

City of North Chicago, Illinois

Annual Financial Report

Year Ended April 30, 2014

City of North Chicago, Illinois

Annual Financial Report

Table of Contents

For the Year Ended April 30, 2014

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 14
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	15 - 16
Statement of Activities	17 - 18
Balance Sheet - Governmental Funds	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Net Position - Proprietary Funds	23 - 24
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	25 - 26
Statement of Cash Flows - Proprietary Funds	27 - 28
Statement of Fiduciary Net Position - Fiduciary Funds	29
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	30
Index for Notes to the Financial Statements	31 - 33
Notes to the Financial Statements	34 - 72
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)	
Schedule of Funding Progress - Illinois Municipal Retirement Fund	73
Schedule of Funding Progress - Other Postemployment Benefits	74
Schedules of Funding Progress - Police Pension Fund and Firefighters' Pension Fund	75
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	76 - 77
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Downtown Tax Increment Financing Redevelopment Project Area Fund	78
Notes to the Required Supplementary Information	79
SUPPLEMENTARY FINANCIAL INFORMATION	
General Fund	
Schedule of Revenues and Other Financing Sources - Budget and Actual	80 - 83
Schedule of Expenditures - Budget and Actual	84 - 102

City of North Chicago, Illinois

Annual Financial Report

Table of Contents (Continued)

For the Year Ended April 30, 2014

	<u>Page</u>
SUPPLEMENTARY FINANCIAL INFORMATION (Continued)	
Nonmajor Governmental Funds	
Combining Balance Sheet	103 - 106
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficit)	107 - 110
Enterprise Funds	
Water Fund	
Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual	111
Schedule of Operating Revenues - Budget and Actual	112
Schedule of Operating Expenses - Budget and Actual	113 - 114
Sewer Fund	
Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual	115
Schedule of Operating Revenues - Budget and Actual	116
Schedule of Operating Expenses - Budget and Actual	117 - 118
Internal Service Funds	
Combining Schedule of Net Position	119
Combining Schedule of Revenues, Expenses, and Changes in Net Position	120
Combining Schedule of Cash Flows	121
OTHER SUPPLEMENTARY INFORMATION (Unaudited)	
Schedules of Annual Debt Service Requirements	
General Obligation Bonds Series 2005A	122
General Obligation Bonds Series 2005B	123
General Obligation Bonds Series 2007A	124
General Obligation Bonds Series 2007B	125 - 126
General Obligation Bonds Series 2007C	127
Legal Debt Margin	128

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, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

(Continued)

Auditors' Responsibility (Continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Chicago, Illinois, as of April 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note O to the audited financial statements, net position as of July 1, 2013 has been restated as a result of the implementation of the Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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 schedule of funding progress for Illinois Municipal Retirement Fund on page 73, the other postemployment benefits and the Police and Firefighter's Pension Funds supplementary information on pages 74 through 75, and the budgetary comparison schedules and notes to the required supplementary information on pages 76 through 79, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters (Continued)

Other Information

Our audit for the year ended April 30, 2014 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, for the year ended April 30, 2014.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

MILLER, COOPER & CO., LTD.



Certified Public Accountants

Deerfield, Illinois
December 22, 2014

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, 2014.

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 \$31,826,248 (net position).
- As of April 30, 2014, the City's governmental funds reported combined ending fund balances of \$26,737,553. Of this amount, \$9,305,554, or 35 percent, of total general fund expenditures was unassigned, and available for spending at the City's discretion (unassigned fund balance).
- At April 30, 2014, the City's outstanding General Obligation Bonds were \$25,045,000, which is a decrease of \$1,130,000 for principal payments during the current fiscal year.

Overview of the Financial Statements

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

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

The statement of net 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 can be found on pages 15-18 of this report.

Overview of the Financial Statements (Continued)

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

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

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

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

The City adopts an annual appropriated budget for its General Fund and certain other funds. A budgetary comparison statement has been provided for the General Fund and any major special revenue funds to demonstrate compliance with the budget. In addition, the supplementary financial information also contains budgetary comparison statements for all nonmajor funds.

The Governmental Accounting Standards Board has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which was adopted by the City as of the fiscal year ended April 30, 2014. This Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB 65 requires bond issuance costs to be expensed in the year incurred. As a result of this implementation, net position as of May 1, 2013 decreased by \$358,595. See Note O to the financial statements for further information.

The basic governmental fund financial statements can be found on pages 19-22 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.

Overview of the Financial Statements (Continued)

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

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

Unrestricted net position of the enterprise funds at April 30, 2014 amounted to \$8,230,336 and those of the internal service funds amounted to \$157,562.

The basic proprietary fund financial statements can be found on pages 23-28 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 pension trust funds that are audited by a separate accounting firm, and agency funds.

The basic fiduciary fund financial statements can be found on pages 29-30 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 34-72 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 73-79 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the required supplementary information on pensions in the supplementary financial information section. Combining and individual fund statements and budgetary comparison schedules for nonmajor governmental funds and internal service funds can be found on pages 103 -110 and 119 -121 of this report, respectively.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities and deferred inflows by \$31,826,248 at the close of the most recent fiscal year.

Government-Wide Financial Analysis (Continued)

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

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

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
	Current and other assets	\$33,763,071	\$34,246,432	\$9,482,387	\$8,658,627	\$43,245,458
Noncurrent assets	19,628,758	19,566,133	16,017,632	16,483,857	35,646,390	36,049,990
Total assets	53,391,829	53,812,565	25,500,019	25,142,484	78,891,848	78,955,049
Current liabilities	2,364,099	3,560,026	1,100,460	328,227	3,464,559	3,888,253
Noncurrent liabilities	34,976,376	32,806,599	4,120,808	4,373,298	39,097,184	37,179,897
Total liabilities	37,340,475	36,366,625	5,221,268	4,701,525	42,561,743	41,068,150
Unavailable property tax revenue	4,503,857	4,421,401	-	-	4,503,857	4,421,401
Total deferred inflows	4,503,857	4,421,401	-	-	4,503,857	4,421,401
Net position:						
Net investment in capital assets	6,816,642	5,822,751	12,048,415	12,226,906	18,865,057	18,049,657
Restricted by enabling legislation	2,978,031	3,223,616	-	-	2,978,031	3,223,616
Restricted for sales tax refund	1,616,490	1,827,690			1,616,490	1,827,690
Unrestricted	136,334	2,150,482	8,230,336	8,214,053	8,366,670	10,364,535
Total net position (as restated, see Note O)	\$11,547,497	\$13,024,539	\$20,278,751	\$20,440,959	\$31,826,248	\$33,465,498

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:

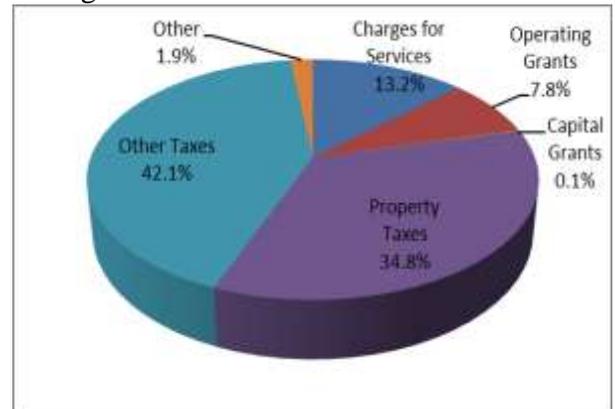
CITY OF NORTH CHICAGO
Changes in Net Position

	Governmental		Business-type		Total	
	activities		activities			
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 3,297,217	\$ 3,481,941	\$ 7,541,250	\$ 7,598,128	\$10,838,467	\$11,080,069
Operating grants	1,938,254	1,335,854	-	-	1,938,254	1,335,854
Capital grants and contributions	27,701	80,251	-	-	31,337	80,251
General revenues:						
Property taxes	8,671,902	7,778,521	-	-	8,671,902	7,778,521
Other taxes	10,474,566	10,456,534	-	-	10,474,566	10,456,534
Other	474,010	695,381	11,485	24,408	485,495	719,789
Sales tax reimbursement	-	2,991,204	-	-	-	2,991,204
Total revenues	24,883,650	26,819,686	7,552,735	7,622,536	32,436,385	34,442,222
Expenses:						
Administration and general government	5,642,431	6,042,400	-	-	5,642,431	6,042,400
Police	12,054,925	9,681,598	-	-	12,054,925	9,681,598
Fire	4,967,400	3,487,513	-	-	4,967,400	3,487,513
Public works	2,103,334	2,126,584	-	-	2,103,334	2,126,584
Library	665,317	662,614	-	-	665,317	662,614
Economic development	1,799,718	1,517,500	-	-	1,799,718	1,517,500
Interest and other	1,127,567	1,569,812	-	-	1,127,567	1,569,812
Water	-	-	4,584,145	3,443,586	4,584,145	3,443,586
Sewer	-	-	1,130,798	879,259	1,130,798	879,259
Total expenses	28,360,692	25,088,021	5,714,943	4,322,845	34,075,635	29,410,866
Extraordinary item	-	917,114	-	-	-	917,114
Change in net position before transfers	(3,477,042)	814,551	1,837,792	3,299,691	(1,639,250)	4,114,242
Transfers	2,000,000	2,000,000	(2,000,000)	(2,000,000)	-	-
Increase (decrease) in net position	(1,477,042)	2,814,551	(162,208)	1,299,691	(1,639,250)	4,114,242
Net position – beginning of year (as restated, see Note O)	13,024,539	10,209,988	20,440,959	19,141,268	33,465,498	29,351,256
Net position – end of year	\$11,547,497	\$13,024,539	\$20,278,751	\$20,440,959	\$31,826,248	\$33,465,498

Revenues by Source – Governmental Activities

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

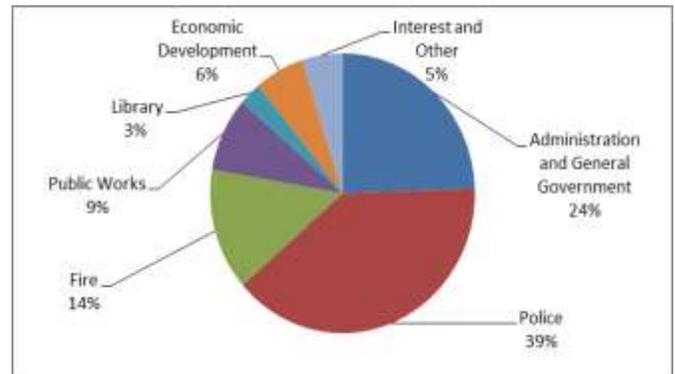
Charges for Services	\$3,297,217
Operating Grants	1,938,254
Capital Grants	27,701
Property Taxes	8,671,902
Other Taxes	10,474,566
Other	474,010
Total revenues	\$24,883,650



Expenses by Function – Governmental Activities

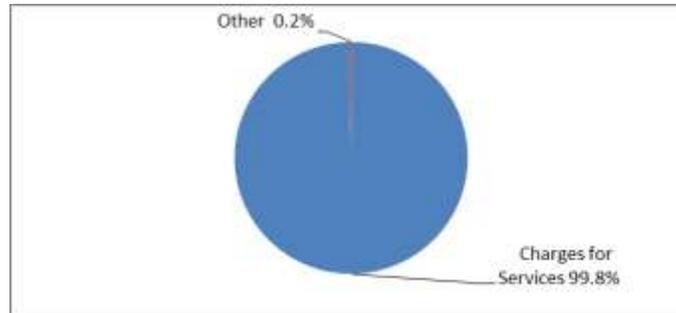
The chart below shows the expenses by function. The cost of all governmental activities was \$28,360,692. The Statement of Activities on pages 17-18 shows that \$3,293,581 was financed by those who use the services; \$1,969,591 was financed by grants, with the City's general revenues, operating transfers, and net position financing \$23,097,520.

Administration and General Government	\$5,642,431
Police	12,054,925
Fire	4,967,400
Public Works	2,103,334
Library	665,317
Economic Development	1,799,718
Interest and Other	1,127,567
Total expenses	\$28,360,692



Revenues by Source – Business-type Activities

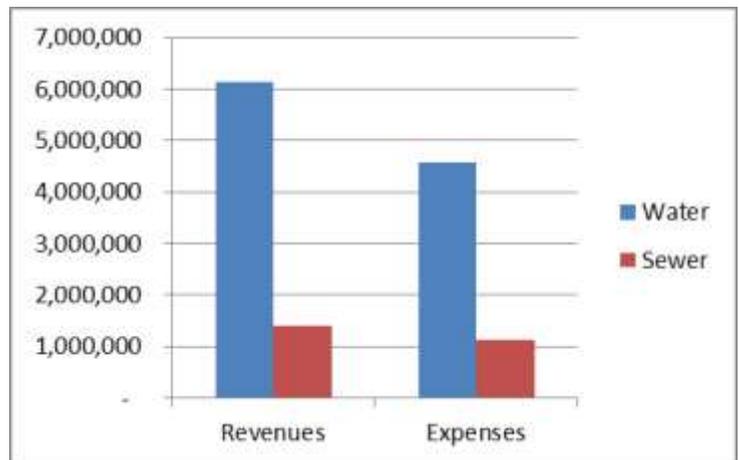
The following graph shows the revenues by source for business-type activities. Total revenues for the City's business-type activities were \$7,552,735 for the year ended April 30, 2014. 99.8% of the revenues come from charges paid by the users of services and less than one percent from other sources.



Charges for Services	7,541,250
Other	<u>11,485</u>
Total revenues	7,552,735

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 \$7,541,250 and \$5,714,943, respectively. The Statement of Activities on pages 17 -18 shows that the water and wastewater systems cover all costs and operate at a profit.



	Revenues	Expenses
Water	6,131,562	4,584,145
Sewer	<u>1,409,688</u>	<u>1,130,798</u>
Total	7,541,250	5,714,943

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 \$26,737,553, an increase of \$592,643 in comparison with the prior year. Approximately 35% or \$9.3 million constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is classified as nonspendable/restricted to indicate that it is not available for new spending because it has already been designated for 1) inventory of \$6,406; 2) prepaid items of \$550,319; 3) land held for resale of \$7,499,086; 4) special revenue funds of \$5,117,430; 5) debt service \$1,051,403, 6) capital projects of \$1,590,865, and 7) note payable to Illinois Department of Revenue of \$1,616,490 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 \$9,305,554. 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 44% of total General Fund expenditures, while total fund balance represents 56% of that same amount.

The City's General Fund balance increased by \$1,283,887 during the current fiscal year, key factors in this growth is as follows:

- Revenue from real estate taxes was greater than budgeted by approximately \$441,000.
- State income tax increased by approximately \$490,000, or 16%, 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, as detailed below.

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 \$20,278,751, as compared to \$20,440,959 for the prior year, a decrease of \$162,208. The unrestricted amount at the end of the year is \$8,230,336. 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 \$719,428. 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 \$22,207,454, compared to the budget of \$21,756,741, greater than budgeted revenues by \$450,713. The difference between the budget and the amount realized is primarily attributable to the increase income tax received which represents an improved workforce. Expenditures are \$20,923,567, compared to the budget of \$22,476,169, under budget by \$1,552,602. 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, 2014 amounts to \$35,646,390 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, infrastructure, library collections, and machinery and equipment.

- Acquired eight new squad cars
- Acquired a new ambulance
- Installed cameras throughout City
- Upgraded water SCADA system
- Upgraded water chlorine conversion project

CITY OF NORTH CHICAGO Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,831,841	\$ 2,831,841	\$ 2,435	\$ 2,435	\$ 2,834,276	\$ 2,834,276
Construction in progress	-	-	-	-	-	-
Land improvements	219,865	232,428	109,852	113,189	329,717	345,617
Buildings and improvements	1,992,672	1,878,043	4,179,687	4,324,382	6,172,359	6,202,425
Infrastructure	12,166,898	12,019,202	-	-	12,166,898	12,019,202
Library collections	169,902	191,107	-	-	169,902	191,107
Machinery and equipment	2,247,580	2,413,512	11,725,658	12,043,850	13,973,238	14,457,362
Total	\$19,628,758	\$19,566,133	\$16,017,632	\$16,483,856	\$35,646,390	\$36,049,989

Additional information on the City's capital assets can be found in Note E on pages 51-53 of this report.

