginning' of year	<u>1,122,977</u>	<u>1,438,634</u>	<u>1,137,187</u>	<u>5,511</u>
Fund balance (deficit), end of year	<u>\$ 1,230,578</u>	<u>\$ 1,506,796</u>	<u>\$ 1,298,644</u>	<u>\$ 5,513</u>

<u>E911 Emergency</u>	<u>DCEO Infrastructure</u>	<u>Seized Drug Money (State)</u>	<u>Department of Justice Bulletproof Vest Grant</u>	<u>Grant Place</u>	<u>Grant Place Operating</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 704,500
192,323	-	-	-	-	-	192,323
-	-	310,559	-	-	-	1,242,210
-	-	-	5,818	-	-	410,021
-	-	-	-	-	-	16,518
116	-	60	-	382	-	2,315
-	-	-	-	-	121,489	148,354
<u>192,439</u>	<u>-</u>	<u>310,619</u>	<u>5,818</u>	<u>382</u>	<u>121,489</u>	<u>2,716,241</u>
-	-	-	-	42,897	-	53,895
-	-	-	-	-	-	583,640
26,911	-	286,317	-	-	-	313,228
-	-	-	-	-	-	561,438
-	-	-	5,818	-	129,698	268,318
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>28,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,625</u>	<u>504,139</u>
<u>55,031</u>	<u>-</u>	<u>286,317</u>	<u>5,818</u>	<u>42,897</u>	<u>146,323</u>	<u>2,284,658</u>
137,408	-	24,302	-	(42,515)	(24,834)	431,583
-	-	-	-	-	-	65,000
-	-	-	-	-	-	(65,000)
<u>137,408</u>	<u>-</u>	<u>24,302</u>	<u>-</u>	<u>(42,515)</u>	<u>(24,834)</u>	<u>431,583</u>
<u>256,338</u>	<u>-</u>	<u>19,967</u>	<u>-</u>	<u>2,146,866</u>	<u>(5,064)</u>	<u>6,122,416</u>
<u>\$ 393,746</u>	<u>\$ -</u>	<u>\$ 44,269</u>	<u>\$ -</u>	<u>\$ 2,104,351</u>	<u>\$ (29,898)</u>	<u>\$ 6,553,999</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, 2013

	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	\$ 408,352	\$ 243,061	\$ 203,235
Taxes - other	-	-	-
Intergovernmental	-	-	-
Grants	-	-	-
Fines and fees	-	-	-
Interest	794	81	103
Miscellaneous	-	-	-
Total revenues	<u>409,146</u>	<u>243,142</u>	<u>203,338</u>
Expenditures			
Current			
Administration	-	-	-
Highway and streets	-	-	-
Public safety	-	-	-
Culture and recreation	-	-	-
Economic development	-	-	-
Debt service			
Principal retirement	510,000	150,000	-
Interest and other	395,284	91,195	205,656
Capital outlay	-	-	-
Total expenditures	<u>905,284</u>	<u>241,195</u>	<u>205,656</u>
Excess (deficiency) of revenues over expenditures	(496,138)	1,947	(2,318)
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Net change in fund balances	(496,138)	1,947	(2,318)
Fund balance, beginning of year	<u>1,247,693</u>	<u>112,494</u>	<u>109,551</u>
Fund balance (deficit), end of year	<u>\$ 751,555</u>	<u>\$ 114,441</u>	<u>\$ 107,233</u>

