

**City of North Chicago, Illinois**

**Annual Financial Report**

**Year Ended April 30, 2015**

# City of North Chicago, Illinois

## Annual Financial Report

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For the Year Ended April 30, 2015

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**INDEPENDENT AUDITORS' REPORT**

# MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council  
City of North Chicago  
North Chicago, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Chicago, Illinois (the "City"), as of and for the year ended April 30, 2015, 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

***Auditors' Responsibility*** (Continued)

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

***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Chicago, Illinois, as of April 30, 2015, 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**

In disclosed in Note A to the financial statements, in 2015 the City adopted the Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. Our opinions are 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 12, the Illinois Municipal Retirement Fund historical data on page 75, the Illinois Municipal Retirement Fund pension data for Police and Firefighters on pages 76 - 80, the other postemployment benefits data on page 81 and budgetary comparison schedules and notes to the required supplementary information on pages 82 through 85 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, and other auditors, 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.

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***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other schedules listed in the table of contents (the 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 for the year ended April 30, 2015 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 for the year ended April 30, 2015 is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended April 30, 2015.

The other supplementary 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 January 5, 2016 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.



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Certified Public Accountants

Deerfield, Illinois  
January 5, 2016

## 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, 2015.

### Financial Highlights

- The assets and deferred outflows of the City of North Chicago (the City) exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$32,758,126 (net position).
- As of April 30, 2015, the City's governmental funds reported combined ending fund balances of \$27,077,014. Of this amount, \$9,947,646, or 36.7 percent, of total general fund expenditures was unassigned, and available for spending at the City's discretion (unassigned fund balance).
- At April 30, 2015, the City's outstanding General Obligation Bond principal was \$23,595,000 which is a decrease of \$1,450,000 from the prior 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, deferred outflows, liabilities, and deferred inflows with the difference 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 (sanitary and storm sewer) operations.

The government-wide financial statements can be found on pages 13-16 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.

Effective for the April 30, 2015 Fiscal Year, the City's Police and Firefighters' Pension Funds have adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67 *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria.

The basic governmental fund financial statements can be found on pages 17-20 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 (sanitary and storm sewer) operations. Internal service funds are an accounting device used to report activities that provide goods or services to City departments. The City uses internal service funds to account for employee dental and vision self-insurance and retiree's medical insurance programs. 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 major funds 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, 2015 amounted to \$9,302,281 and those of the internal service funds amounted to \$185,868.

The basic proprietary fund financial statements can be found on pages 21-26 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 27-28 of this report.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a better understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-73 of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 74-85 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 109-112 and 113-116 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 and deferred outflows exceeded liabilities and deferred inflows by \$32,758,126 at the close of FY 2014-2015.

**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 outstanding debt used to acquire those assets. 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 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$34,662,632	\$33,763,071	\$9,815,062	\$9,482,387	\$44,477,694	\$43,245,458
Noncurrent assets	19,935,554	19,628,758	15,516,127	16,017,632	35,451,681	35,646,390
Total assets	54,598,186	53,391,829	25,331,189	25,500,019	79,929,375	78,891,848
Loss on refunding of bonds	205,782	-	105,172	-	310,954	-
Total deferred outflows	205,782	-	105,172	-	310,954	-
Current liabilities	2,940,836	2,364,099	232,660	1,100,460	3,173,496	3,464,559
Noncurrent liabilities	35,836,972	34,976,376	3,979,869	4,120,808	40,007,141	39,097,184
Total liabilities	38,777,808	37,340,475	4,212,529	5,221,268	43,180,637	42,561,743
Property taxes levied for a future period	4,458,914	4,503,857	32,952	-	4,491,866	4,503,857
Total deferred inflows	4,458,914	4,503,857	32,952	-	4,491,866	4,503,857
Net position:						
Net investment in capital assets	7,868,904	6,816,642	11,888,599	12,048,415	19,757,503	18,865,057
Restricted by enabling legislation	3,549,378	2,978,031	-	-	3,549,378	2,978,031
Restricted for sales tax refund	1,405,290	1,616,490	-	-	1,405,290	1,616,490
Unrestricted	(1,256,326)	136,334	9,302,281	8,230,336	8,045,955	8,366,670
Total net position	\$11,567,246	\$11,547,497	\$21,190,880	\$20,278,751	\$32,758,126	\$31,826,248

At April 30, 2015, 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.