Long-Term Debt: At the end of the current fiscal year, the City had total bonded debt outstanding of \$25,045,000. 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 \$14,052,184 as listed in the following table. Total bonded debt and other debt at the end of the fiscal year was \$39,097,184.

CITY OF NORTH CHICAGO

Long Term Debt

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
GO Bonds:						
Series 2005A	\$ 7,415,000	\$ 7,965,000	\$ -	\$ -	\$ 7,415,000	\$ 7,965,000
Series 2005B	-	-	2,675,000	2,840,000	2,675,000	2,840,000
Series 2007A	2,030,000	2,190,000	-	-	2,030,000	2,190,000
Series 2007B	4,740,000	4,740,000	-	-	4,740,000	4,740,000
Series 2007C	8,185,000	8,440,000	-	-	8,185,000	8,440,000
Total Bonds	\$22,370,000	\$23,335,000	\$ 2,675,000	\$ 3,840,000	\$25,045,000	\$26,175,000
Other:						
Bond issuance premium	264,665	304,886	-	-	264,665	304,886
Compensated Absences	1,618,156	1,912,012	151,591	116,347	1,769,747	2,028,359
Capital lease	210,579	278,097	-	-	210,579	278,097
Other post employment benefits	111,961	88,825	-	-	111,961	88,825
Lawsuit settlement liability	50,600	52,000	-	-	50,600	52,000
Note payable to Lake Forest Bank	308,629	494,301	-	-	308,629	494,301
Note payable to State of Illinois, Office of the Fire Marshal	20,000	40,000	-	-	20,000	40,000
Note payable to IL Department of Revenue	1,616,490	1,827,690	-	-	1,616,490	1,827,690
Component unit note payable	-	339,471	-	-	-	339,471
Net Firefighter and police pension obligation	8,405,296	4,134,317	-	-	8,405,296	4,134,317
Note payable to Abbott Laboratories	-	-	339,275	404,134	339,275	404,134
Note payable to IL Environmental Protection Agency	-	-	954,942	1,012,817	954,942	1,012,817
Total Other	\$12,606,376	\$ 9,471,599	\$ 1,445,808	\$ 1,533,298	\$14,052,184	\$11,004,897
Total	\$34,976,376	\$32,806,599	\$ 4,120,808	\$ 4,373,298	\$39,097,184	\$37,179,897

Additional information on the City's long-term debt can be found in Note F on pages 54-59 of this report.

Economic Factors:

North Chicago is a diverse community consisting primarily of residential homes, several non-profit organizations, and major corporations including Abbott Laboratories, AbbVie, Rosalind Franklin University, and Great Lakes Naval Station, which is the largest training facility in the United States. The City property tax revenues remained stable during this year other sensitive revenues such as sales tax, income tax, utility taxes and real-estate transfer taxes were up compared to the previous years which is a direct reflection of the economy turn around on the local level.

Bond Rating: The City's general obligation bonds are rated "A" by Standard & Poor's Rating Services.

Risk Management: The City has a new third-party administrator for its liability and workers' compensation claims. Based upon favorable insurance experience and rates, the City reduced certain deductibles to provide more stable coverage during the current economy.

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, 2014

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets			
Cash, cash equivalents, and investments	\$ 12,466,372	\$ 8,132,372	\$ 20,598,744
Restricted cash - sales tax refund	-	-	-
Property taxes receivable	8,919,158	-	8,919,158
Other taxes receivable	514,813	-	514,813
Intergovernmental receivable	60,052	-	60,052
Other receivables, net	4,061,830	1,035,050	5,096,880
Internal balances	(314,965)	314,965	-
Prepaid expenses	550,319	-	550,319
Inventory	6,406	-	6,406
Property held for resale	7,499,086	-	7,499,086
Total current assets	<u>33,763,071</u>	<u>9,482,387</u>	<u>43,245,458</u>
Noncurrent assets			
Land and other capital assets not being depreciated	2,831,841	2,435	2,834,276
Capital assets, net of accumulated depreciation	<u>16,796,917</u>	<u>16,015,197</u>	<u>32,812,114</u>
Total noncurrent assets	<u>19,628,758</u>	<u>16,017,632</u>	<u>35,646,390</u>
Total assets	<u>53,391,829</u>	<u>25,500,019</u>	<u>78,891,848</u>

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Statement of Net Position

April 30, 2014

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
LIABILITIES			
Current liabilities			
Accounts payable	\$ 1,262,081	\$ 1,044,495	\$ 2,306,576
Accrued payroll	457,386	55,965	513,351
Unearned revenue	164,878	-	164,878
Claims payable	14,659	-	14,659
Other liabilities	465,095	-	465,095
Noncurrent liabilities			
Due within one year	1,651,794	292,875	1,944,669
Due in more than one year	33,324,582	3,827,933	37,152,515
Total liabilities	37,340,475	5,221,268	42,561,743
DEFERRED INFLOWS			
Unavailable property tax revenue	4,503,857	-	4,503,857
Total deferred inflows	4,503,857	-	4,503,857
NET POSITION			
Net investment in capital assets	6,816,642	12,048,415	18,865,057
Restricted by enabling legislation	2,978,031	-	2,978,031
Restricted for sales tax refund	1,616,490	-	1,616,490
Unrestricted	136,334	8,230,336	8,366,670
Total net position	\$ 11,547,497	\$ 20,278,751	\$ 31,826,248

(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, 2014

<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	\$ 5,642,431	\$ 111,866	\$ -	\$ 26,000
Police	12,054,925	1,136,436	-	-
Fire	4,967,400	349,042	351,183	-
Public works	2,103,334	1,683,894	1,102,088	1,701
Library	665,317	15,979	15,417	-
Economic development	1,799,718	-	469,566	-
Interest and other	1,127,567	-	-	-
Total governmental activities	<u>28,360,692</u>	<u>3,297,217</u>	<u>1,938,254</u>	<u>27,701</u>
Business-type activities				
Water	4,584,145	6,131,562	-	-
Sewer	1,130,798	1,409,688	-	-
Total business-type activities	<u>5,714,943</u>	<u>7,541,250</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 34,075,635</u>	<u>\$ 10,838,467</u>	<u>\$ 1,938,254</u>	<u>\$ 27,701</u>
		General revenues		
		Property taxes		
		Other taxes		
		Intergovernmental		
		Miscellaneous		
		Interest income		
		Transfers		
		Total general revenues and transfers		
		Change in net position		
		Net position, beginning of year - as restated (see Note O)		
		Net position, end of year		

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (5,504,565)	\$ -	\$ (5,504,565)
(10,918,489)	-	(10,918,489)
(4,267,175)	-	(4,267,175)
684,349	-	684,349
(633,921)	-	(633,921)
(1,330,152)	-	(1,330,152)
(1,127,567)	-	(1,127,567)
<u>(23,097,520)</u>	<u>-</u>	<u>(23,097,520)</u>
-	1,547,417	1,547,417
-	278,890	278,890
-	1,826,307	1,826,307
<u>(23,097,520)</u>	<u>1,826,307</u>	<u>(21,271,213)</u>
8,671,902	-	8,671,902
4,397,143	-	4,397,143
6,077,423	-	6,077,423
469,108	9,439	478,547
4,902	2,046	6,948
2,000,000	(2,000,000)	-
<u>21,620,478</u>	<u>(1,988,515)</u>	<u>19,631,963</u>
(1,477,042)	(162,208)	(1,639,250)
<u>13,024,539</u>	<u>20,440,959</u>	<u>33,465,498</u>
<u>\$ 11,547,497</u>	<u>\$ 20,278,751</u>	<u>\$ 31,826,248</u>

City of North Chicago, Illinois

Governmental Funds

Balance Sheet

April 30, 2014

	General	Downtown Tax Increment Financing Redevelopment Project Area	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,963,786	\$ 1,383,361	\$ 3,846,259	\$ 12,193,406
Property taxes receivable	6,003,939	-	2,915,219	8,919,158
Other taxes receivable	514,813	-	-	514,813
Intergovernmental receivable	-	-	60,052	60,052
Other receivables	2,570,272	-	1,491,558	4,061,830
Prepaid expense	550,319	-	-	550,319
Due from other funds	291,615	182,400	78,868	552,883
Inventory	6,406	-	-	6,406
Property held for resale	152,000	6,125,314	1,221,772	7,499,086
Total assets	<u>\$ 17,053,150</u>	<u>\$ 7,691,075</u>	<u>\$ 9,613,728</u>	<u>\$ 34,357,953</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,070,132	\$ 3,430	\$ 163,829	\$ 1,237,391
Accrued payroll	449,046	-	8,340	457,386
Other liabilities	408,062	-	57,033	465,095
Unearned fees	136,550	-	28,328	164,878
Due to other funds	326,764	-	465,029	791,793
Total liabilities	<u>2,390,554</u>	<u>3,430</u>	<u>722,559</u>	<u>3,116,543</u>
Deferred inflows				
Unavailable property tax revenue	3,031,827	-	1,472,030	4,503,857
Total deferred inflows	<u>3,031,827</u>	<u>-</u>	<u>1,472,030</u>	<u>4,503,857</u>
Fund balances				
Nonspendable for inventory	6,406	-	-	6,406
Nonspendable for prepaid items	550,319	-	-	550,319
Nonspendable for property held for resale	152,000	6,125,314	1,221,772	7,499,086
Restricted for special revenue funds	-	-	5,117,430	5,117,430
Restricted for debt service	-	-	1,051,403	1,051,403
Restricted for capital projects	-	1,562,331	28,534	1,590,865
Restricted for sales tax refund	1,616,490	-	-	1,616,490
Unassigned	9,305,554	-	-	9,305,554
Total fund balances	<u>11,630,769</u>	<u>7,687,645</u>	<u>7,419,139</u>	<u>26,737,553</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 17,053,150</u>	<u>\$ 7,691,075</u>	<u>\$ 9,613,728</u>	<u>\$ 34,357,953</u>

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

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

April 30, 2014

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

Total fund balances - governmental funds	\$ 26,737,553
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	19,628,758
Long-term liabilities, including bonds payable, note payables, bond issuance premium, compensated absences payable, capital leases 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.	(34,976,376)
The net position of the internal service funds are included in the governmental activities in the statement of net position.	<u>157,562</u>
Net position of governmental activities	<u><u>\$ 11,547,497</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, 2014

	General	Downtown Tax Increment Financing Redevelopment Project Area	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 6,005,412	\$ -	\$ 2,666,490	\$ 8,671,902
Taxes - other	4,197,417	-	199,726	4,397,143
Licenses and permits	603,242	-	-	603,242
Intergovernmental	6,059,973	-	1,084,611	7,144,584
Grants	377,183	-	521,611	898,794
Fines and fees	2,630,166	-	15,979	2,646,145
Interest	3,017	307	1,509	4,833
Miscellaneous	302,664	4,789	185,155	492,608
Total revenues	<u>20,179,074</u>	<u>5,096</u>	<u>4,675,081</u>	<u>24,859,251</u>
Expenditures				
Current				
General government	2,570,481	71,849	-	2,642,330
Administration services	3,437,167	-	284,884	3,722,051
Highway and streets	870,336	-	639,967	1,510,303
Public safety	12,255,460	-	77,399	12,332,859
Culture and recreation	-	-	609,623	609,623
Economic development	1,143,502	-	656,216	1,799,718
Debt service				
Principal retirement	474,885	-	965,000	1,439,885
Interest and other	27,594	-	1,158,079	1,185,673
Capital outlay	144,142	160,726	724,178	1,029,046
Total expenditures	<u>20,923,567</u>	<u>232,575</u>	<u>5,115,346</u>	<u>26,271,488</u>
Deficiency of revenues over expenditures	<u>(744,493)</u>	<u>(227,479)</u>	<u>(440,265)</u>	<u>(1,412,237)</u>
Other financing sources (uses)				
Proceeds from capital lease	28,380	-	-	28,380
Loss on sale of land held for resale	-	(23,500)	-	(23,500)
Transfers in	2,000,000	-	-	2,000,000
Total other financing sources (uses)	<u>2,028,380</u>	<u>(23,500)</u>	<u>-</u>	<u>2,004,880</u>
Net change in fund balance	1,283,887	(250,979)	(440,265)	592,643
Fund balances, beginning of year	10,346,882	7,938,624	7,859,404	26,144,910
Fund balances, end of year	<u>\$ 11,630,769</u>	<u>\$ 7,687,645</u>	<u>\$ 7,419,139</u>	<u>\$ 26,737,553</u>

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

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

For the Year Ended April 30, 2014

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

Net change in fund balances - total governmental funds \$ 592,643

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.

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.

1,788,861

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.

(3,958,638)

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

37,467

Change in net position - governmental activities

\$ (1,477,042)

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Proprietary Funds
Statement of Net Position
April 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Major Funds</u>			<u>Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Funds</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 5,649,943	\$ 2,482,429	\$ 8,132,372	\$ 272,966
Other receivables, net	817,203	217,847	1,035,050	-
Due from other funds	320,025	1,169	321,194	-
Total current assets	<u>6,787,171</u>	<u>2,701,445</u>	<u>9,488,616</u>	<u>272,966</u>
Noncurrent assets				
Land and other capital assets not being depreciated	2,435	-	2,435	-
Capital assets, net of accumulated depreciation	<u>11,891,027</u>	<u>4,124,170</u>	<u>16,015,197</u>	<u>-</u>
Total noncurrent assets	<u>11,893,462</u>	<u>4,124,170</u>	<u>16,017,632</u>	<u>-</u>
Total assets	<u>18,680,633</u>	<u>6,825,615</u>	<u>25,506,248</u>	<u>272,966</u>

(Continued)

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Proprietary Funds
Statement of Net Position
April 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Major Funds</u>			<u>Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Funds</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 975,572	\$ 68,923	\$ 1,044,495	\$ 24,690
Accrued payroll	36,764	19,201	55,965	-
Noncurrent liabilities -				
current portion	147,824	145,051	292,875	-
Claims payable	-	-	-	14,659
Due to other funds	-	6,229	6,229	76,055
Total current liabilities	<u>1,160,160</u>	<u>239,404</u>	<u>1,399,564</u>	<u>115,404</u>
Noncurrent liabilities	<u>1,586,390</u>	<u>2,241,543</u>	<u>3,827,933</u>	<u>-</u>
Total liabilities	<u>2,746,550</u>	<u>2,480,947</u>	<u>5,227,497</u>	<u>115,404</u>
NET POSITION				
Net investment in capital assets	10,250,981	1,797,434	12,048,415	-
Unrestricted	<u>5,683,102</u>	<u>2,547,234</u>	<u>8,230,336</u>	<u>157,562</u>
Total net position	<u>\$ 15,934,083</u>	<u>\$ 4,344,668</u>	<u>\$ 20,278,751</u>	<u>\$ 157,562</u>

(Concluded)

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended April 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Major Funds			
	Water	Sewer	Total	
Operating revenues				
Charges for sales and services	\$ 6,131,562	\$ 1,409,688	\$ 7,541,250	\$ 339,737
Miscellaneous	9,439	-	9,439	-
	6,141,001	1,409,688	7,550,689	339,737
Total operating revenues				
Operating expenses				
Operations	3,936,233	940,953	4,877,186	302,339
Depreciation	583,026	121,544	704,570	-
	4,519,259	1,062,497	5,581,756	302,339
Total operating expenses				
Operating income	1,621,742	347,191	1,968,933	37,398
Nonoperating revenues (expenses)				
Interest income	1,557	489	2,046	69
Interest expense	(64,886)	(68,301)	(133,187)	-
	(63,329)	(67,812)	(131,141)	69
Total nonoperating revenues (expenses)				
Income before transfers	1,558,413	279,379	1,837,792	37,467

(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, 2014

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Major Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Transfers out	\$ <u>(1,600,000)</u>	\$ <u>(400,000)</u>	\$ <u>(2,000,000)</u>	\$ <u>-</u>
Change in net position	(41,587)	(120,621)	(162,208)	37,467
Net position, beginning of year	<u>15,975,670</u>	<u>4,465,289</u>	<u>20,440,959</u>	<u>120,095</u>
Net position, end of year	\$ <u><u>15,934,083</u></u>	\$ <u><u>4,344,668</u></u>	\$ <u><u>20,278,751</u></u>	\$ <u><u>157,562</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Proprietary Funds