		Capital Project Funds					Total
Grant Place Retail Center Debt Service 2007C	Total Nonmajor Debt Service Funds	Capital Improvement	Lake County Brownsfield Grants	DCEO Sheridan Road Acquisition Grant	Total Nonmajor Capital Project Funds	Nonmajor Governmental Funds	
\$ 735,942	\$ 1,590,590	\$ -	\$ -	\$ -	\$ -	\$ 2,295,090	
-	-	-	-	-	-	192,323	
-	-	-	-	-	-	1,242,210	
-	-	19,255	38,928	16,250	74,433	484,454	
-	-	-	-	-	-	16,518	
295	1,273	295	-	874	1,169	4,757	
-	-	-	60,927	-	60,927	209,281	
<u>736,237</u>	<u>1,591,863</u>	<u>19,550</u>	<u>99,855</u>	<u>17,124</u>	<u>136,529</u>	<u>2,137,538</u>	
-	-	-	-	-	-	53,895	
-	-	19,257	-	-	19,257	602,897	
-	-	-	-	-	-	313,228	
-	-	-	-	-	-	561,438	
-	-	-	99,855	17,124	116,979	385,297	
225,000	885,000	-	-	-	-	885,000	
505,285	1,197,420	-	-	-	-	1,197,420	
-	-	-	-	-	-	504,139	
<u>730,285</u>	<u>2,082,420</u>	<u>19,257</u>	<u>99,855</u>	<u>17,124</u>	<u>136,236</u>	<u>4,503,314</u>	
5,952	(490,557)	293	-	-	293	(2,365,776)	
-	-	-	-	-	-	65,000	
-	-	-	-	-	-	(65,000)	
5,952	(490,557)	293	-	-	293	(58,681)	
<u>294,111</u>	<u>1,763,849</u>	<u>31,820</u>	<u>-</u>	<u>-</u>	<u>31,820</u>	<u>7,918,085</u>	
<u>\$ 300,063</u>	<u>\$ 1,273,292</u>	<u>\$ 32,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,113</u>	<u>\$ 7,859,404</u>	

(Concluded)

ENTERPRISE FUNDS

City of North Chicago, Illinois

Water Fund

Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Operating revenues			
Charges for sales and services	\$ 5,936,005	\$ 6,204,814	\$ 268,809
Miscellaneous	5,700	19,265	13,565
Total operating revenues	5,941,705	6,224,079	282,374
Operating expenses			
Operations	3,477,095	2,826,392	650,703
Depreciation	480,243	549,576	(69,333)
Total operating expenses	3,957,338	3,375,968	581,370
Operating income	1,984,367	2,848,111	863,744
Nonoperating revenues (expenses)			
Interest income	1,500	3,041	1,541
Principal retirement	(195,949)	-	195,949
Interest expense	(67,618)	(67,618)	-
Total nonoperating revenue (expenses)	(262,067)	(64,577)	197,490
Income before contributions and transfers	1,722,300	2,783,534	1,061,234
Transfers out	(1,600,000)	(1,600,000)	-
Change in net position	\$ <u>122,300</u>	1,183,534	\$ <u>1,061,234</u>
Net position, beginning of year		<u>14,792,136</u>	
Net position, end of year		\$ <u>15,975,670</u>	

City of North Chicago, Illinois
Water Fund
Schedule of Operating Revenues - Budget and Actual
For the Year Ended April 30, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Operating revenues			
Charges for sales and services			
Industrial water	\$ 1,721,400	\$ 2,094,331	\$ 372,931
Abbott park water	1,349,400	865,350	(484,050)
Abbott raw water	414,000	765,268	351,268
Residential water	1,433,300	1,401,760	(31,540)
Commercial water	321,400	331,763	10,363
Water resumption	5,700	8,788	3,088
Meter sales	10,000	17,607	7,607
Tie-in fees	2,500	4,700	2,200
Water/sewer assessment	500	100	(400)
Base fees	611,000	635,265	24,265
Water penalty	45,000	57,737	12,737
Raw water equipment	21,805	22,145	340
	<u>5,936,005</u>	<u>6,204,814</u>	<u>268,809</u>
Reimbursement and rebates	-	11,232	11,232
Miscellaneous	5,700	8,033	2,333
	<u>5,700</u>	<u>19,265</u>	<u>13,565</u>
Total other revenues			
	<u>5,700</u>	<u>19,265</u>	<u>13,565</u>
Total operating revenues	<u>\$ 5,941,705</u>	<u>\$ 6,224,079</u>	<u>\$ 282,374</u>

City of North Chicago, Illinois

Water Fund

Schedule of Operating Expenses - Budget and Actual (Continued)