**Government-Wide Financial Analysis** (Continued)

**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			
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 3,441,505	\$ 3,297,217	\$ 7,436,765	\$ 7,541,250	\$10,878,270	\$10,838,467
Operating grants	2,340,124	1,938,254	-	-	2,340,124	1,938,254
Capital grants and contributions	-	27,701	-	-	-	31,337
General revenues:						
Property taxes	9,110,723	8,671,902	30,721	-	9,110,723	8,671,902
Other taxes	4,482,155	4,397,143	-	-	4,482,155	4,397,143
Intergovernmental	6,150,307	6,077,423	-	-	6,150,307	6,077,423
Other	471,868	474,010	37,181	11,485	509,049	485,495
Total revenues	25,996,682	24,883,650	7,504,667	7,552,735	33,501,349	32,436,385
Expenses:						
Administration and general government	6,395,313	5,642,431	-	-	6,395,313	5,642,431
Police	10,468,946	12,054,925	-	-	10,468,946	12,054,925
Fire	5,025,049	4,967,400	-	-	5,025,049	4,967,400
Public works	1,954,431	2,103,334	-	-	1,954,431	2,103,334
Library	397,987	665,317	-	-	397,987	665,317
Economic development	2,599,567	1,799,718	-	-	2,599,567	1,799,718
Interest and other	1,136,809	1,127,567	-	-	1,136,809	1,127,567
Water	-	-	3,577,730	4,584,145	3,577,730	4,584,145
Sewer	-	-	1,013,639	1,130,798	1,013,639	1,130,798
Total expenses	27,978,102	28,360,692	4,591,369	5,714,943	32,569,471	34,075,635
Change in net position before transfers	(1,981,420)	(3,477,042)	2,913,298	1,837,792	931,878	(1,639,250)
Transfers	2,001,169	2,000,000	(2,001,169)	(2,000,000)	-	-
Increase (decrease) in net position	19,749	(1,477,042)	912,129	(162,208)	931,878	(1,639,250)
Net position – beginning of year	11,547,497	13,024,539	20,278,751	20,440,959	31,826,248	33,465,498
Net position – end of year	\$11,567,246	\$11,547,497	\$21,190,880	\$20,278,751	\$32,758,126	\$31,826,248

## **Financial Analysis of the City's Funds**

As previously noted, 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 April 30, 2015, the combined ending fund balances of the City's governmental funds were \$27,077,014, an increase of \$339,461 in comparison with the prior year. Approximately 37% or \$9.9 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 spending because it has already been designated for 1) inventory; 2) prepaid items; 3) property held for resale-\$7,497,386; 4) special revenue funds-\$5,053,157; 5) debt service-\$1,278,828, 6) capital projects-\$1,593,525, and 7) notes payable to Illinois Department of Revenue-\$1,405,290 for sales tax reimbursements.

The General Fund is the primary operating fund of the City. At the end of the fiscal year, unassigned fund balance of the General Fund was \$9,947,646. 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 represented 43.5% of total General Fund expenditures, while total fund balance represents 51.7% of that same amount.

The City's General Fund fund balance increased by \$175,349 during the current fiscal year. Factors related to this change are as follows:

- While revenue earned from the extension of property taxes declined, revenue earned from all other sources of taxes, both local and state shared, increased by \$207,038.
- There was a sizable increase in funding from grants (\$263,965) as a result of participating in the FEMA sponsored program for fire first responders. In addition, revenue realized from earned fines and fees increased by \$165,580. Overall, the City's General Fund revenue profile increased by \$566,429 or 2.80% from FY 2013-2014.
- Expenditures increased by \$1,921,415 although they were slightly less than the budget approved for the fiscal year. The most significant net increases were related to public safety (Police and Fire)-\$916,836 and for capital outlay-\$574,255.

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

The total net position of the water and sewer operations at the end of the year amounted to \$21,190,880, as compared to \$20,278,751 for the prior year, an increase of \$912,129 or 4.50; the unrestricted balance at year end totaled \$9,302,281.