Statement of Cash Flows

For the Year Ended April 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Major Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Cash flows from operating activities				
Cash received from customers	\$ 6,290,181	1,470,932	\$ 7,761,113	\$ 339,737
Cash payments for goods and services	(1,963,685)	(542,920)	(2,506,605)	(322,097)
Cash payments to employees	(1,201,026)	(362,078)	(1,563,104)	-
Net cash provided by operating activities	<u>3,125,470</u>	<u>565,934</u>	<u>3,691,404</u>	<u>17,640</u>
Cash flows from noncapital financing activities				
Interfund borrowing	(322,229)	5,060	(317,169)	76,055
Operating transfers out	(1,600,000)	(400,000)	(2,000,000)	-
Net cash provided by (used in) noncapital financing activities	<u>(1,922,229)</u>	<u>(394,940)</u>	<u>(2,317,169)</u>	<u>76,055</u>
Cash flows from capital and related financing activities				
Purchase of equipment and infrastructure	(238,345)	-	(238,345)	-
Payment of note payable	(64,859)	-	(64,859)	-
Payment of bond principal	(80,384)	(84,616)	(165,000)	-
Payments on loan payable	-	(57,875)	(57,875)	-
Interest paid	(64,886)	(68,301)	(133,187)	-
Net cash used in capital and related financing activities	<u>(448,474)</u>	<u>(210,792)</u>	<u>(659,266)</u>	<u>-</u>
Cash flows from investing activities				
Interest received	<u>1,557</u>	<u>489</u>	<u>2,046</u>	<u>69</u>
Net cash provided by investing activities	<u>1,557</u>	<u>489</u>	<u>2,046</u>	<u>69</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	756,324	(39,309)	717,015	93,764
Cash and cash equivalents, beginning of year	<u>4,893,619</u>	<u>2,521,738</u>	<u>7,415,357</u>	<u>179,202</u>
Cash and cash equivalents, end of year	<u>\$ 5,649,943</u>	<u>\$ 2,482,429</u>	<u>\$ 8,132,372</u>	<u>\$ 272,966</u>

(Continued)

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Proprietary Funds

Statement of Cash Flows (Continued)

For the Year Ended April 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Major Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 1,621,742	\$ 347,191	\$ 1,968,933	\$ 37,398
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	583,026	121,544	704,570	-
Decrease in other receivables	149,180	61,244	210,424	-
Increase (decrease) in accounts payable	752,633	(366)	752,267	(12,503)
Increase in accrued payroll	9,410	10,556	19,966	-
Increase in compensated absences payable	9,479	25,765	35,244	-
Decrease in claims payable	-	-	-	(7,255)
Net cash provided by operating activities	<u>\$ 3,125,470</u>	<u>\$ 565,934</u>	<u>\$ 3,691,404</u>	<u>\$ 17,640</u>

(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, 2014

	Pension Trust Funds			Agency Fund
	Police Pension	Firefighters' Pension	Total	Temporary Escrow
ASSETS				
Cash and cash equivalents	\$ 253,082	\$ 617,103	\$ 870,185	\$ 1,839
Investments	16,329,867	8,784,947	25,114,814	-
Prepaid expenses	-	4,412	4,412	-
Interest receivable	72,391	766	73,157	-
Total assets	16,655,340	9,407,228	26,062,568	1,839
LIABILITIES				
Accounts payable	2,833	4,904	7,737	-
Escrow funds payable	-	-	-	1,839
Total liabilities	2,833	4,904	7,737	1,839
PLAN NET POSITION				
Agency fund net position	-	-	-	-
Plan net position held in trust for pension benefits	16,652,507	9,402,324	26,054,831	-
Total net position	\$ 16,652,507	\$ 9,402,324	\$ 26,054,831	\$ -

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, 2014

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
Additions			
Contributions			
Employer	\$ 735,690	\$ 557,382	\$ 1,293,072
Plan members	<u>421,135</u>	<u>236,740</u>	<u>657,875</u>
Total contributions	<u>1,156,825</u>	<u>794,122</u>	<u>1,950,947</u>
Investment earnings			
Interest and dividends	386,157	154,247	540,404
Net change in fair value of investments	<u>810,119</u>	<u>545,253</u>	<u>1,355,372</u>
Total investment earnings	1,196,276	699,500	1,895,776
Less investment expenses	<u>111,645</u>	<u>32,278</u>	<u>143,923</u>
Net investment income	<u>1,084,631</u>	<u>667,222</u>	<u>1,751,853</u>
Total additions	<u>2,241,456</u>	<u>1,461,344</u>	<u>3,702,800</u>
Deductions			
Administration	55,112	40,967	96,079
Benefits	1,836,246	1,257,936	3,094,182
Refunds of contributions	<u>237,912</u>	<u>33,819</u>	<u>271,731</u>
Total deductions	<u>2,129,270</u>	<u>1,332,722</u>	<u>3,461,992</u>
Change in net position	112,186	128,622	240,808
Net position held in trust for pension benefits			
Beginning of year	<u>16,540,321</u>	<u>9,273,702</u>	<u>25,814,023</u>
End of year	<u>\$ 16,652,507</u>	<u>\$ 9,402,324</u>	<u>\$ 26,054,831</u>

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois
Index for Notes to the Financial Statements
April 30, 2014

<u>NOTES</u>	<u>Page</u>
A. Summary of Significant Accounting Policies	
1 Reporting Entity	34
2 New Accounting Pronouncement	34 - 35
3 Government-wide and Fund Financial Statements	35
4 Fund Accounting	35 - 36
5 Measurement Focus, Basis of Accounting, and Financial Statement Presentation	36 - 38
6 Deferred Outflows / Deferred Inflows	38
7 Budgets	38 - 39
8 Cash and Cash Equivalents	39
9 Investments	39
10 Receivables	39
11 Interfund Receivables and Payables	39
12 Inventories	40
13 Capital Assets	40
14 Property Held for Resale	40
15 Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts	41
16 Long-Term Obligations	41
17 Property Tax Revenue	41
18 Postemployment Healthcare Benefits	42
19 Use of Estimates	42
20 Fund Balance	42 - 43
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	43
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	44 - 45
C. Deposits and Investments	45 - 50
1. Interest Rate Risk	48
2. Credit Risk	48
3. Custodial Credit Risk	49
4. Concentration of Credit Risk	49 - 50
D. Interfund Receivables and Payables	50

City of North Chicago, Illinois
Index for Notes to the Financial Statements (Continued)
April 30, 2014

<u>NOTES</u> (Continued)	<u>Page</u>
E. Capital Assets	
1. Governmental Activities	51
2. Business-type Activities	52
3. Depreciation	53
4. Construction Commitments	53
F. Long -Term Debt	
1. Changes in Long-Term Debt	54 - 55
2. General Obligation Bonds	55 - 57
3. Note Payable to Lake Forest Bank	57
4. Note Payable to State of Illinois	58
5. Lawsuit Settlement Liability	58
6. Note Payable to Illinois Department of Revenue	58
7. Capital Leases	59
8. Note Payable to Abbott Laboratories	59
9. Note Payable to Illinois Environmental Protection Agency	59
G. Interfund Transfers	60
H. Concentration of Risk - Revenue Source	60
I. Defined Benefit Pension Plans	
1. Illinois Municipal Retirement Fund	
a. Plan Description	61
b. Funding Policy	61
c. Annual Pension Cost	61 - 62
d. Funded Status and Funding Progress	62
2. Police and Firefighters' Pension Plans	
a. Plan Descriptions	62 - 63
b. Summary of Significant Accounting Policies and Plan Asset Matters	63 - 64
c. Investments	64
d. Actuarial Assumptions	64
e. Contributions	65
f. Funded Status and Funding Progress	65 - 66
g. Three-Year Trend Information - Pension Trust Funds	66

City of North Chicago, Illinois
Index for Notes to the Financial Statements (Continued)
April 30, 2014

<u>NOTES</u> (Continued)	<u>Page</u>
J. Other Postemployment Benefits (OPEB)	
1. Plan Description	66 - 67
2. Funding Policy	67
3. Annual OPEB Cost and Net OPEB Obligation	67 - 68
4. Trend Information	68
5. Funding Policy and Actuarial Assumptions	69 - 70
K. Restrictions by Enabling Legislation	70
L. Risk Management - Self-Insured Dental and Vision	70
M. Other Commitments and Contingencies	
1. Litigation	71
2. Grants	71
N. Dissolution of Discretely Presented Component Unit - Five Points Economic Development Corporation	72
O. Prior Period Adjustment	72
P. Subsequent Events	72

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

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 had the following discretely presented component unit, which dissolved, as of April 30, 2014 (See Note N).

The Five Points Economic Development Corporation (the Corporation) was a non-profit organization, which was organized as a tax-exempt organization, under section 501(c)(4) of the Internal Revenue Code. The Corporation promoted the development, establishment, and expansion of commercial, industrial, professional, and civic enterprises in the City. The Corporation was governed by a Board of Directors, which was appointed by the Mayor of the City; therefore, the City had indirect control over the actions of the Corporation and it was financially interdependent on the City. Upon the component unit's dissolution, its assets were transferred to the City.

2. New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which was implemented by the City during the fiscal year ended April 30, 2014. This Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in limiting the use of the term deferred in financial statement presentations.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. New Accounting Pronouncement (Continued)

Specific changes to the City's financial statements relate to the following: unearned and unavailable property taxes and bond issuance costs. Deferred property taxes are now reported as a deferred inflow of unavailable revenue rather than a liability. These reclassifications for reporting purposes had no impact on the net position of the City. Bond issuance costs are no longer considered an asset and are expensed in the year the costs are incurred. See Note O for the effect of this restatement.

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."

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Fund Accounting (Continued)

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).

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 and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 the tax increment financing district.

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 (proprietary 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.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports unearned/unavailable 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/unavailable 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 both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned/unavailable revenue is removed from the balance sheet and revenue is recognized.

6. Deferred Outflows / Deferred Inflows

In addition to assets, the statement of net position and the governmental funds balance sheet may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position / fund balance that applies to a future period(s). At April 30, 2014, the City has no deferred outflows of resources. In addition to liabilities, the City may report deferred inflows of resources. Deferred inflows of resources represent the acquisition of resources that is applicable to a future reporting period(s). At April 30, 2014, the City's unavailable property taxes are reported as deferred inflows of resources.

7. 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.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Budgets (Continued)

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

8. 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.

9. 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.

10. Receivables

The recognition of receivables and revenue associated with exchange and 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.

11. 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.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. 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.

13. Capital Assets

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

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

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

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

14. Property Held for Resale

The City values its property held for resale (land and buildings) at the lower of cost or market.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. 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. At April 30, 2014, the City has \$1,618,156 in accumulated unpaid vacation, sick pay, and other employee benefits at the year-end for governmental fund employees. 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. At April 30, 2014, the City has \$151,591 in accumulated unpaid vacation, sick pay, and other employee benefits at the year-end for proprietary fund employees.

16. 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 expensed in the period incurred.

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 are reported as debt service expenditures.

17. 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 2013 levy year are payable in two installments on or about June 1, 2014 and September 1, 2014.

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

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. 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.

19. 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.

20. Fund Balance

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, 2014.
- 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, 2014.

City of North Chicago, Illinois
 NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

20. Fund Balance (Continued)

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.

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, bond issuance premium, compensated absences payable, capital leases 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	\$ (22,370,000)
Note payable to Lake Forest Bank	(308,629)
Note payable to State of Illinois, Office of the State Fire Marshal	(20,000)
Note payable to Illinois Department of Revenue	(1,616,490)
Bond issuance premium	(264,665)
Compensated absences payable	(1,618,156)
Capital leases	(210,579)
Other postemployment benefits obligation	(111,961)
Lawsuit settlement liability	(50,600)
Net pension obligation	<u>(8,405,296)</u>
 Net adjustment to reduce total fund balances - governmental funds to net position of governmental activities	 <u>\$ (34,976,376)</u>

City of North Chicago, Illinois
 NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

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	\$ (1,388,100)
Capital outlay	1,277,883
Loss on disposal of capital assets	<u>172,842</u>
 Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	 \$ <u><u>62,625</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 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	\$ 1,817,241
Issuance of long-term debt	<u>(28,380)</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>1,788,861</u></u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

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	\$	293,856
Amortization of bond issuance premium		40,221
Net other postemployment benefits obligation		(23,136)
Lawsuit settlement liability		1,400
Net fire and police pension fund obligation		<u>(4,270,979)</u>
Net current adjustment to increase net change in fund balances - total funds to arrive at change in net position - governmental activities	\$	<u><u>(3,958,638)</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 and state statutes, 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, 2014

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, 2014, 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>20,598,744</u>	\$ <u>25,986,838</u>	\$ <u>46,585,582</u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

For disclosure purposes, this amount is segregated into four components: 1) cash on hand; 2) deposits with financial institutions, which include amounts held in demand accounts, certificates of deposit, 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	\$ 5,700
Deposits with financial institutions - City	18,221,352
Deposits with financial institutions - Police and Firefighters' Pension Funds	870,185
Deposits with financial institutions - Temporary Escrow Fund	1,839
The Illinois Funds - City	2,371,692
Investments - Police and Firefighters' Pension Funds	25,114,814
Total	\$ 46,585,582

As of April 30, 2014, 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	\$ 4,024,735	\$ 108,813	\$ 1,596,950	\$ 1,699,966	\$ 619,006
Money Market Mutual Funds	2,786,410	2,786,410	-	-	-
Corporate bonds	1,485,695	319,965	1,165,730	-	-
	8,296,840	\$ 3,215,188	\$ 2,762,680	\$ 1,699,966	\$ 619,006
Equity Mutual Funds	5,363,199				
Insurance Company Contracts	5,882,060				
Equity Securities	5,572,715				
	\$ 25,114,814				

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

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, 2014

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 deposits 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, 2014.

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, 2014, the entire amount of the bank balance of the deposits was covered by federal depository insurance or collateralized.

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, 2014, the entire amount of the bank balance of the deposits was covered by federal depository insurance or collateralized.