For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Operating expenses			
Salaries and wages			
Full-time salaries and wages	\$ 866,551	\$ 817,550	\$ 49,001
Overtime allowances	20,000	92,562	(72,562)
Comptime used	-	908	(908)
Compensated absences	-	(2,458)	2,458
Holiday	-	3,662	(3,662)
Workers' compensation	-	2,004	(2,004)
Total salaries and wages	886,551	914,228	(27,677)
Fringe benefits			
IMRF match	84,311	89,389	(5,078)
Employer's health insurance	125,070	97,435	27,635
Employer's dental and vision insurance	12,607	14,536	(1,929)
Social security match	54,966	54,501	465
Medicare match	12,855	12,746	109
Life insurance premiums	1,215	1,366	(151)
Total fringe benefits	291,024	269,973	21,051
Contractual services			
Maintenance - buildings	67,000	74,897	(7,897)
Maintenance - vehicles	10,000	4,818	5,182
Maintenance - equipment	31,380	23,130	8,250
Maintenance - utility system	52,500	92,305	(39,805)
Other maintenance	45,500	45,367	133
Telephone	13,000	2,536	10,464
Utilities	538,790	534,284	4,506
Rentals	1,500	-	1,500
Travel and training	2,900	2,498	402
Postage	14,240	13,554	686
Printing and publishing	5,400	2,905	2,495
Engineering services	30,000	31,446	(1,446)
Foss Park easements	6,400	-	6,400
Other professional services	159,500	178,875	(19,375)

(Continued)

City of North Chicago, Illinois

Water Fund

Schedule of Operating Expenses - Budget and Actual (Continued)

For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Operating expenses (continued)			
Contractual services (continued)			
Dues and memberships	\$ 1,000	\$ 1,209	\$ (209)
Sludge treatment	35,000	12,435	22,565
Intake inspection	206,500	155,989	50,511
Total contractual services	<u>1,220,610</u>	<u>1,176,248</u>	<u>44,362</u>
Commodities			
Office supplies	10,000	6,397	3,603
Gasoline and oil	22,700	17,216	5,484
Maintenance supplies	69,000	61,812	7,188
Operating supplies	170,000	173,061	(3,061)
Uniforms	19,500	13,051	6,449
Miscellaneous expenses	500	3,872	(3,372)
Total commodities	<u>291,700</u>	<u>275,409</u>	<u>16,291</u>
Bad debt expense	<u>-</u>	<u>16,220</u>	<u>(16,220)</u>
Capital outlay			
Other improvements	628,710	110,005	518,705
Vehicles	40,000	-	40,000
Equipment	60,000	54,046	5,954
Meters	58,500	10,263	48,237
Total capital outlay	<u>787,210</u>	<u>174,314</u>	<u>612,896</u>
Depreciation	<u>480,243</u>	<u>549,576</u>	<u>(69,333)</u>
Total operating expenses	<u>\$ 3,957,338</u>	<u>\$ 3,375,968</u>	<u>\$ 581,370</u>

(Concluded)

City of North Chicago, Illinois

Sewer Fund

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

For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Operating revenues			
Charges for sales and services	\$ 1,352,761	\$ 1,393,314	\$ 40,553
Total operating revenues	<u>1,352,761</u>	<u>1,393,314</u>	<u>40,553</u>
Operating expenses			
Operations	789,724	689,163	100,561
Depreciation	<u>78,575</u>	<u>118,919</u>	<u>(40,344)</u>
Total operating expenses	<u>868,299</u>	<u>808,082</u>	<u>60,217</u>
Operating income	<u>484,462</u>	<u>585,232</u>	<u>100,770</u>
Nonoperating revenues (expenses)			
Interest income	1,500	2,102	602
Principal retirement	(147,751)	-	147,751
Interest expense	<u>(71,177)</u>	<u>(71,177)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(217,428)</u>	<u>(69,075)</u>	<u>148,353</u>
Income before transfers	<u>267,034</u>	<u>516,157</u>	<u>249,123</u>
Transfers out	<u>(457,500)</u>	<u>(400,000)</u>	<u>57,500</u>
Changes in net position	\$ <u><u>(190,466)</u></u>	116,157	\$ <u><u>306,623</u></u>
Net position, beginning of year		<u>4,349,132</u>	
Net position, end of year		\$ <u><u>4,465,289</u></u>	