## **General Fund Budgetary Highlights**

The initial budgeted revenue and other financing sources were anticipated at the time of Budget adoption to not be sufficient to offset budgeted expenditures and other financing uses, leaving an estimated budget deficit of \$402,588. As a result, during the fiscal period, the recruitment of certain budgeted positions and capital items were deferred, coupled with the implementation of other operating efficiencies.

Realized revenues and other financing sources were \$23,020,331, compared to the budget of \$22,431,539, a positive variance against budget of \$588,792. The difference between the budget and the amount realized was spread across the entire revenue profile of the General Fund, although there was a significant increase in one time revenue due to the proceeds of capital financing. Total expenditures were \$22,844,982, compared to the budget of \$22,834,127, a positive variance against budget of \$10,855. 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 and in actuality, allowed the total fund balance to slightly increase.

## **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, 2015 amounts to \$35,451,681 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, infrastructure, library collections, and machinery and equipment.

For the most part, assets were added during the course of recurring improvements to City infrastructure, most specifically at the water plant and as part of recurring street maintenance. Also, new vehicles and equipment were purchased for both fire and police as part of normal scheduled replacement practices.

Capital asset detail, by category of asset, is as follows:

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

	Governmental		Business-type		Total	
	activities		activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 2,831,841	\$ 2,831,841	\$ 2,435	\$ 2,435	\$ 2,834,276	\$ 2,834,276
Land improvements	207,301	219,865	106,515	109,852	313,816	329,717
Buildings and improvements	1,887,865	1,992,672	4,053,722	4,179,687	5,941,587	6,172,359
Infrastructure	12,641,962	12,166,898	-	-	12,641,962	12,166,898
Library collections	162,438	169,902	-	-	162,438	169,902
Machinery and equipment	2,204,147	2,247,580	11,353,455	11,725,658	13,557,602	13,973,238
Total	\$19,935,554	\$19,628,758	\$15,516,127	\$16,017,632	\$35,451,681	\$35,646,390

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

**Capital Asset and Debt Administration** (Continued)

**Long-Term Debt:** At April 30, 2015, the City had outstanding general obligation debt of \$23,595,000 backed by the full faith and credit of the City. Other City debt totals \$16,221,841 as listed in the following table. Total bonded debt and other debt at the end of the fiscal year was \$39,816,841

**CITY OF NORTH CHICAGO**

## Long Term Debt

	Governmental activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
GO Bonds:						
Series 2005A	\$ 640,000	\$ 7,415,000	\$ -	\$ -	\$ 640,000	\$ 7,415,000
Series 2005B	-	-	175,000	2,675,000	175,000	2,675,000
Series 2007A	1,860,000	2,030,000	-	-	1,860,000	2,030,000
Series 2007B	4,740,000	4,740,000	-	-	4,740,000	4,740,000
Series 2007C	7,895,000	8,185,000	-	-	7,895,000	8,185,000
Series 2014A Refunding	6,010,000	-	-	-	6,010,000	-
Series 2014B Refunding	-	-	2,275,000	-	2,275,000	-
<b>Total Bonds</b>	<b>\$21,145,000</b>	<b>\$22,370,000</b>	<b>\$ 2,450,000</b>	<b>\$ 2,675,000</b>	<b>\$23,595,000</b>	<b>\$25,045,000</b>
Other:						
Bond issuance premium	683,131	264,665	203,971	-	887,102	264,665
Compensated Absences	1,773,574	1,618,156	148,370	151,591	1,921,944	1,769,747
Capital lease	321,640	210,579	-	-	321,640	210,579
Other post employment benefits	114,101	111,961	-	-	114,101	111,961
Lawsuit settlement liability	49,100	50,600	-	-	49,100	50,600
Note payable to Lake Forest Bank	115,939	308,629	-	-	115,939	308,629
Note payable to State of Illinois, Office of the Fire Marshal	-	20,000	-	-	-	20,000
Note payable to IL Department of Revenue	1,405,290	1,616,490	-	-	1,405,290	1,616,490
Net Firefighter and police pension obligation	10,229,197	8,405,296	-	-	10,229,197	8,405,296
Note payable to Abbott Laboratories	-	-	280,462	339,275	280,462	339,275
Note payable to IL Environmental Protection Agency	-	-	897,066	954,942	897,066	954,942
<b>Total Other</b>	<b>\$14,691,972</b>	<b>\$12,606,376</b>	<b>\$ 1,529,869</b>	<b>\$ 1,445,808</b>	<b>\$16,221,841</b>	<b>\$14,052,184</b>
<b>Total</b>	<b>\$35,836,972</b>	<b>\$34,976,376</b>	<b>\$ 3,979,869</b>	<b>\$ 4,120,808</b>	<b>\$39,816,841</b>	<b>\$39,097,184</b>