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, 2014, the Police Pension Fund has over 5%, \$832,625, 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, 2014

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, 2014 the Firefighters' Pension Fund has over 5%, \$470,116, of net position 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, 2014 are shown as follows:

	Due From	Due To
Major Governmental Funds		
General Fund	\$ 291,615	\$ 326,764
Downtown Tax Incremental Financing Redevelopment Area	182,400	-
Major Enterprise Funds		
Water Fund	320,025	-
Sewer Fund	1,169	6,229
Nonmajor Governmental Funds	78,868	541,084
	874,077	874,077
Less amounts eliminated during GASB 34 adjustments and net adjustments to interfund balances	(559,112)	(559,112)
Total internal balances as shown on the statement of net position	\$ 314,965	\$ 314,965

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2014, 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	4,870,452	56,170	-	4,926,622
Infrastructure	21,774,561	740,727	202,920	22,312,368
Library collections	879,164	37,708	179,069	737,803
Machinery and equipment	7,253,116	443,278	793,364	6,903,030
 Total capital assets being depreciated	 <u>35,174,467</u>	 <u>1,277,883</u>	 <u>1,175,353</u>	 <u>35,276,997</u>
 Less accumulated depreciation for				
Land improvements	164,746	12,563	-	177,309
Buildings and improvements	2,992,409	134,090	192,549	2,933,950
Infrastructure	9,755,359	593,031	202,920	10,145,470
Library collections	688,057	58,913	179,069	567,901
Machinery and equipment	4,839,604	589,503	773,657	4,655,450
 Total accumulated depreciation	 <u>18,440,175</u>	 <u>1,388,100</u>	 <u>1,348,195</u>	 <u>18,480,080</u>
 Total capital assets being depreciated, net	 <u>16,734,292</u>	 <u>(110,217)</u>	 <u>(172,842)</u>	 <u>16,796,917</u>
 Governmental activities capital assets, net	 <u>\$ 19,566,133</u>	 <u>\$ (110,217)</u>	 <u>\$ (172,842)</u>	 <u>\$ 19,628,758</u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

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
 Total capital assets not being depreciated	 2,435	 -	 -	 2,435
 Capital assets being depreciated				
Land improvements	209,813	-	-	209,813
Buildings	8,064,217	16,583	-	8,080,800
Machinery and equipment	17,254,866	266,390	104,495	17,416,761
Underground equipment	15,081,706	-	-	15,081,706
 Total capital assets being depreciated	 40,610,602	 282,973	 104,495	 40,789,080
 Less accumulated depreciation for				
Land improvements	96,624	3,337	-	99,961
Buildings	3,739,835	161,278	-	3,901,113
Machinery and equipment	10,715,183	355,572	59,868	11,010,887
Underground equipment	9,577,539	184,383	-	9,761,922
 Total accumulated depreciation	 24,129,181	 704,570	 59,868	 24,773,883
 Total capital assets being depreciated, net	 16,481,421	 (421,597)	 44,627	 16,015,197
 Business-type activities capital assets, net	 \$ 16,483,856	 \$ (421,597)	 \$ 44,627	 \$ 16,017,632

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

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	\$ 300,888
Police	202,943
Fire	235,544
Public works	593,031
Library	<u>55,694</u>
 Total depreciation expense - governmental activities	 \$ <u><u>1,388,100</u></u>
 Business-type activities	
Water	\$ 583,026
Sewer	<u>121,544</u>
 Total depreciation expense - business-type activities	 \$ <u><u>704,570</u></u>

4. Construction Commitments

The City has certain contracts in various funds for construction projects which were in progress at April 30, 2014. Remaining commitments under these contracts approximated \$66,000.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

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, 2014:

	<u>Balance</u> <u>May 1, 2013</u>	<u>Additions/</u> <u>Issuances</u>	<u>Reductions/</u> <u>Retirements</u>	<u>Balance</u> <u>April 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities					
General obligation bonds					
Series 2005A	\$ 7,965,000	\$ -	\$ 550,000	\$ 7,415,000	\$ 595,000
Series 2007A	2,190,000	-	160,000	2,030,000	170,000
Series 2007B	4,740,000	-	-	4,740,000	-
Series 2007C	8,440,000	-	255,000	8,185,000	290,000
Bond issuance premium	304,886	-	40,221	264,665	40,221
Note payable to Lake Forest Bank	494,301	-	185,672	308,629	192,637
Note payable to State of Illinois, Office of the State Fire Marshal	40,000	-	20,000	20,000	20,000
Lawsuit settlement liability	52,000	-	1,400	50,600	7,800
Note payable to Illinois Department of Revenue	1,827,690	-	211,200	1,616,490	211,200
Capital leases	278,097	28,380	95,898	210,579	103,856
Compensated absences	1,912,012	21,452	315,308	1,618,156	21,080
Other postemployment benefits	88,825	49,303	26,167	111,961	-
Component unit note payable	339,471	-	339,471	-	-
Net fire and police pension obligation	<u>4,134,317</u>	<u>5,564,051</u>	<u>1,293,072</u>	<u>8,405,296</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 32,806,599</u>	<u>\$ 5,663,186</u>	<u>\$ 3,493,409</u>	<u>\$ 34,976,376</u>	<u>\$ 1,651,794</u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

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	\$ 2,840,000	\$ -	\$ 165,000	\$ 2,675,000	\$ 170,000
Note payable to					
Abbott Laboratories	404,134	-	64,859	339,275	65,000
Note payable to					
Illinois Environ- mental Protection Agency	1,012,817	-	57,875	954,942	57,875
Compensated					
absences	<u>116,347</u>	<u>35,244</u>	<u>-</u>	<u>151,591</u>	<u>-</u>
Business-type activity					
long-term					
liabilities	<u>\$ 4,373,298</u>	<u>\$ 35,244</u>	<u>\$ 287,734</u>	<u>\$ 4,120,808</u>	<u>\$ 292,875</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, 2014

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%. \$ 7,415,000

\$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%. 2,030,000

\$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%. 8,185,000

Total governmental activities general obligation bonds outstanding 22,370,000

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%. 2,675,000

Total general obligation bonds outstanding \$ 25,045,000

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

NOTE F - LONG-TERM DEBT (Continued)

2. General Obligation Bonds (Continued)

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

Year Ending April 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	1,485,000	864,485	205,000	92,375
2020-2024	8,015,000	3,029,546	1,185,000	293,875
2025-2029	3,760,000	1,441,944	560,000	28,250
2030-2034	2,355,000	741,715	-	-
2035-2038	1,970,000	192,923	-	-
Total	<u>\$ 22,370,000</u>	<u>\$ 10,385,907</u>	<u>\$ 2,675,000</u>	<u>\$ 875,650</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, 2014 is \$308,629.

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

Year Ending April 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 192,637	\$ 9,661
2016	115,992	1,897
Total	<u>\$ 308,629</u>	<u>\$ 11,558</u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

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, 2014, is \$20,000.

5. 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 \$50,600 has been recorded as a liability, at April 30, 2014.

6. 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, and which was paid to the City in full during fiscal year 2013. At April 30, 2014, the City is obligated for future payments under the note payable as follows:

Year Ending April 30,	Principal
2015	\$ 211,200
2016	211,200
2017	211,200
2018	211,200
2019	211,200
2020-2022	560,490
Total	\$ 1,616,490

City of North Chicago, Illinois
 NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

NOTE F - LONG-TERM DEBT (Continued)

7. Capital Leases

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%. In December 2013, the City entered into a capital lease agreement with a leasing company for the lease of a vehicle. Monthly principal and interest payments of \$849 are due over a three year period. Interest is charged at 5.15%. The balance due under these leases, at April 30, 2014, is \$210,579.

At April 30, 2014, the City is obligated for future payments under these leases as follows:

Year Ending April 30,	Principal
2015	\$ 103,856
2016	100,882
2017	5,841
Total	\$ 210,579

8. 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, 2014, is \$339,275. The City estimated the current portion of this enterprise liability to be \$65,000 based on prior history of credits issued ranging between approximately \$63,000 and \$113,000.

9. 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, 2014, is \$954,942, which is recorded in an enterprise fund.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

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, 2014, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Sewer Fund	\$ 400,000	\$ -
Water Fund	1,600,000	-
Total General Fund	2,000,000	-
Enterprise funds		
Sewer Fund		
General Fund	-	400,000
Water Fund		
General Fund	-	1,600,000
Total enterprise funds	-	2,000,000
Total all funds	\$ 2,000,000	\$ 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.

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.

City of North Chicago, Illinois
 NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

1. Illinois Municipal Retirement Fund

a. Plan Description

The City's defined benefit pension plan for regular employees provides retirement and disability benefits, postretirement increases, and death benefits to plan members and beneficiaries. The City's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), 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 (RSI). 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 2013 was 10.26%. 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 2014 was \$519,741.

<u>Three-Year Trend Information for the Regular Plan</u>					
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation		
4/30/14	\$ 519,741	100%	\$	-	
4/30/13	412,951	100%		-	
4/30/12	433,319	100%		-	

City of North Chicago, Illinois
 NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

1. Illinois Municipal Retirement Fund (Continued)

c. Annual Pension Cost (Continued)

The required contribution for 2013 was determined as part of the December 31, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011 included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3% annually. The actuarial value of the City's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The City's Regular plan's unfunded actuarial accrued liability at December 31, 2011 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, 2013, the most recent actuarial valuation date, the regular plan was 94.89% funded. The actuarial accrued liability for benefits was \$10,772,146 and the actuarial value of assets was \$10,221,989, resulting in an underfunded actuarial accrued liability (UAAL) of \$550,157. The covered payroll for year 2013 (annual payroll of active employees covered by the plan) was \$4,271,618, and the ratio of the UAAL to covered payroll was 13%.

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	55	32
Active plan members	54	26
Total participants	109	58

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

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, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 60, by the lesser of 3% or 1/2 of the consumer price index. Employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit.

b. Summary of Significant Accounting Policies and Plan Asset Matters

The accrual basis of accounting is utilized by the pension trust funds. Under this method, additions to net 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, 2014

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) 7.0% investment rate of return, compounded annually including a 3.0% inflation factor, (b) projected salary increase of 4.0%, compounded annually including a 3.0% inflation factor, and (c) cost of living increases of 3.0% compounded annually. The actuarial cost method was entry age normal. The amortization method was level dollar, closed. The amortization period was 24 years. The asset valuation method was a five-year smoothed market value method.

The actuarial assumptions for the Firefighters' Pension Fund included (a) 7.0% investment rate of return, compounded annually including a 3.0% inflation factor and (b) projected salary increase of 4.5%, compounded annually including a 3.0% inflation factor. The actuarial cost method was entry age normal. The amortization method was level of percent of pay, closed. The amortization period was 27 years. The asset valuation method was a five-year smoothed market value method.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

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, 2013) performed by the City's actuary and estimate of the actuary through April 30, 2014 as follows:

	<u>Police</u>	<u>Firefighters'</u>	<u>Total</u>
Annual required contribution	\$ 1,946,886	\$ 1,024,176	\$ 2,971,062
Interest on net pension obligation	309,159	155,499	464,658
Adjustment to annual required contribution	<u>(257,631)</u>	<u>(117,703)</u>	<u>(375,334)</u>
Annual pension cost	1,998,414	1,061,972	3,060,386
Contributions made	<u>(735,690)</u>	<u>(557,382)</u>	<u>(1,293,072)</u>
Increase in net pension obligation	1,262,724	504,590	1,767,314
Adjustment for change in estimate*	1,920,172	583,493	2,503,665
Net pension obligation at May 1, 2013	<u>2,496,391</u>	<u>1,637,926</u>	<u>4,134,317</u>
Net pension obligation at April 30, 2014	<u>\$ 5,679,287</u>	<u>\$ 2,726,009</u>	<u>\$ 8,405,296</u>

*Change in estimate is due to a change in actuarial assumptions.

The above net pension obligation figures were derived from the most recent actuarial report prepared by the Plans' 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.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

2. Police and Firefighters' Pension Plans (Continued)

f. Funded Status and Funding Progress

As of April 30, 2013, the most recent actuarial valuation date, the Police Pension's plan was 43.42 percent funded. The actuarial accrued liability for benefits was \$39,826,406, and the actuarial value of assets was \$17,292,310, resulting in an unfunded actuarial accrued liability (UAAL) of \$22,534,096. The covered payroll (annual payroll of active police officers covered by the plan) was \$4,049,319, and the ratio of the UAAL to the covered payroll was 556.49%.

As of April 30, 2013, the most recent actuarial valuation date, 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 \$1,808,447, and the ratio of the UAAL to the covered payroll was 799.64%.

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>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
Police	04/30/14	\$ 1,946,886	36.8%	\$ 5,679,287
	04/30/13	1,720,786	42.6%	4,416,563
	04/30/12	1,561,621	44.9%	2,496,391
Firefighters'	04/30/14	\$ 1,061,972	52.5%	\$ 2,726,009
	04/30/13	868,006	64.1%	2,221,419
	04/30/12	803,051	66.2%	1,637,926

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

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

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 an unfunded plan, and there is no separately issued report.

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

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

At April 30, 2012 (most recent date available), membership in the Plan consisted of the following:

	<u>Membership</u>
Retirees and beneficiaries receiving benefits	7
Active vested plan members	83
Active nonvested plan members	<u>75</u>
Total membership	<u><u>165</u></u>

2. Funding Policy

The City negotiates the contribution percentages between the City and employees through the union contracts and personnel policy. All retirees contribute 100% of the premium to the health insurance plan and the City contributes the remainder to cover the cost of providing the benefits to the retirees via the self-insurance plan (pay-as-you-go). Since the City is self-insured, this amount fluctuates on an annual basis. For the fiscal year ended April 30, 2014, retirees contributed \$26,167, and the City made no contributions. Active employees do not contribute to the plan until retirement.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

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

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, 2014.

	<u>Amount</u>
Annual Required Contribution (ARC)	\$ 45,750
Interest on net OPEB obligation	3,553
Annual OPEB cost	49,303
Contributions made	(26,167)
Increase in OPEB obligation	23,136
Net OPEB obligation at May 1, 2013	88,825
Net OPEB obligation at April 30, 2014	\$ 111,961

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 2014 are as follows:

<u>Trend Information - Other Postemployment Benefits</u>			
<u>Fiscal</u>	<u>Annual</u>	<u>Percentage</u>	<u>Net</u>
<u>Year</u>	<u>OPEB</u>	<u>of OPEB</u>	<u>OPEB</u>
<u>Ending</u>	<u>Cost</u>	<u>Contributed</u>	<u>Obligation</u>
04/30/14	\$ 49,303	53.07%	\$ 111,961
04/30/13	48,413	54.05%	88,825
04/30/12	47,443	55.20%	66,579

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

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

5. Funding Policy and Actuarial Assumptions

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

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

The following simplifying assumptions were made:

Contribution rates:

City	N/A
Plan members	0.00%

Actuarial valuation date April 30, 2012 (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%

(Continued)

City of North Chicago, Illinois
 NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

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

5. Funding Policy and Actuarial Assumptions (Continued)

Employer provided benefit	Explicit (eligible disabled employees): 100% premium for life Implicit: 40% of premium to age 65 Premium: (50% of \$416/mo + 50% of \$653/mo)
---------------------------	---

*Includes inflation at 3.00%

NOTE K - RESTRICTIONS BY ENABLING LEGISLATION

The government-wide statement of net position reports \$2,978,031 of net position restricted by enabling legislation which consists of the following:

Road maintenance (Motor Fuel Tax)	\$ 1,468,042
Drug law enforcement	56,507
Emergency phone	402,079
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2005A	449,378
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2007A	131,295
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2007B	116,959
Grant Place Retail Center Debt Service 2007C	353,771
Total government-wide net position restricted by enabling legislation	\$ 2,978,031

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).

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

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

The City self-insures dental and vision insurance claims up to \$1,000 and \$350 per covered employee per year, respectively. The City accounts for this health insurance activity in the separate Dental and Vision Fund. As of the date of this report, the City has accrued \$14,659 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:

	2014	2013
Unpaid claims, beginning of fiscal year	\$ 21,914	\$ 26,285
Incurred claims including claims incurred but not yet reported (IBNRs)	136,229	144,795
Claim payments	(143,484)	(149,166)
Unpaid claims, end of fiscal year	\$ 14,659	\$ 21,914

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.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2014

NOTE N - DISSOLUTION OF DISCRETELY PRESENTED COMPONENT UNIT - FIVE POINTS
ECONOMIC DEVELOPMENT CORPORATION

Effective April 30, 2014, Five Points Economic Development Corporation (the Corporation), a previously discreetly presented component unit was dissolved. As a result of dissolution, all remaining assets were transferred to the City and an existing note payable was forgiven by the Corporation to satisfy a previously existing balance due from the Corporation (\$1,600,000 at April 30, 2013). The Corporation's main asset, the Grant Place Retail Center (Retail Center) was transferred at an appraised value of \$1,200,000, which has been classified on the City's statement of net position / governmental fund balance sheet as property held for resale. It is the City's intent to sell the Retail Center in the future.

NOTE O - PRIOR PERIOD ADJUSTMENT

The implementation of GASB 65 (Note A-2) required bond issuance costs to be expensed in the year incurred. As a result of this implementation, net position as of May 1, 2013 decreased by \$358,595.

NOTE P - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 22, 2014, the date these financial statements were available to be issued. Management has determined that no events or transactions, other than the item noted below, have occurred subsequent to the statement of net position/balance sheet date that require disclosure in the financial statements.

Subsequent to year end, the City Council approved a resolution providing for the issuance of \$8,335,000 General Obligation Refunding Bonds. Proceeds from the issuance of the refunding will be used to refund the outstanding General Obligation Bonds, Series 2005, maturing in fiscal years 2023 and 2026.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

City of North Chicago, Illinois

Illinois Municipal Retirement Fund

Schedule of Funding Progress

Required Supplementary Information

April 30, 2014

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
12/31/2013	\$ 10,221,989	\$ 10,772,146	\$ 550,157	94.89 %	\$ 4,271,618	12.88 %
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

On a market value basis, the actuarial value of assets, as of December 31, 2013, is \$12,247,722. On a market basis, the funded ratio would be 113.70%.