City of North Chicago, Illinois
 Sewer Fund
 Schedule of Operating Revenues - Budget and Actual
For the Year Ended April 30, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Operating revenues			
Charges for sales and services			
Residential sewer	\$ 518,900	\$ 462,052	\$ (56,848)
Industrial sewer	614,700	737,028	122,328
Penalties	11,300	17,819	6,519
Commercial sewer	106,400	84,819	(21,581)
Base fees	<u>101,461</u>	<u>91,596</u>	<u>(9,865)</u>
Total charges for sales and services	<u>1,352,761</u>	<u>1,393,314</u>	<u>40,553</u>
Total operating revenues	<u>\$ 1,352,761</u>	<u>\$ 1,393,314</u>	<u>\$ 40,553</u>

City of North Chicago, Illinois
Sewer Fund
Schedule of Operating Expenses - Budget and Actual
For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Operating expenses			
Salaries and wages			
Full-time salaries and wages	\$ 212,999	\$ 198,886	\$ 14,113
Part-time salaries and wages	21,840	-	21,840
Overtime allowances	18,000	24,172	(6,172)
Compensated absences	-	2,099	(2,099)
Workers' compensation	-	15,729	(15,729)
Total salaries and wages	<u>252,839</u>	<u>240,886</u>	<u>11,953</u>
Fringe benefits			
IMRF match	21,968	22,439	(471)
Employer's health insurance	53,230	46,082	7,148
Employer's dental and vision insurance	3,735	5,012	(1,277)
Social security match	15,676	12,764	2,912
Medicare match	3,666	2,985	681
Life insurance premiums	360	501	(141)
Total fringe benefits	<u>98,635</u>	<u>89,783</u>	<u>8,852</u>
Contractual services			
Maintenance - building	51,000	50,775	225
Maintenance - vehicles	20,000	25,161	(5,161)
Maintenance - equipment	5,000	3,191	1,809
Maintenance - grounds	500	500	-
Maintenance - utility system	82,500	79,850	2,650
Other maintenance	2,000	2,171	(171)
Rentals	5,000	4,880	120
Travel and training	2,400	1,304	1,096
Landfill and garbage	32,400	9,100	23,300
Engineering services	5,000	8,115	(3,115)
Other professional services	71,500	74,473	(2,973)
Dues and memberships	200	230	(30)
Total contractual services	<u>277,500</u>	<u>259,750</u>	<u>17,750</u>

(Continued)

City of North Chicago, Illinois

Sewer Fund

Schedule of Operating Expenses - Budget and Actual (Continued)

For the Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance from Final Budget
Operating expenses (continued)			
Commodities			
Office supplies	\$ 1,500	\$ 475	\$ 1,025
Maintenance supplies	68,800	74,578	(5,778)
Operating supplies	8,450	8,577	(127)
Uniforms	3,500	4,059	(559)
Miscellaneous	-	266	(266)
Total commodities	<u>82,250</u>	<u>87,955</u>	<u>(5,705)</u>
Bad debt expense	<u>-</u>	<u>8,435</u>	<u>(8,435)</u>
Capital outlay			
Vehicles	42,014	-	42,014
Equipment	<u>36,486</u>	<u>2,354</u>	<u>34,132</u>
Total capital outlay	<u>78,500</u>	<u>2,354</u>	<u>76,146</u>
Depreciation	<u>78,575</u>	<u>118,919</u>	<u>(40,344)</u>
Total operating expenses	<u>\$ 868,299</u>	<u>\$ 808,082</u>	<u>\$ 60,217</u>

(Concluded)

INTERNAL SERVICE FUNDS

City of North Chicago, Illinois

Internal Service Funds

Combining Schedule of Net Position

April 30, 2013

	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal Service Funds</u>
ASSETS			
Cash and cash equivalents	\$ <u>156,131</u>	\$ <u>23,071</u>	\$ <u>179,202</u>
Total assets	<u>156,131</u>	<u>23,071</u>	<u>179,202</u>
LIABILITIES			
Accounts payable	14,122	23,071	37,193
Claims payable	<u>21,914</u>	<u>-</u>	<u>21,914</u>
Total liabilities	<u>36,036</u>	<u>23,071</u>	<u>59,107</u>
NET POSITION			
Unrestricted	\$ <u><u>120,095</u></u>	\$ <u><u>-</u></u>	\$ <u><u>120,095</u></u>