## **Capital Asset and Debt Administration** (Continued)

Additional information on the City's long-term debt can be found in Note F on pages 53-59 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 Naval Station Great Lakes, which is the only recruit training facility in the United States. The City property tax revenues remained stable during this with other fees and taxes generally increasing, although slightly, as compared to the prior fiscal year. Ideally, this is an indication that the local economy has begun to stabilize. However, caution and a conservative approach to all aspects of budgeting and financial execution on a daily basis need to be paramount.

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

**Rick 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.

### **Significant Future Accounting Pronouncements**

As disclosed in Footnote N, the City will implement GASB 68 and 71 in fiscal 2016. Specific changes to the District's financial statements will relate to the recognition of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The most significant effect of this statement will be the requirement that the City record the net pension liability related to the Illinois Municipal Retirement Fund, the Police Pension Fund, and the Firefighters Pension Fund as part of long-term liabilities in the statement of net position (see Note I). The City anticipates that the adoption of these statements will have a significant negative impact on the April 30, 2016 the government-wide financial statements.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of North Chicago's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Comptroller, City of North Chicago, 1850 Lewis Avenue, North Chicago, Illinois 60064 or on the City website at [www.northchicago.org](http://www.northchicago.org).

## **BASIC FINANCIAL STATEMENTS**

# City of North Chicago, Illinois

## Statement of Net Position

April 30, 2015

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	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash, cash equivalents, and investments	\$ 13,738,250	\$ 9,083,577	\$ 22,821,827
Property taxes receivable	9,184,081	-	9,184,081
Other taxes receivable	496,774	-	496,774
Intergovernmental receivable	75,760	-	75,760
Other receivables, net	3,237,011	968,559	4,205,570
Internal balances	237,074	(237,074)	-
Prepaid expenses	189,890	-	189,890
Inventory	6,406	-	6,406
Property held for resale	7,497,386	-	7,497,386
Total current assets	<u>34,662,632</u>	<u>9,815,062</u>	<u>44,477,694</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>17,103,713</u>	<u>15,513,692</u>	<u>32,617,405</u>
Total noncurrent assets	<u>19,935,554</u>	<u>15,516,127</u>	<u>35,451,681</u>
Total assets	<u>54,598,186</u>	<u>25,331,189</u>	<u>79,929,375</u>
<b>DEFERRED OUTFLOWS</b>			
Loss on refunding of bonds	<u>205,782</u>	<u>105,172</u>	<u>310,954</u>
Total deferred outflows	<u>205,782</u>	<u>105,172</u>	<u>310,954</u>

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The accompanying notes are an integral part of this statement.

# City of North Chicago, Illinois

## Statement of Net Position

April 30, 2015

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 1,715,519	\$ 182,525	\$ 1,898,044
Accrued payroll	472,981	50,135	523,116
Unearned revenue	67,142	-	67,142
Claims payable	12,803	-	12,803
Other liabilities	672,391	-	672,391
Noncurrent liabilities			
Due within one year	1,961,328	314,540	2,275,868
Due in more than one year	33,875,644	3,665,329	37,540,973
Total liabilities	38,777,808	4,212,529	42,990,337
<b>DEFERRED INFLOWS</b>			
Property taxes levied for a future period	4,458,914	32,952	4,491,866
Total deferred inflows	4,458,914	32,952	4,491,866
<b>NET POSITION</b>			
Net investment in capital assets	7,868,904	11,888,599	19,757,503
Restricted by enabling legislation	3,549,378	-	3,549,378
Restricted for sales tax refund	1,405,290	-	1,405,290
Unrestricted	(1,256,326)	9,302,281	8,045,955
Total net position	\$ 11,567,246	\$ 21,190,880	\$ 32,758,126