The actuarial value of assets and accrued liabilities cover active and inactive members who have service credit with the City of North Chicago. 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, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
4/30/2014 ¹	\$ -	\$ 623,220	\$ 623,220	0.00 %
4/30/2013 ¹	-	623,220	623,220	0.00
04/30/2012	-	623,220	623,220	0.00

No valuation was performed for fiscal years ended April 30, 2014 or April 30, 2013.

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, 2014

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>						
4/30/2013*	\$ 17,292,310	\$ 39,826,406	\$ 22,534,096	43.42 %	\$ 4,049,319	556.49 %
04/30/2012	17,566,456	37,365,786	19,799,330	47.01	3,827,229	517.33
04/30/2010	15,868,797	35,442,843	19,574,046	44.77	3,718,278	526.43
04/30/2009	14,218,573	33,216,472	18,997,899	42.81	3,816,530	497.78
04/30/2008	17,857,666	31,672,442	13,814,776	56.38	3,767,311	366.70
04/30/2007	18,844,688	29,539,637	10,694,949	63.79	3,513,086	304.43
<u>Firefighters' Pension Fund</u>						
4/30/2013*	\$ 9,131,091	\$ 23,592,246	\$ 14,461,155	38.70 %	\$ 1,849,137	782.05 %
04/30/2012	9,018,550	20,568,832	11,550,282	43.85	2,014,259	573.43
04/30/2011	8,819,917	18,301,438	9,481,521	48.19	1,919,171	494.04
04/30/2010	8,761,910	17,156,162	8,394,252	51.07	1,857,776	451.84
04/30/2008	8,813,089	14,918,043	6,104,954	59.08	1,737,103	351.44
04/30/2007	8,726,775	16,218,570	5,151,338	53.81	1,769,980	423.27

* Most recent actuarial valuation date

Note: April 30, 2011 Police Pension Fund and April 30, 2009 Firefighters' Pension Fund 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, 2014

	Original and Final Budget	Actual	Variance from Final Budget
Revenues			
Property taxes	\$ 5,586,536	\$ 6,005,412	\$ 418,876
Taxes - other	3,955,699	4,197,417	241,718
Licenses and permits	512,450	603,242	90,792
Intergovernmental	6,172,560	6,059,973	(112,587)
Grants	350,466	377,183	26,717
Fines and fees	2,887,695	2,630,166	(257,529)
Interest	1,000	3,017	2,017
Miscellaneous	124,544	302,664	178,120
Total revenues	<u>19,590,950</u>	<u>20,179,074</u>	<u>588,124</u>
Expenditures			
General government			
Mayor's office	365,535	280,170	85,365
City Clerk's office	181,199	171,962	9,237
Legislative	181,775	210,738	(28,963)
City Treasurer	37,919	35,399	2,520
Comptroller	602,916	508,669	94,247
Information technology	545,388	410,200	135,188
Human resources	243,751	177,458	66,293
Building and community development	623,788	600,443	23,345
Buildings and grounds department	355,800	245,268	110,532
Total general government	<u>3,138,071</u>	<u>2,640,307</u>	<u>497,764</u>
Administration services	<u>4,025,387</u>	<u>3,437,167</u>	<u>588,220</u>
Highway and streets	<u>938,040</u>	<u>952,959</u>	<u>(14,919)</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, 2014

	Original and Final Budget	Actual	Variance from Final Budget
Expenditures (continued)			
Public safety			
Police department	\$ 9,074,975	\$ 8,874,659	\$ 200,316
Fire department	3,779,780	3,655,173	124,607
Civil defense -ESDA	4,500	8,600	(4,100)
Total public safety	<u>12,859,255</u>	<u>12,538,432</u>	<u>320,823</u>
Economic development			
Economic development department	355,216	277,153	78,063
Economic development incentive	949,000	866,349	82,651
Total economic development	<u>1,304,216</u>	<u>1,143,502</u>	<u>160,714</u>
Debt service	<u>211,200</u>	<u>211,200</u>	<u>-</u>
Total expenditures	<u>22,476,169</u>	<u>20,923,567</u>	<u>1,552,602</u>
Deficiency of revenues over expenditures	<u>(2,885,219)</u>	<u>(744,493)</u>	<u>2,140,726</u>
Other financing sources			
Proceeds from capital lease	165,791	28,380	(137,411)
Transfers in	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Total other financing sources	<u>2,165,791</u>	<u>2,028,380</u>	<u>(137,411)</u>
Net change in fund balance	\$ <u>(719,428)</u>	1,283,887	\$ <u>2,003,315</u>
Fund balance, beginning of year		<u>10,346,882</u>	
Fund balance, end of year		\$ <u>11,630,769</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, 2014

	Original and Final Budget	Actual	Variance from Final Budget
Revenues			
Interest	\$ 400	\$ 307	\$ (93)
Miscellaneous	<u>-</u>	<u>4,789</u>	<u>4,789</u>
Total revenues	<u>400</u>	<u>5,096</u>	<u>4,696</u>
Expenditures			
General government			
Other professional services	100,000	71,849	28,151
Capital projects	<u>1,650,400</u>	<u>160,726</u>	<u>1,489,674</u>
Total expenditures	<u>1,750,400</u>	<u>232,575</u>	<u>1,517,825</u>
Deficiency of revenues over expenditures	<u>(1,750,000)</u>	<u>(227,479)</u>	<u>1,522,521</u>
Other financing uses			
Loss on sale of property held for resale	<u>-</u>	<u>23,500</u>	<u>(23,500)</u>
Total other financing uses	<u>-</u>	<u>23,500</u>	<u>(23,500)</u>
Net change in fund balance	<u>\$ (1,750,000)</u>	<u>(250,979)</u>	<u>\$ 1,499,021</u>
Fund balance, beginning of year		<u>7,938,624</u>	
Fund balance, end of year		<u>\$ 7,687,645</u>	

City of North Chicago, Illinois
Notes to the Required Supplementary Information
April 30, 2014

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, 2014:

<u>Fund</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Budget</u>
Community Development Block Grant	\$ 276,295	\$ 499,631	\$ 223,336
Capital Improvement	-	5,212	5,212
Grant Place Operating	150,067	165,164	15,097

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, 2014

	Original and Final Budget	Actual	Variance from Final Budget
Property taxes			
Real estate taxes	\$ 4,274,320	\$ 4,715,025	\$ 440,705
Real estate taxes - Firefighters' and Police pensions	1,312,216	1,290,387	(21,829)
Total property taxes	5,586,536	6,005,412	418,876
Taxes - other			
Hotel/motel tax	140,000	131,995	(8,005)
Real estate transfer tax	243,000	214,676	(28,324)
Food and beverage tax	250,000	314,375	64,375
Municipal motor fuel tax	400,000	475,351	75,351
Self storage facility tax	25,000	36,381	11,381
Foreign fire tax	-	25	25
Utility tax	1,375,000	1,621,782	246,782
Simplified telecommunications tax	900,000	715,697	(184,303)
Local use tax	527,699	571,497	43,798
Road and bridge tax	45,000	55,056	10,056
Pull tabs tax	-	1,125	1,125
Video gaming tax	50,000	59,457	9,457
Total taxes - other	3,955,699	4,197,417	241,718
Total property taxes and taxes - other	9,542,235	10,202,829	660,594
Licenses and permits			
Amusement tax license	-	35	35
Contractors license	15,000	14,637	(363)
Pet tag license	1,000	1,383	383
Liquor license	34,350	44,450	10,100
Taxi class B license	23,100	27,950	4,850
Business license	110,000	169,071	59,071
Landlord license	25,000	36,205	11,205
Prop. Vacancies registration	17,000	17,103	103

(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, 2014

	Original and Final Budget	Actual	Variance from Final Budget
Licenses and permits (continued)			
Sign permits	\$ 4,500	\$ -	\$ (4,500)
Building permits	150,000	137,323	(12,677)
Rezoning variance permits	500	-	(500)
Miscellaneous permits	10,000	10,690	690
Vehicle stickers			
Truck	16,000	12,375	(3,625)
Occupancy permits	45,000	63,230	18,230
Hazardous materials permits	40,000	41,500	1,500
Taxi A drivers license	21,000	27,290	6,290
	<u>512,450</u>	<u>603,242</u>	<u>90,792</u>
Intergovernmental			
State income tax	3,107,560	3,597,647	490,087
Sales tax	2,815,000	2,162,916	(652,084)
Replacement tax - state	240,000	292,160	52,160
North Chicago Housing Authority	10,000	7,250	(2,750)
	<u>6,172,560</u>	<u>6,059,973</u>	<u>(112,587)</u>
Grant proceeds	<u>350,466</u>	<u>377,183</u>	<u>26,717</u>
Fines and fees			
Lien fees	45,000	57,176	12,176
Animal fines and fees	1,000	2,045	1,045
Photocopies	4,000	4,815	815
Code books and maps	3,000	-	(3,000)
Fire service charges			
Ambulance fees	330,000	390,542	60,542

(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, 2014

	Original and Final Budget	Actual	Variance from Final Budget
Fines and fees (continued)			
Policing charges			
Parking fines	\$ 18,000	\$ 31,845	\$ 13,845
Redflex fines	440,000	241,906	(198,094)
Adjudication fines	160,000	118,095	(41,905)
Adjudication court costs	8,000	2,500	(5,500)
Police services fees	583,695	539,798	(43,897)
Alarm service fees	15,000	17,566	2,566
Magistrate	250,000	184,726	(65,274)
Cable franchise fees	110,000	174,757	64,757
Railroad parking lot pass fees	70,000	26,182	(43,818)
Community day fees	75,000	91,799	16,799
Garbage fees	775,000	746,414	(28,586)
	<u>2,887,695</u>	<u>2,630,166</u>	<u>(257,529)</u>
Total fines and fees			
Interest	<u>1,000</u>	<u>3,017</u>	<u>2,017</u>
Miscellaneous			
Cable land use lease	89,664	92,400	2,736
Miscellaneous	20,000	141,001	121,001
Worker's compensation reimbursements	-	38,254	38,254
Train station lease	14,880	9,350	(5,530)
Sale of city property	-	18,756	18,756
Reimbursements	-	2,903	2,903
	<u>124,544</u>	<u>302,664</u>	<u>178,120</u>
Total miscellaneous			
Total revenues	<u>19,590,950</u>	<u>20,179,074</u>	<u>588,124</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, 2014

	Original and Final Budget	Actual	Variance from Final Budget
	<u> </u>	<u> </u>	<u> </u>
Other financing sources			
Proceeds from capital lease	\$ 165,791	\$ 28,380	\$ (137,411)
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>2,165,791</u>	 <u>2,028,380</u>	 <u>(137,411)</u>
 Total revenues and other financing sources	 <u>\$ 21,756,741</u>	 <u>\$ 22,207,454</u>	 <u>\$ 450,713</u>

(Concluded)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended April 30, 2014

	<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	\$ 160,756	\$ 154,472	\$ 6,284
Part-time salaries and wages	14,455	15,112	(657)
Overtime allowances	4,500	3,368	1,132
Comptime used	-	3,665	(3,665)
Car allowances	-	539	(539)
Total salaries and wages	<u>179,711</u>	<u>177,156</u>	<u>2,555</u>
Fringe benefits			
IMRF match	18,438	17,914	524
Employer's health insurance	11,134	3,875	7,259
Employer's dental and vision insurance	2,215	2,268	(53)
Social security match	11,142	10,670	472
Medicare match	2,606	2,496	110
Life insurance premiums	360	230	130
Total fringe benefits	<u>45,895</u>	<u>37,453</u>	<u>8,442</u>
Contractual services			
Maintenance - vehicles	1,500	505	995
Travel and training	20,000	14,533	5,467
Public relations	10,000	107	9,893
Postage	1,000	639	361
Printing and publishing	500	-	500
Other professional services	-	930	(930)
Dues and memberships	17,500	16,825	675
Total contractual services	<u>50,500</u>	<u>33,539</u>	<u>16,961</u>
Commodities			
Office supplies	5,650	3,769	1,881
Gasoline and oil	2,500	2,515	(15)
Publications	1,500	-	1,500

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended April 30, 2014

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
General government (continued)			
Mayor's office (continued)			
Commodities (continued)			
Miscellaneous expenses	\$ 15,000	\$ 17,633	\$ (2,633)
Equipment	5,500	-	5,500
Vehicles	-	21	(21)
Mayor's expense account	5,000	3,660	1,340
Total commodities	<u>35,150</u>	<u>27,598</u>	<u>7,552</u>
Debt service			
Loan principal and interest	14,279	4,424	9,855
Capital lease	40,000	-	40,000
Total debt service	<u>54,279</u>	<u>4,424</u>	<u>49,855</u>
Total Mayor's office	<u>365,535</u>	<u>280,170</u>	<u>85,365</u>
City Clerk's office			
Salaries and wages			
Full-time salaries and wages	117,665	117,395	270
Gas allowance	-	149	(149)
Total salaries and wages	<u>117,665</u>	<u>117,544</u>	<u>121</u>
Fringe benefits			
IMRF match	12,071	12,029	42
Employer's health insurance	12,920	9,876	3,044
Employer's dental and vision insurance	1,477	1,838	(361)
Social security match	7,295	7,009	286
Medicare match	1,706	1,640	66
Life insurance premiums	240	160	80
Total fringe benefits	<u>35,709</u>	<u>32,552</u>	<u>3,157</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended April 30, 2014

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
General government (continued)			
City Clerk's office (continued)			
Contractual services			
Maintenance - equipment	\$ 1,000	\$ 810	\$ 190
Travel and training	3,000	5,239	(2,239)
Postage	200	7	193
Printing and publishing	8,500	5,375	3,125
Dues and memberships	1,200	843	357
Other professional service	6,000	5,832	168
Equipment	1,000	143	857
Total contractual services	<u>20,900</u>	<u>18,249</u>	<u>2,651</u>
Commodities			
Office supplies	4,925	2,410	2,515
Gasoline and oil	1,500	1,207	293
Publications	500	-	500
Total commodities	<u>6,925</u>	<u>3,617</u>	<u>3,308</u>
Total City Clerk's office	<u>181,199</u>	<u>171,962</u>	<u>9,237</u>
Legislative			
Salaries and wages			
Full-time salaries and wages	-	1,472	(1,472)
Part-time salaries and wages	68,110	70,336	(2,226)
Total salaries and wages	<u>68,110</u>	<u>71,808</u>	<u>(3,698)</u>
Fringe benefits			
IMRF match	4,925	2,446	2,479
Employer's health insurance	50,176	38,201	11,975
Employer's dental and vision insurance	5,168	6,433	(1,265)
Social security match	4,223	3,897	326
Medicare match	988	911	77
Life insurance premiums	840	560	280
Total fringe benefits	<u>66,320</u>	<u>52,448</u>	<u>13,872</u>

(Continued)

City of North Chicago, Illinois
 General Fund
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Legislative (continued)			
Contractual services			
Travel and training	\$ 22,000	\$ 24,062	\$ (2,062)
Per diem	-	140	(140)
Postage	700	69	631
Printing and publishing	500	1,023	(523)
Dues and memberships	4,300	3,200	1,100
Boards and commissions	2,500	199	2,301
Other professional service	9,420	33,901	(24,481)
Total contractual services	<u>39,420</u>	<u>62,594</u>	<u>(23,174)</u>
Commodities			
Office supplies	5,425	7,346	(1,921)
Miscellaneous expenses	2,500	16,542	(14,042)
Total commodities	<u>7,925</u>	<u>23,888</u>	<u>(15,963)</u>
Total legislative	<u>181,775</u>	<u>210,738</u>	<u>(28,963)</u>
City Treasurer			
Salaries and wages			
Part-time salaries and wages	15,000	15,000	-
Gas allowance	-	190	(190)
	<u>15,000</u>	<u>15,190</u>	<u>(190)</u>
Fringe benefits			
IMRF match	1,539	1,529	10
Employer's health insurance	7,669	5,858	1,811
Employer's dental and vision insurance	738	919	(181)
Social security match	930	852	78
Medicare match	218	199	19
Life insurance premiums	120	80	40
Total fringe benefits	<u>11,214</u>	<u>9,437</u>	<u>1,777</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended April 30, 2014