City of North Chicago, Illinois

Internal Service Funds

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

For the Year Ended April 30, 2013

	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal Service Funds</u>
Operating revenues			
Charges for sales and services	\$ 173,429	\$ 181,350	\$ 354,779
Total operating revenues	<u>173,429</u>	<u>181,350</u>	<u>354,779</u>
Operating expenses			
Premiums / claim payments	<u>122,881</u>	<u>181,369</u>	<u>304,250</u>
Operating income	<u>50,548</u>	<u>(19)</u>	<u>50,529</u>
Nonoperating revenues			
Interest income	<u>53</u>	<u>19</u>	<u>72</u>
Change in net position	50,601	-	50,601
Net position, beginning of year	<u>69,494</u>	<u>-</u>	<u>69,494</u>
Net position, end of year	<u>\$ 120,095</u>	<u>\$ -</u>	<u>\$ 120,095</u>

City of North Chicago, Illinois

Internal Service Funds

Combining Schedule of Cash Flows

For the year ended April 30, 2013

	<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	\$ 181,350	\$ 354,779
Cash payments for claims and services	<u>(134,250)</u>	<u>(207,748)</u>	<u>(341,998)</u>
Net cash provided by (used in) operating activities	<u>39,179</u>	<u>(26,398)</u>	<u>12,781</u>
Cash flows from investing activities			
Interest received	<u>53</u>	<u>19</u>	<u>72</u>
Net cash provided by investing activities	<u>53</u>	<u>19</u>	<u>72</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 39,232	 (26,379)	 12,853
Cash and cash equivalents, beginning of year	<u>116,899</u>	<u>49,450</u>	<u>166,349</u>
Cash and cash equivalents, end of year	\$ <u><u>156,131</u></u>	\$ <u><u>23,071</u></u>	\$ <u><u>179,202</u></u>
Reconciliation of operating income to net cash provided by (used in) operating activities			
Operating income	\$ 50,548	\$ (19)	\$ 50,529
Adjustments to reconcile operating income to net cash used in operating activities			
Decrease in accounts payable	(6,998)	(26,379)	(33,377)
Increase in claims payable	<u>(4,371)</u>	<u>-</u>	<u>(4,371)</u>
Net cash provided by (used in) operating activities	<u>\$ 39,179</u>	<u>\$ (26,398)</u>	<u>\$ 12,781</u>

OTHER SUPPLEMENTARY INFORMATION
(Unaudited)

City of North Chicago, Illinois
 General Obligation Bonds Series 2005A
 Schedule of Annual Debt Service Requirements
April 30, 2013

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
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>\$ 7,965,000</u>	<u>\$ 2,230,263</u>	<u>\$ 10,195,263</u>

City of North Chicago, Illinois
General Obligation Bonds Series 2005B
Schedule of Annual Debt Service Requirements
April 30, 2013

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
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>\$ 2,840,000</u>	<u>\$ 1,008,838</u>	<u>\$ 3,848,838</u>

City of North Chicago, Illinois
 General Obligation Bonds Series 2007A
 Schedule of Annual Debt Service Requirements
April 30, 2013

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
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>\$ 2,190,000</u>	<u>\$ 529,600</u>	<u>\$ 2,719,600</u>

City of North Chicago, Illinois
 General Obligation Bonds Series 2007B
 Schedule of Annual Debt Service Requirements
April 30, 2013

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
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
2032	4.300%	470,000	149,160	619,160

(Continued)

City of North Chicago, Illinois
 General Obligation Bonds Series 2007B (Continued)
 Schedule of Annual Debt Service Requirements
April 30, 2013

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

Fiscal Year Ended April 30,	Interest Rate	Principal	Interest	Annual Debt Service
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>\$ 4,215,598</u>	<u>\$ 8,955,598</u>

City of North Chicago, Illinois
 General Obligation Bonds Series 2007C
 Schedule of Annual Debt Service Requirements
April 30, 2013

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
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>\$ 8,440,000</u>	<u>\$ 4,569,305</u>	<u>\$ 13,009,305</u>

City of North Chicago, Illinois

Legal Debt Margin

April 30, 2013

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.