(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, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants</u>
Primary government			
Governmental activities			
Administration and general government	\$ 6,395,313	\$ 112,534	\$ -
Police	10,468,946	1,213,260	-
Fire	5,025,049	304,502	644,012
Public works	1,954,431	1,794,897	1,121,918
Library	397,987	16,312	98,918
Economic development	2,599,567	-	475,276
Interest and other	1,136,809	-	-
Total governmental activities	<u>27,978,102</u>	<u>3,441,505</u>	<u>2,340,124</u>
Business-type activities			
Water	3,549,848	6,021,491	-
Sewer	984,619	1,415,274	-
Total business-type activities	<u>4,534,467</u>	<u>7,436,765</u>	<u>-</u>
Total primary government	<u>\$ 32,512,569</u>	<u>\$ 10,878,270</u>	<u>\$ 2,340,124</u>
		General revenues	
		Property taxes	
		Other taxes	
		Intergovernmental	
		Miscellaneous	
		Interest income	
		Bond issuance costs	
		Transfers	
		Total general revenues, transfers, and other	
		Change in net position	
		Net position, beginning of year	
		Net position, end of year	

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (6,282,779)	\$ -	\$ (6,282,779)
(9,255,686)	-	(9,255,686)
(4,076,535)	-	(4,076,535)
962,384	-	962,384
(282,757)	-	(282,757)
(2,124,291)	-	(2,124,291)
(1,136,809)	-	(1,136,809)
<u>(22,196,473)</u>	<u>-</u>	<u>(22,196,473)</u>
-	2,471,643	2,471,643
-	430,655	430,655
-	2,902,298	2,902,298
<u>(22,196,473)</u>	<u>2,902,298</u>	<u>(19,294,175)</u>
9,110,723	30,721	9,141,444
4,482,155	-	4,482,155
6,150,307	-	6,150,307
466,053	12,943	478,996
5,815	24,238	30,053
-	(56,902)	(56,902)
2,001,169	(2,001,169)	-
<u>22,216,222</u>	<u>(1,990,169)</u>	<u>20,226,053</u>
19,749	912,129	931,878
<u>11,547,497</u>	<u>20,278,751</u>	<u>31,826,248</u>
\$ <u>11,567,246</u>	\$ <u>21,190,880</u>	\$ <u>32,758,126</u>

**City of North Chicago, Illinois**

Governmental Funds

Balance Sheet

April 30, 2015

	General	Downtown Tax Increment Financing Redevelopment Project Area	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,178,634	\$ 1,336,465	\$ 4,883,122	\$ 13,398,221
Property taxes receivable	6,332,008	-	2,852,073	9,184,081
Other taxes receivable	496,774	-	-	496,774
Intergovernmental receivable	-	-	75,760	75,760
Other receivables	2,679,352	-	536,087	3,215,439
Prepaid expense	189,890	-	-	189,890
Due from other funds	538,855	182,400	174,062	895,317
Inventory	6,406	-	-	6,406
Property held for resale	152,000	6,125,314	1,220,072	7,497,386
Total assets	<u>\$ 17,573,919</u>	<u>\$ 7,644,179</u>	<u>\$ 9,741,176</u>	<u>\$ 34,959,274</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,273,761	\$ 7,799	\$ 387,948	\$ 1,669,508
Accrued payroll	465,085	-	7,896	472,981
Other liabilities	669,248	-	3,143	672,391
Unearned fees	-	-	67,142	67,142
Due to other funds	92,542	-	448,782	541,324
Total liabilities	<u>2,500,636</u>	<u>7,799</u>	<u>914,911</u>	<u>3,423,346</u>
<b>Deferred inflows</b>				
Property taxes levied for a future period	3,267,165	-	1,191,749	4,458,914
Total deferred inflows	<u>3,267,165</u>	<u>-</u>	<u>1,191,749</u>	<u>4,458,914</u>
<b>Fund balances</b>				
Nonspendable for inventory	6,406	-	-	6,406
Nonspendable for prepaid items	189,890	-	-	189,890
Nonspendable for property held for resale	152,000	6,125,314	1,220,072	7,497,386
Restricted for special revenue funds	-	-	5,053,157	5,053,157
Restricted for debt service	-	-	1,278,828	1,278,828
Restricted for capital projects	-	1,511,066	82,459	1,593,525
Restricted for sales tax refund	1,405,290	-	-	1,405,290
Assigned for accounts payable clearing	104,886	-	-	104,886
Unassigned	9,947,646	-	-	9,947,646
Total fund balances	<u>11,806,118</u>	<u>7,636,380</u>	<u>7,634,516</u>	<u>27,077,014</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 17,573,919</u>	<u>\$ 7,644,179</u>	<u>\$ 9,741,176</u>	<u>\$ 34,959,274</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, 2015