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
General government (continued)			
City Treasurer (continued)			
Contractual services			
Travel and training	\$ 5,500	\$ 4,422	\$ 1,078
Printing and publishing	1,000	547	453
Dues and memberships	1,000	968	32
Total contractual services	<u>7,500</u>	<u>5,937</u>	<u>1,563</u>
Commodities			
Office supplies	2,475	1,990	485
Gasoline and oil	900	845	55
Miscellaneous expenses	830	2,000	(1,170)
Total commodities	<u>4,205</u>	<u>4,835</u>	<u>(630)</u>
Total City Treasurer	<u>37,919</u>	<u>35,399</u>	<u>2,520</u>
Comptroller			
Salaries and wages			
Full-time salaries and wages	400,967	307,999	92,968
Holiday taken	-	10,914	(10,914)
Comptime used	-	3,025	(3,025)
Overtime allowances	4,800	3,261	1,539
Total salaries and wages	<u>405,767</u>	<u>325,199</u>	<u>80,568</u>
Fringe benefits			
IMRF match	41,632	33,118	8,514
Employer's health insurance	79,560	34,958	44,602
Employer's dental and vision insurance	4,430	5,514	(1,084)
Social security match	25,158	19,120	6,038
Medicare match	5,884	4,472	1,412
Life insurance premiums	720	400	320
Total fringe benefits	<u>157,384</u>	<u>97,582</u>	<u>59,802</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended April 30, 2014

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
General government (continued)			
Comptroller (continued)			
Contractual services			
Maintenance - equipment	\$ 1,423	\$ 1,423	\$ -
Telephone	-	641	(641)
Travel and training	5,200	490	4,710
Postage	3,500	1,734	1,766
Printing and publishing	9,350	7,532	1,818
Other professional services	-	60,307	(60,307)
Dues and memberships	1,542	745	797
Total contractual services	<u>21,015</u>	<u>72,872</u>	<u>(51,857)</u>
Commodities			
Office supplies	17,000	11,633	5,367
Publications	250	-	250
Miscellaneous expenses	1,500	1,383	117
Total commodities	<u>18,750</u>	<u>13,016</u>	<u>5,734</u>
Total Comptroller	<u>602,916</u>	<u>508,669</u>	<u>94,247</u>
Information technology			
Salaries and wages			
Full-time salaries and wages	152,332	112,595	39,737
Total salaries and wages	<u>152,332</u>	<u>112,595</u>	<u>39,737</u>
Fringe benefits			
IMRF match	16,629	11,480	5,149
Employer's health insurance	16,544	12,864	3,680
Employer's dental and vision insurance	1,477	2,326	(849)
Social security match	9,445	6,822	2,623
Medicare match	2,209	1,596	613
Life insurance premiums	240	160	80
Total fringe benefits	<u>46,544</u>	<u>35,248</u>	<u>11,296</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Information technology (continued)			
Contractual services			
Maintenance - equipment	\$ 102,000	\$ 76,024	\$ 25,976
Telephone	2,800	1,164	1,636
Postage	100	54	46
Travel and training	47,000	7,769	39,231
Other professional services	30,100	50,047	(19,947)
Total contractual services	182,000	135,058	46,942
Commodities			
Operating supplies	38,000	41,138	(3,138)
Gasoline and oil	750	-	750
Total commodities	38,750	41,138	(2,388)
Debt service			
Loan principal and interest	70,762	69,826	936
Capital Outlay			
Equipment	55,000	16,335	38,665
Capital improvement	-	-	-
Total capital outlay	55,000	16,335	38,665
Total information technology	545,388	410,200	135,188
Human resources			
Salaries and wages			
Full-time salaries and wages	133,336	87,354	45,982
Part-time salaries and wages	7,800	-	7,800
Total salaries and wages	141,136	87,354	53,782
Fringe benefits			
IMRF match	13,680	8,890	4,790
Employer's health insurance	28,822	6,495	22,327
Employer's dental and vision insurance	1,477	1,838	(361)
Social security match	8,750	5,344	3,406
Medicare match	2,046	1,250	796
Life insurance premiums	240	80	160
Total fringe benefits	55,015	23,897	31,118
			(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Human resources (continued)			
Contractual services			
Telephone	\$ 1,000	\$ 1,144	\$ (144)
Travel and training	4,000	526	3,474
In-house training	10,000	238	9,762
Postage	1,500	810	690
Printing and publishing	3,000	215	2,785
Other professional services	10,000	51,630	(41,630)
Dues and memberships	1,000	300	700
Total contractual services	<u>30,500</u>	<u>54,863</u>	<u>(24,363)</u>
Commodities			
Office supplies	4,600	3,367	1,233
Publications	1,000	-	1,000
Advertising-all departments	8,000	5,453	2,547
Employee recognition	2,500	1,270	1,230
Public relations	-	41	(41)
Safety incentives	500	520	(20)
Miscellaneous expenses	500	693	(193)
Total commodities	<u>17,100</u>	<u>11,344</u>	<u>5,756</u>
Capital Outlay			
Total human resources	<u>243,751</u>	<u>177,458</u>	<u>66,293</u>
Building and community development			
Salaries and wages			
Full-time salaries and wages	342,074	336,490	5,584
Part-time salaries and wages	-	(376)	376
Overtime allowances	-	3,691	(3,691)
Comp time	3,000	1,042	1,958
Total salaries and wages	<u>345,074</u>	<u>340,847</u>	<u>4,227</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Building and community development (continued)			
Fringe benefits			
IMRF match	\$ 35,405	\$ 34,705	\$ 700
Employer's health insurance	38,107	32,079	6,028
Employer's dental and vision insurance	4,061	4,595	(534)
Social security match	21,395	20,397	998
Medicare match	5,004	4,770	234
Life insurance premiums	660	440	220
Total fringe benefits	<u>104,632</u>	<u>96,986</u>	<u>7,646</u>
Contractual services			
Maintenance - vehicle	1,500	2,031	(531)
Maintenance - equipment	750	203	547
Telephone	4,000	4,897	(897)
Travel and training	2,000	1,883	117
Postage	2,000	866	1,134
Printing and publishing	2,800	1,091	1,709
Other professional services	50,000	55,711	(5,711)
Dues and memberships	3,000	365	2,635
Demolition	70,000	54,380	15,620
Total contractual services	<u>136,050</u>	<u>121,427</u>	<u>14,623</u>
Commodities			
Office supplies	8,800	8,434	366
Publications	500	-	500
Uniforms	500	-	500
Gas and oil	4,500	6,578	(2,078)
Miscellaneous expenses	1,000	-	1,000
Total commodities	<u>15,300</u>	<u>15,012</u>	<u>288</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Building and community development (continued)			
Debt Service			
Loan principal and interest	\$ 22,732	\$ 26,171	\$ (3,439)
Total debt service	<u>22,732</u>	<u>26,171</u>	<u>(3,439)</u>
Total building and community development	<u>623,788</u>	<u>600,443</u>	<u>23,345</u>
Building and grounds department			
Contractual services			
Maintenance - buildings	62,000	92,762	(30,762)
Building improvements	123,800	-	123,800
Other professional services	<u>112,000</u>	<u>116,794</u>	<u>(4,794)</u>
Total contractual services	<u>297,800</u>	<u>209,556</u>	<u>88,244</u>
Commodities			
Pest control	35,000	26,680	8,320
Maintenance supplies	8,000	8,193	(193)
Operating supplies	<u>15,000</u>	<u>839</u>	<u>14,161</u>
Total commodities	<u>58,000</u>	<u>35,712</u>	<u>22,288</u>
Total building and grounds department	<u>355,800</u>	<u>245,268</u>	<u>110,532</u>
Total general government	<u>3,138,071</u>	<u>2,640,307</u>	<u>497,764</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance from Final Budget
Administration services			
Contractual services			
Unemployment insurance	\$ 60,000	\$ 26,037	\$ 33,963
Maintenance of equipment	65,380	85,957	(20,577)
Workers' compensation	383,066	283,273	99,793
Workers' compensation deductible	250,000	131,795	118,205
Liability insurance	559,265	227,468	331,797
Liability deductibility	510,000	327,507	182,493
Telephone	150,000	228,203	(78,203)
Utilities	240,000	229,654	10,346
Postage	5,700	8,747	(3,047)
Travel and training	-	1,257	(1,257)
Printing and publishing	16,000	9,289	6,711
Auditing services	58,900	59,335	(435)
Payroll service	24,000	26,043	(2,043)
Engineering services	40,000	40,694	(694)
Retainer fees	24,000	37,100	(13,100)
Medical services	31,000	62,062	(31,062)
Other professional services	77,950	22,030	55,920
Refuse collection	795,000	772,231	22,769
Redflex traffic systems fees	201,376	150,504	50,872
Lawsuits and attorney fees	383,000	179,141	203,859
Public relations	35,750	28,286	7,464
Public relations - community day	75,000	85,488	(10,488)
Reimbursements	30,000	30,000	-
Total contractual services	<u>4,015,387</u>	<u>3,052,101</u>	<u>963,286</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance from Final Budget
Administration services (continued)			
Commodities			
Office supplies	\$ 5,000	\$ 1,420	\$ 3,580
Gasoline and oil	-	351	(351)
Miscellaneous expense	5,000	383,295	(378,295)
Total commodities	<u>10,000</u>	<u>385,066</u>	<u>(375,066)</u>
Total administration services	<u>4,025,387</u>	<u>3,437,167</u>	<u>588,220</u>
Highway and streets			
Street department			
Salaries and wages			
Full-time salaries and wages	352,920	426,627	(73,707)
Part-time salaries and wages	64,800	-	64,800
Voluntary separation plan	-	65	(65)
Sick leave sell back	-	409	(409)
Overtime allowances	8,000	18,548	(10,548)
Total salaries and wages	<u>425,720</u>	<u>445,649</u>	<u>(19,929)</u>
Fringe benefits			
IMRF match	37,030	34,720	2,310
Employer's health insurance	47,417	39,007	8,410
Employer's dental and vision insurance	4,430	6,433	(2,003)
Social security match	26,395	26,911	(516)
Medicare match	6,173	6,294	(121)
Life insurance premiums	720	910	(190)
Total fringe benefits	<u>122,165</u>	<u>114,275</u>	<u>7,890</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance from Final Budget
Highway and streets (continued)			
Street department (continued)			
Contractual services			
Maintenance - building	\$ 6,500	\$ 17,103	\$ (10,603)
Maintenance - vehicles	48,000	49,124	(1,124)
Maintenance - equipment	21,500	20,201	1,299
Maintenance - streets	28,900	27,523	1,377
Maintenance - grounds	52,300	37,851	14,449
Other maintenance	2,000	1,952	48
Telephone	7,000	6,302	698
Street lighting	3,000	2,623	377
Rentals	5,000	4,554	446
Travel and training	2,400	2,598	(198)
Postage	250	268	(18)
Printing and publishing	250	33	217
Memberships and dues	1,300	1,216	84
Medical services	400	364	36
Total contractual services	<u>178,800</u>	<u>171,712</u>	<u>7,088</u>
Commodities			
Office supplies	1,950	1,905	45
Gasoline and oil	60,000	72,051	(12,051)
Maintenance and supplies	9,000	6,791	2,209
Operating supplies	6,500	5,129	1,371
Uniforms	17,000	18,787	(1,787)
Miscellaneous expenses	100	86	14
Total commodities	<u>94,550</u>	<u>104,749</u>	<u>(10,199)</u>
Debt service			
Loan principal and interest	<u>82,805</u>	<u>82,623</u>	<u>182</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended April 30, 2014

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Highway and streets (continued)			
Street department (continued)			
Capital outlay			
Equipment	\$ 34,000	\$ 33,951	\$ 49
Total capital outlay	<u>34,000</u>	<u>33,951</u>	<u>49</u>
Total highway and streets	<u>938,040</u>	<u>952,959</u>	<u>(14,919)</u>
Public safety			
Police department			
Salaries and wages			
Full-time salaries and wages	5,366,293	4,703,337	662,956
Part-time salaries and wages	169,409	122,152	47,257
Voluntary separation plan	-	9,983	(9,983)
Holiday taken	-	153,857	(153,857)
Police special detail	-	29,847	(29,847)
Overtime allowances	77,500	128,727	(51,227)
Police overtime	343,000	880,172	(537,172)
Comp time accrued	-	221	(221)
Sick leave sell back	-	21,251	(21,251)
Workers' compensation	-	81,605	(81,605)
Total salaries and wages	<u>5,956,202</u>	<u>6,131,152</u>	<u>(174,950)</u>
Fringe benefits			
IMRF match	94,684	90,678	4,006
Employer pension contribution	745,869	735,690	10,179
Employer's health insurance	859,372	587,018	272,354
Employer's dental and vision insurance	57,278	67,542	(10,264)
Social security match	67,720	67,357	363
Medicare match	83,617	80,831	2,786
Life insurance premiums	9,310	6,133	3,177
Total fringe benefits	<u>1,917,850</u>	<u>1,635,249</u>	<u>282,601</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended April 30, 2014

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Public safety (continued)			
Police department (continued)			
Contractual services			
Uniform allowance	\$ 9,450	\$ 8,691	\$ 759
Maintenance - building	-	710	(710)
Maintenance - vehicle	125,000	93,462	31,538
Maintenance - equipment	69,000	95,051	(26,051)
Other maintenance	1,000	-	1,000
Telephone	15,000	17,359	(2,359)
Rentals	13,950	2,395	11,555
Travel and training	49,195	62,151	(12,956)
Postage	3,300	756	2,544
Printing and publishing	14,400	12,645	1,755
Other professional services	87,555	131,353	(43,798)
Dues and memberships	2,315	3,375	(1,060)
Medical service	-	547	(547)
Animal control	8,700	5,595	3,105
Other communication service	15,000	-	15,000
Total contractual services	<u>413,865</u>	<u>434,090</u>	<u>(20,225)</u>
Commodities			
Office supplies	12,000	15,849	(3,849)
Gasoline and oil	145,000	130,402	14,598
Maintenance supplies	2,000	24	1,976
Operating supplies	26,670	70,205	(43,535)
Uniforms	50,000	117,904	(67,904)
Prisoner meals	3,000	2,006	994
Publications	1,500	497	1,003
Reimbursements	2,500	283	2,217
Investigative expenses	10,000	4,535	5,465
Crime prevention	17,400	42,719	(25,319)
Miscellaneous	15,000	3,795	11,205
Total commodities	<u>285,070</u>	<u>388,219</u>	<u>(103,149)</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Police department (continued)			
Debt service			
Loan principal and interest	\$ 138,641	\$ 138,830	\$ (189)
Capital lease	102,695	-	102,695
Total debt service	<u>241,336</u>	<u>138,830</u>	<u>102,506</u>
Capital outlay			
Vehicles	75,652	100	75,552
Equipment	185,000	147,019	37,981
Total capital outlay	<u>260,652</u>	<u>147,119</u>	<u>113,533</u>
Total police department	<u>9,074,975</u>	<u>8,874,659</u>	<u>200,316</u>
Fire department			
Salaries and wages			
Full-time salaries and wages	2,198,927	2,172,029	26,898
Part-time salaries and wages	39,651	3,378	36,273
Fire overtime	40,000	25,294	14,706
Holiday taken	-	60,471	(60,471)
Fire lieutenant pay	-	7,879	(7,879)
Overtime allowances	2,000	55	1,945
Sick leave buy back	-	19,197	(19,197)
Good attendance	-	8,121	(8,121)
Total salaries and wages	<u>2,280,578</u>	<u>2,296,424</u>	<u>(15,846)</u>
Fringe benefits			
IMRF match	5,497	5,281	216
Employer pension contribution	566,347	557,382	8,965
Employer's health insurance	365,025	269,230	95,795
Employer's dental and vision insurance	24,364	27,568	(3,204)
Social security match	5,780	3,751	2,029

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Fire department (continued)			
Fringe benefits (continued)			
Medicare match	\$ 29,539	\$ 28,947	\$ 592
Life insurance premiums	3,960	2,250	1,710
Total fringe benefits	<u>1,000,512</u>	<u>894,409</u>	<u>106,103</u>
Contractual services			
Maintenance - vehicles	47,000	86,500	(39,500)
Maintenance - equipment	14,400	15,596	(1,196)
Telephone	6,000	3,921	2,079
Rentals	2,500	1,562	938
Travel and training	26,900	22,325	4,575
Postage	200	188	12
Printing and publishing	5,000	3,480	1,520
Medical services	15,000	9,616	5,384
Other professional service	26,800	16,612	10,188
Dues and memberships	9,100	6,678	2,422
Total contractual services	<u>152,900</u>	<u>166,478</u>	<u>(13,578)</u>
Commodities			
Office supplies	2,000	10,869	(8,869)
Gasoline and oil	23,000	29,153	(6,153)
Maintenance supplies	-	2,540	(2,540)
Operating supplies	2,600	12,883	(10,283)
Ambulance operating supplies	8,000	5,697	2,303
Uniforms	14,000	35,985	(21,985)
Hazardous material enforcement	4,000	1,906	2,094
Reimbursements	300	613	(313)
Miscellaneous	250	601	(351)
Total commodities	<u>54,150</u>	<u>100,247</u>	<u>(46,097)</u>

(Continued)

City of North Chicago, Illinois
 General Fund
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Debt service			
Loan principal and interest	\$ 24,122	\$ 25,093	\$ (971)
Capital lease	23,096	28,380	(5,284)
Total debt service	<u>47,218</u>	<u>53,473</u>	<u>(6,255)</u>
Capital outlay			
Vehicles	144,422	144,142	280
Equipment	100,000	-	100,000
Total capital outlay	<u>244,422</u>	<u>144,142</u>	<u>100,280</u>
Total fire department	<u>3,779,780</u>	<u>3,655,173</u>	<u>124,607</u>
Civil defense -ESDA			
Commodities			
Miscellaneous	4,500	8,600	(4,100)
Total commodities	<u>4,500</u>	<u>8,600</u>	<u>(4,100)</u>
Total civil defense -ESDA	<u>4,500</u>	<u>8,600</u>	<u>(4,100)</u>
Total public safety	<u>12,859,255</u>	<u>12,538,432</u>	<u>320,823</u>
Economic development department			
Salaries and wages			
Full-time salaries and wages	239,413	194,115	45,298
Comp time	-	1,878	(1,878)
Overtime allowances	1,000	6,642	(5,642)
Total salaries and wages	<u>240,413</u>	<u>202,635</u>	<u>37,778</u>

(Continued)

City of North Chicago, Illinois

General Fund

Schedule of Expenditures - Budget and Actual

For the Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance from Final Budget
Economic development department (continued)			
Fringe benefits			
IMRF match	\$ 24,666	\$ 20,666	\$ 4,000
Employer's health insurance	36,491	23,711	12,780
Employer's dental and vision insurance	2,584	2,757	(173)
Social security match	14,906	11,825	3,081
Medicare match	3,486	2,765	721
Life insurance premiums	420	300	120
Total fringe benefits	82,553	62,024	20,529
Contractual services			
Telephone	1,500	519	981
Travel and training	-	1,134	(1,134)
Postage	750	342	408
Maintenance - vehicle	1,000	369	631
Printing and publishing	2,000	740	1,260
Other professional services	19,000	4,752	14,248
Dues and memberships	2,500	695	1,805
Total contractual services	26,750	8,551	18,199
Commodities			
Office supplies	5,000	3,448	1,552
Gasoline and oil	500	495	5
Total commodities	5,500	3,943	1,557
Total economic development department	355,216	277,153	78,063
Economic development incentive	949,000	866,349	82,651
Total economic development	1,304,216	1,143,502	160,714
Debt service			
State tax loan payment	211,200	211,200	-
Total expenditures	\$ 22,476,169	\$ 20,923,567	\$ 1,552,602

(Concluded)

NONMAJOR GOVERNMENTAL FUNDS

City of North Chicago, Illinois

Nonmajor Governmental Funds

Combining Balance Sheet (Continued)

April 30, 2014

	<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	\$ 1,084,972	\$ 1,417,166	\$ 128,692	\$ 6,770
Property tax receivable	755,517	-	-	-
Intergovernmental receivable	-	60,052	-	-
Other receivables	-	136	1,298,850	-
Due from other funds	731	13,742	-	-
Property held for resale	-	-	21,772	-
	-	-	-	-
Total assets	<u>\$ 1,841,220</u>	<u>\$ 1,491,096</u>	<u>\$ 1,449,314</u>	<u>\$ 6,770</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 21,012	\$ 39,804	\$ 30,655	\$ -
Accrued payroll	8,340	-	-	-
Other liabilities	-	-	3	-
Unearned fees	-	-	-	-
Due to other funds	6,481	9,783	150,071	-
Total liabilities	<u>35,833</u>	<u>49,587</u>	<u>180,729</u>	<u>-</u>
Deferred inflows				
Unavailable property tax revenue	382,691	-	-	-
Total deferred inflows	<u>382,691</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficit)				
Nonspendable for property held for resale	-	-	21,772	-
Restricted for special revenue funds	1,422,696	1,441,509	1,246,813	6,770
Restricted for debt service	-	-	-	-
Restricted for capital projects	-	-	-	-
Total fund balances (deficit)	<u>1,422,696</u>	<u>1,441,509</u>	<u>1,268,585</u>	<u>6,770</u>
Total liabilities, deferred inflows, and fund balances (deficit)	<u>\$ 1,841,220</u>	<u>\$ 1,491,096</u>	<u>\$ 1,449,314</u>	<u>\$ 6,770</u>

	E911 Emergency	Delta Institute Emerald Ash Borer Grant	Seized Drug Money (State)	DCEO Infrastructure	Grant Place	Grant Place Operating	Total Nonmajor Special Revenue Funds
\$	344,804	\$ -	\$ 49,737	\$ 25,024	\$ 503,667	\$ -	\$ 3,560,832
	-	-	-	-	-	-	755,517
	-	-	-	-	-	-	60,052
	52,040	34,927	-	-	105,605	-	1,491,558
	6,008	-	-	-	18,829	39,558	78,868
	-	-	-	-	1,200,000	-	1,221,772
\$	<u>402,852</u>	<u>34,927</u>	<u>49,737</u>	<u>25,024</u>	<u>1,828,101</u>	<u>39,558</u>	<u>7,168,599</u>
\$	773	\$ -	\$ -	\$ -	\$ -	\$ 71,585	\$ 163,829
	-	-	-	-	-	-	8,340
	-	-	-	-	-	3,135	3,138
	-	-	-	25,000	-	3,328	28,328
	-	57,292	-	-	-	19,444	243,071
	<u>773</u>	<u>57,292</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>97,492</u>	<u>446,706</u>
	-	-	-	-	-	-	382,691
	-	-	-	-	-	-	382,691
	-	-	-	-	1,200,000	-	1,221,772
	402,079	(22,365)	49,737	24	628,101	(57,934)	5,117,430
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	<u>402,079</u>	<u>(22,365)</u>	<u>49,737</u>	<u>24</u>	<u>1,828,101</u>	<u>(57,934)</u>	<u>6,339,202</u>
\$	<u>402,852</u>	<u>34,927</u>	<u>49,737</u>	<u>25,024</u>	<u>1,828,101</u>	<u>39,558</u>	<u>7,168,599</u>

(Continued)

City of North Chicago, Illinois

Nonmajor Governmental Funds

Combining Balance Sheet (Continued)

April 30, 2014

	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	\$ 174,889	\$ 6,000	\$ 14,678
Property tax receivable	916,521	253,905	207,268
Intergovernmental receivable	-	-	-
Other receivables	-	-	-
Due from other funds	-	-	-
Property held for resale	-	-	-
Total assets	\$ 1,091,410	\$ 259,905	\$ 221,946
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Other liabilities	-	-	-
Unearned fees	-	-	-
Due to other funds	182,400	-	-
Total liabilities	182,400	-	-
Deferred inflows			
Unavailable property tax revenue	459,632	128,610	104,987
Total deferred inflows	459,632	128,610	104,987
Fund balances (deficit)			
Restricted for property held for resale	-	-	-
Restricted for special revenue funds	-	-	-
Restricted for debt service	449,378	131,295	116,959
Restricted for capital projects	-	-	-
Total fund balances (deficit)	449,378	131,295	116,959
Total liabilities, deferred inflows, and fund balances (deficit)	\$ 1,091,410	\$ 259,905	\$ 221,946

		Capital Project Funds		Total
Grant Place Retail Center Debt Service 2007C	Total Nonmajor Debt Service Funds	Capital Improvement	Total Nonmajor Capital Project Funds	Nonmajor Governmental Funds
\$ 7,431	\$ 202,998	\$ 82,429	\$ 82,429	\$ 3,846,259
782,008	2,159,702	-	-	2,915,219
-	-	-	-	60,052
-	-	-	-	1,491,558
-	-	-	-	78,868
-	-	-	-	1,221,772
<u>\$ 789,439</u>	<u>\$ 2,362,700</u>	<u>\$ 82,429</u>	<u>\$ 82,429</u>	<u>\$ 9,613,728</u>
\$ -	\$ -	\$ -	\$ -	\$ 163,829
-	-	-	-	8,340
-	-	53,895	53,895	57,033
-	-	-	-	28,328
<u>39,558</u>	<u>221,958</u>	<u>-</u>	<u>-</u>	<u>465,029</u>
<u>39,558</u>	<u>221,958</u>	<u>53,895</u>	<u>53,895</u>	<u>722,559</u>
<u>396,110</u>	<u>1,089,339</u>	<u>-</u>	<u>-</u>	<u>1,472,030</u>
<u>396,110</u>	<u>1,089,339</u>	<u>-</u>	<u>-</u>	<u>1,472,030</u>
-	-	-	-	1,221,772
-	-	-	-	5,117,430
353,771	1,051,403	-	-	1,051,403
-	-	28,534	28,534	28,534
<u>353,771</u>	<u>1,051,403</u>	<u>28,534</u>	<u>28,534</u>	<u>7,419,139</u>
<u>\$ 789,439</u>	<u>\$ 2,362,700</u>	<u>\$ 82,429</u>	<u>\$ 82,429</u>	<u>\$ 9,613,728</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, 2014

	Special Revenue Funds			
	Library	Motor Fuel Tax	Community Development Block Grant	Federal Forfeited Property (DEA)
Revenues				
Property taxes	\$ 765,504	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	1,067,161	-	-
Grants	15,417	-	469,566	-
Fines and fees	15,979	-	-	-
Interest	441	406	6	3
Miscellaneous	31,018	15,755	-	1,254
Total revenues	828,359	1,083,322	469,572	1,257
Expenditures				
Current				
Administration	-	-	8,579	-
Highway and streets	-	634,455	-	-
Public safety	-	-	-	-
Culture and recreation	552,331	-	-	-
Economic development	-	-	491,052	-
Debt service				
Principal retirement	-	-	-	-
Interest and other	-	-	-	-
Capital outlay	83,910	514,154	-	-
Total expenditures	636,241	1,148,609	499,631	-
Excess (deficiency) of revenues over expenditures	192,118	(65,287)	(30,059)	1,257
Fund balance (deficit), beginning of year	1,230,578	1,506,796	1,298,644	5,513
Fund balance (deficit), end of year	\$ 1,422,696	\$ 1,441,509	\$ 1,268,585	\$ 6,770

<u>E911 Emergency</u>	<u>Delta Institute Emerald Ash Borer Grant</u>	<u>Seized Drug Money (State)</u>	<u>DCEO Infrastructure</u>	<u>Grant Place</u>	<u>Grant Place Operating</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 765,504
199,726	-	-	-	-	-	199,726
-	-	17,450	-	-	-	1,084,611
-	34,927	-	-	-	-	519,910
-	-	-	-	-	-	15,979
116	-	22	24	55	-	1,073
-	-	-	-	-	137,128	185,155
<u>199,842</u>	<u>34,927</u>	<u>17,472</u>	<u>24</u>	<u>55</u>	<u>137,128</u>	<u>2,771,958</u>
-	-	-	-	276,305	-	284,884
-	-	-	-	-	-	634,455
65,395	-	12,004	-	-	-	77,399
-	57,292	-	-	-	-	609,623
-	-	-	-	-	165,164	656,216
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>126,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>724,178</u>
<u>191,509</u>	<u>57,292</u>	<u>12,004</u>	<u>-</u>	<u>276,305</u>	<u>165,164</u>	<u>2,986,755</u>
8,333	(22,365)	5,468	24	(276,250)	(28,036)	(214,797)
<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>
<u>\$ 402,079</u>	<u>\$ (22,365)</u>	<u>\$ 49,737</u>	<u>\$ 24</u>	<u>\$ 1,828,101</u>	<u>\$ (57,934)</u>	<u>\$ 6,339,202</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, 2014

	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	\$ 623,441	\$ 261,833	\$ 215,360
Taxes - other	-	-	-
Intergovernmental	-	-	-
Grants	-	-	-
Fines and fees	-	-	-
Interest	110	16	21
Miscellaneous	-	-	-
Total revenues	623,551	261,849	215,381
Expenditures			
Current			
Administration	-	-	-
Highway and streets	-	-	-
Public safety	-	-	-
Culture and recreation	-	-	-
Economic development	-	-	-
Debt service			
Principal retirement	550,000	160,000	-
Interest and other	375,728	84,995	205,655
Capital outlay	-	-	-
Total expenditures	925,728	244,995	205,655
Excess (deficiency) of revenues over expenditures	(302,177)	16,854	9,726
Fund balance (deficit), beginning of year	751,555	114,441	107,233
Fund balance (deficit), end of year	\$ 449,378	\$ 131,295	\$ 116,959

		Capital Project Funds		Total
Grant Place Retail Center Debt Service 2007C	Total Nonmajor Debt Service Funds	Capital Improvement	Total Nonmajor Capital Project Funds	Nonmajor Governmental Funds
\$ 800,352	\$ 1,900,986	\$ -	\$ -	\$ 2,666,490
-	-	-	-	199,726
-	-	-	-	1,084,611
-	-	1,701	1,701	521,611
-	-	-	-	15,979
57	204	232	232	1,509
-	-	-	-	185,155
<u>800,409</u>	<u>1,901,190</u>	<u>1,933</u>	<u>1,933</u>	<u>4,675,081</u>
-	-	-	-	284,884
-	-	5,512	5,512	639,967
-	-	-	-	77,399
-	-	-	-	609,623
-	-	-	-	656,216
255,000	965,000	-	-	965,000
491,701	1,158,079	-	-	1,158,079
-	-	-	-	724,178
<u>746,701</u>	<u>2,123,079</u>	<u>5,512</u>	<u>5,512</u>	<u>5,115,346</u>
53,708	(221,889)	(3,579)	(3,579)	(440,265)
<u>300,063</u>	<u>1,273,292</u>	<u>32,113</u>	<u>32,113</u>	<u>7,859,404</u>
<u>\$ 353,771</u>	<u>\$ 1,051,403</u>	<u>\$ 28,534</u>	<u>\$ 28,534</u>	<u>\$ 7,419,139</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, 2014

	Original and Final Budget	Actual	Variance from Final Budget
Operating revenues			
Charges for sales and services	\$ 6,507,726	\$ 6,131,562	\$ (376,164)
Miscellaneous	5,700	9,439	3,739
Total operating revenues	6,513,426	6,141,001	(372,425)
Operating expenses			
Operations	4,266,062	3,936,233	329,829
Depreciation	514,199	583,026	(68,827)
Total operating expenses	4,780,261	4,519,259	261,002
Operating income	1,733,165	1,621,742	(111,423)
Nonoperating revenues (expenses)			
Interest income	2,400	1,557	(843)
Principal retirement	(160,208)	-	160,208
Interest expense	(66,293)	(64,886)	1,407
Total nonoperating revenue (expenses)	(224,101)	(63,329)	160,772
Income before contributions and transfers	1,509,064	1,558,413	49,349
Transfers out	(1,600,000)	(1,600,000)	-
Change in net position	\$ (90,936)	(41,587)	\$ 49,349
Net position, beginning of year		15,975,670	
Net position, end of year		\$ 15,934,083	

(Continued)

City of North Chicago, Illinois
Water Fund
Schedule of Operating Revenues - Budget and Actual
For the Year Ended April 30, 2014

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance from <u>Final Budget</u>
Operating revenues			
Charges for sales and services			
Industrial water	\$ 2,037,900	\$ 1,842,721	\$ (195,179)
Abbott park water	996,650	1,085,227	88,577
Abbott raw water	832,000	741,373	(90,627)
Residential water	1,561,300	1,357,243	(204,057)
Commercial water	352,000	320,223	(31,777)
Water resumption	5,700	19,650	13,950
Meter sales	10,000	17,126	7,126
Tie-in fees	2,500	1,995	(505)
Water/sewer assessment	500	-	(500)
Base fees	642,000	658,307	16,307
Water penalty	45,000	63,673	18,673
Raw water equipment	22,176	24,024	1,848
	<u>6,507,726</u>	<u>6,131,562</u>	<u>(376,164)</u>
Total charges for sales and services			
Reimbursement and rebates	-	25	25
Miscellaneous	5,700	9,414	3,714
	<u>5,700</u>	<u>9,439</u>	<u>3,739</u>
Total other revenues			
Total operating revenues	<u>\$ 6,513,426</u>	<u>\$ 6,141,001</u>	<u>\$ (372,425)</u>

(Concluded)

City of North Chicago, Illinois

Water Fund

Schedule of Operating Expenses - Budget and Actual (Continued)

For the Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance from Final Budget
	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>
Operating expenses			
Salaries and wages			
Full-time salaries and wages	\$ 856,601	\$ 832,690	\$ 23,911
Overtime allowances	55,000	113,513	(58,513)
Comptime used	-	1,013	(1,013)
Compensated absences	-	9,479	(9,479)
Holiday	-	3,386	(3,386)
Total salaries and wages	<u>911,601</u>	<u>960,081</u>	<u>(48,480)</u>
Fringe benefits			
IMRF match	93,530	96,745	(3,215)
Employer's health insurance	137,898	81,999	55,899
Employer's dental and vision insurance	10,336	14,244	(3,908)
Social security match	56,519	56,920	(401)
Medicare match	13,218	13,312	(94)
Life insurance premiums	1,680	1,160	520
Total fringe benefits	<u>313,181</u>	<u>264,380</u>	<u>48,801</u>
Contractual services			
Maintenance - buildings	192,000	195,078	(3,078)
Maintenance - vehicles	10,000	8,915	1,085
Maintenance - equipment	96,380	104,333	(7,953)
Maintenance - utility system	35,000	5,876	29,124
Other maintenance	40,000	31,779	8,221
Telephone	5,000	2,687	2,313
Utilities	685,000	556,227	128,773
Rentals	1,000	997	3
Travel and training	2,900	3,147	(247)
Postage	12,000	13,230	(1,230)
Printing and publishing	5,000	1,912	3,088
Engineering services	400,000	270,808	129,192
Other professional services	190,000	255,410	(65,410)

(Continued)

City of North Chicago, Illinois

Water Fund

Schedule of Operating Expenses - Budget and Actual (Continued)

For the Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance from Final Budget
Operating expenses (continued)			
Contractual services (continued)			
Dues and memberships	\$ 1,000	\$ 271	\$ 729
Sludge treatment	75,000	77,990	(2,990)
Intake inspection	10,000	40,227	(30,227)
Total contractual services	<u>1,760,280</u>	<u>1,568,887</u>	<u>191,393</u>
Commodities			
Office supplies	5,000	5,119	(119)
Gasoline and oil	20,000	18,328	1,672
Maintenance supplies	50,000	15,161	34,839
Operating supplies	150,000	142,508	7,492
Uniforms	7,000	8,072	(1,072)
Miscellaneous expenses	1,000	1,618	(618)
Total commodities	<u>233,000</u>	<u>190,806</u>	<u>42,194</u>
Capital outlay			
Other improvements	880,000	782,372	97,628
Equipment	45,000	39,894	5,106
Meters	123,000	129,813	(6,813)
Total capital outlay	<u>1,048,000</u>	<u>952,079</u>	<u>95,921</u>
Depreciation	<u>514,199</u>	<u>583,026</u>	<u>(68,827)</u>
Total operating expenses	<u>\$ 4,780,261</u>	<u>\$ 4,519,259</u>	<u>\$ 261,002</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, 2014

	Original and Final Budget	Actual	Variance from Final Budget
Operating revenues			
Charges for sales and services	\$ 1,643,057	\$ 1,409,688	\$ (233,369)
Total operating revenues	<u>1,643,057</u>	<u>1,409,688</u>	<u>(233,369)</u>
Operating expenses			
Operations	982,767	940,953	41,814
Depreciation	<u>121,949</u>	<u>121,544</u>	<u>405</u>
Total operating expenses	<u>1,104,716</u>	<u>1,062,497</u>	<u>42,219</u>
Operating income	<u>538,341</u>	<u>347,191</u>	<u>(191,150)</u>
Nonoperating revenues (expenses)			
Interest income	2,400	489	(1,911)
Principal retirement	(150,347)	-	150,347
Interest expense	<u>(69,782)</u>	<u>(68,301)</u>	<u>1,481</u>
Total nonoperating revenues (expenses)	<u>(217,729)</u>	<u>(67,812)</u>	<u>149,917</u>
Income before transfers	<u>320,612</u>	<u>279,379</u>	<u>(41,233)</u>
Transfers out	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>
Changes in net position	<u>\$ (79,388)</u>	<u>(120,621)</u>	<u>\$ (41,233)</u>
Net position, beginning of year		<u>4,465,289</u>	
Net position, end of year		<u>\$ 4,344,668</u>	

(Continued)

City of North Chicago, Illinois
 Sewer Fund
 Schedule of Operating Revenues - Budget and Actual
For the Year Ended April 30, 2014

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Operating revenues			
Charges for sales and services			
Residential sewer	\$ 636,100	\$ 469,332	\$ (166,768)
Industrial sewer	758,000	731,240	(26,760)
Penalties	11,300	19,664	8,364
Commercial sewer	130,900	95,395	(35,505)
Base fees	<u>106,757</u>	<u>94,057</u>	<u>(12,700)</u>
Total charges for sales and services	<u>1,643,057</u>	<u>1,409,688</u>	<u>(233,369)</u>
Total operating revenues	<u>\$ 1,643,057</u>	<u>\$ 1,409,688</u>	<u>\$ (233,369)</u>

(Concluded)

City of North Chicago, Illinois
 Sewer Fund
 Schedule of Operating Expenses - Budget and Actual
For the Year Ended April 30, 2014

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance from <u>Final Budget</u>
Operating expenses			
Salaries and wages			
Full-time salaries and wages	\$ 214,407	\$ 232,736	\$ (18,329)
Part-time salaries and wages	21,840	-	21,840
Overtime allowances	20,000	52,165	(32,165)
Compensated absences	-	25,765	(25,765)
Total salaries and wages	<u>256,247</u>	<u>310,666</u>	<u>(54,419)</u>
Fringe benefits			
IMRF match	24,050	28,971	(4,921)
Employer's health insurance	44,734	33,602	11,132
Employer's dental and vision insurance	2,953	4,595	(1,642)
Social security match	15,887	16,667	(780)
Medicare match	3,716	3,898	(182)
Life insurance premiums	480	310	170
Total fringe benefits	<u>91,820</u>	<u>88,043</u>	<u>3,777</u>
Contractual services			
Maintenance - building	19,500	19,403	97
Maintenance - vehicles	15,000	13,829	1,171
Maintenance - equipment	5,000	343	4,657
Maintenance - grounds	20,000	20,000	-
Maintenance - utility system	28,000	28,134	(134)
Other maintenance	2,000	7,000	(5,000)
Rentals	4,500	-	4,500
Travel and training	2,400	2,700	(300)
Landfill and garbage	30,000	-	30,000
Engineering services	5,000	1,000	4,000
Other professional services	282,000	204,498	77,502
Dues and memberships	200	60	140
Total contractual services	<u>413,600</u>	<u>296,967</u>	<u>116,633</u>

(Continued)

City of North Chicago, Illinois

Sewer Fund

Schedule of Operating Expenses - Budget and Actual (Continued)

For the Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance from Final Budget
Operating expenses (continued)			
Commodities			
Office supplies	\$ 1,000	\$ 988	\$ 12
Maintenance supplies	85,000	81,680	3,320
Operating supplies	13,500	13,474	26
Uniforms	5,600	4,843	757
Miscellaneous	1,000	763	237
Total commodities	<u>106,100</u>	<u>101,748</u>	<u>4,352</u>
Capital outlay			
Other improvements	-	27,403	(27,403)
Equipment	<u>115,000</u>	<u>116,126</u>	<u>(1,126)</u>
Total capital outlay	<u>115,000</u>	<u>143,529</u>	<u>(28,529)</u>
Depreciation	<u>121,949</u>	<u>121,544</u>	<u>405</u>
Total operating expenses	<u>\$ 1,104,716</u>	<u>\$ 1,062,497</u>	<u>\$ 42,219</u>

(Concluded)

INTERNAL SERVICE FUNDS

City of North Chicago, Illinois

Internal Service Funds

Combining Schedule of Net Position

April 30, 2014

	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal Service Funds</u>
ASSETS			
Cash and cash equivalents	\$ <u>184,222</u>	\$ <u>88,744</u>	\$ <u>272,966</u>
Total assets	<u>184,222</u>	<u>88,744</u>	<u>272,966</u>
LIABILITIES			
Accounts payable	12,001	12,689	24,690
Due to General Fund	-	76,055	76,055
Claims payable	<u>14,659</u>	<u>-</u>	<u>14,659</u>
Total liabilities	<u>26,660</u>	<u>88,744</u>	<u>115,404</u>
NET POSITION			
Unrestricted	<u>\$ <u>157,562</u></u>	<u>\$ <u>-</u></u>	<u>\$ <u>157,562</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, 2014

	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal Service Funds</u>
Operating revenues			
Charges for sales and services	\$ <u>158,977</u>	\$ <u>180,760</u>	\$ <u>339,737</u>
Total operating revenues	<u>158,977</u>	<u>180,760</u>	<u>339,737</u>
Operating expenses			
Premiums / claim payments	<u>121,570</u>	<u>180,769</u>	<u>302,339</u>
Operating income	<u>37,407</u>	<u>(9)</u>	<u>37,398</u>
Nonoperating revenues			
Interest income	<u>60</u>	<u>9</u>	<u>69</u>
Change in net position	37,467	-	37,467
Net position, beginning of year	<u>120,095</u>	<u>-</u>	<u>120,095</u>
Net position, end of year	<u>\$ 157,562</u>	<u>\$ -</u>	<u>\$ 157,562</u>

City of North Chicago, Illinois

Internal Service Funds

Combining Schedule of Cash Flows

For the year ended April 30, 2014

	<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	\$ 158,977	\$ 180,760	\$ 339,737
Cash payments for claims and services	<u>(130,946)</u>	<u>(191,151)</u>	<u>(322,097)</u>
Net cash provided by (used in) operating activities	<u>28,031</u>	<u>(10,391)</u>	<u>17,640</u>
Cash flows from investing activities			
Interfund borrowing	-	76,055	76,055
Interest received	<u>60</u>	<u>9</u>	<u>69</u>
Net cash provided by investing activities	<u>60</u>	<u>76,064</u>	<u>76,124</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,091	65,673	93,764
Cash and cash equivalents, beginning of year	<u>156,131</u>	<u>23,071</u>	<u>179,202</u>
Cash and cash equivalents, end of year	<u>\$ 184,222</u>	<u>\$ 88,744</u>	<u>\$ 272,966</u>
Reconciliation of operating income to net cash provided by (used in) operating activities			
Operating income	\$ 37,407	\$ (9)	\$ 37,398
Adjustments to reconcile operating income to net cash used in operating activities			
Decrease in estimated claims liability	(7,255)	-	(7,255)
Decrease in accounts payable	<u>(2,121)</u>	<u>(10,382)</u>	<u>(12,503)</u>
Net cash provided by (used in) operating activities	<u>\$ 28,031</u>	<u>\$ (10,391)</u>	<u>\$ 17,640</u>

OTHER SUPPLEMENTARY INFORMATION
(Unaudited)

City of North Chicago, Illinois
 General Obligation Bonds Series 2005A
 Schedule of Annual Debt Service Requirements
April 30, 2014

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
2015	4.00%	\$ 595,000	\$ 352,900	\$ 947,900
2016	5.00	640,000	325,000	965,000
2017	5.00	680,000	292,000	972,000
2018	5.00	750,000	256,250	1,006,250
2019	5.00	815,000	217,125	1,032,125
2020	5.00	875,000	174,875	1,049,875
2021	5.00	945,000	129,375	1,074,375
2022	5.00	1,020,000	80,250	1,100,250
2023	5.00	1,095,000	27,375	1,122,375
		<u>\$ 7,415,000</u>	<u>\$ 1,855,150</u>	<u>\$ 9,270,150</u>

City of North Chicago, Illinois
 General Obligation Bonds Series 2005B
 Schedule of Annual Debt Service Requirements
April 30, 2014

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
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>\$ 2,675,000</u>	<u>\$ 875,650</u>	<u>\$ 3,550,650</u>

City of North Chicago, Illinois
 General Obligation Bonds Series 2007A
 Schedule of Annual Debt Service Requirements
April 30, 2014

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
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>\$ 2,030,000</u>	<u>\$ 442,000</u>	<u>\$ 2,472,000</u>

City of North Chicago, Illinois
 General Obligation Bonds Series 2007B
 Schedule of Annual Debt Service Requirements
April 30, 2014

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
2015	4.30%	\$ -	\$ 205,060	\$ 205,060
2016	4.30	-	205,060	205,060
2017	4.30	-	205,060	205,060
2018	4.30	-	205,060	205,060
2019	4.30	-	205,060	205,060
2020	4.30	-	205,060	205,060
2021	4.30	-	205,060	205,060
2022	4.30	-	205,060	205,060
2023	4.30	-	205,060	205,060
2024	4.30	-	205,060	205,060
2025	4.30	-	205,060	205,060
2026	4.30	-	205,060	205,060
2027	4.30	-	205,060	205,060
2028	4.30	-	205,060	205,060
2029	4.30	415,000	205,060	620,060
2030	4.30	435,000	187,215	622,215
2031	4.30	450,000	168,510	618,510
2032	4.30	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, 2014

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

Fiscal Year Ended April 30,	Interest Rate	Principal	Interest	Annual Debt Service
2033	4.30	\$ 490,000	\$ 128,950	\$ 618,950
2034	4.35	510,000	107,880	617,880
2035	4.35	535,000	85,695	620,695
2036	4.35	555,000	62,423	617,423
2037	4.35	580,000	38,280	618,280
2038	4.35	300,000	6,525	306,525
		<u>\$ 4,740,000</u>	<u>\$ 4,010,538</u>	<u>\$ 8,750,538</u>

(Concluded)

City of North Chicago, Illinois
 General Obligation Bonds Series 2007C
 Schedule of Annual Debt Service Requirements
April 30, 2014

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
2015	5.810%	\$ 290,000	\$ 475,254	\$ 765,254
2016	5.81	325,000	457,388	782,388
2017	5.81	345,000	437,925	782,925
2018	5.81	405,000	416,137	821,137
2019	5.81	450,000	391,300	841,300
2020	5.81	495,000	363,847	858,847
2021	5.81	550,000	333,490	883,490
2022	5.81	600,000	300,083	900,083
2023	6.01	660,000	263,480	923,480
2024	6.01	720,000	222,671	942,671
2025	6.01	765,000	178,046	943,046
2026	6.01	810,000	130,718	940,718
2027	6.01	860,000	80,534	940,534
2028	6.01	910,000	27,346	937,346
		<u>\$ 8,185,000</u>	<u>\$ 4,078,219</u>	<u>\$ 12,263,219</u>

City of North Chicago, Illinois

Legal Debt Margin

April 30, 2014

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.