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

Total fund balances - governmental funds	\$ 27,077,014
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	19,935,554
Deferred charges included in the statement of net position are not available to pay for current period expenditures and, accordingly, are not included in the governmental funds balance sheet.	205,782
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.	(35,836,972)
The net position of the internal service funds are included in the governmental activities in the statement of net position.	<u>185,868</u>
Net position of governmental activities	<u><u>\$ 11,567,246</u></u>

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The accompanying notes are an integral part of this statement.

# City of North Chicago, Illinois

## Governmental Funds

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

For the Year Ended April 30, 2015

	General	Downtown Tax Increment Financing Redevelopment Project Area	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 5,999,400	\$ -	\$ 3,111,323	\$ 9,110,723
Taxes - other	4,327,303	-	154,852	4,482,155
Licenses and permits	601,273	-	-	601,273
Intergovernmental	6,137,125	-	1,130,027	7,267,152
Grants	641,148	-	582,131	1,223,279
Fines and fees	2,795,746	-	16,312	2,812,058
Interest	3,970	168	1,545	5,683
Miscellaneous	239,538	118	185,098	424,754
Total revenues	20,745,503	286	5,181,288	25,927,077
<b>Expenditures</b>				
<b>Current</b>				
General government	2,526,141	51,551	-	2,577,692
Administration services	3,431,630	-	24,148	3,455,778
Highway and streets	1,192,189	-	160,361	1,352,550
Public safety	13,172,296	-	69,250	13,241,546
Culture and recreation	-	-	672,906	672,906
Economic development	1,186,833	-	1,412,734	2,599,567
Debt service	-	-	-	-
Principal retirement	590,981	-	1,055,000	1,645,981
Interest and other	26,515	-	1,161,342	1,187,857
Bond issuance costs	-	-	140,646	140,646
Capital outlay	718,397	-	569,694	1,288,091
Total expenditures	22,844,982	51,551	5,266,081	28,162,614
Deficiency of revenues over expenditures	(2,099,479)	(51,265)	(84,793)	(2,235,537)
<b>Other financing sources (uses)</b>				
Bond proceeds	-	-	6,010,000	6,010,000
Premium on bonds sold	-	-	535,135	535,135
Transfer to escrow agent	-	-	(6,329,814)	(6,329,814)
Proceeds from capital lease	317,209	-	-	317,209
Gain on sale of land	-	-	41,299	41,299
Transfers in	1,957,619	-	43,550	2,001,169
Total other financing sources	2,274,828	-	300,170	2,574,998
Net change in fund balance	175,349	(51,265)	215,377	339,461
Fund balances, beginning of year	11,630,769	7,687,645	7,419,139	26,737,553
Fund balances, end of year	\$ 11,806,118	\$ 7,636,380	\$ 7,634,516	\$ 27,077,014

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, 2015

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

Net change in fund balances - total governmental funds	\$ 339,461
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 capital outlay exceeded depreciation expense in the current period.	306,796
Governmental funds report the effects of deferred charges when the debt is issued. However, these amounts are deferred and amortized in the statement of activities. This is the amount of the current year net effect of these differences.	205,782
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. This amount is the net effect of the difference in the treatment of long-term debt and related items.	1,002,694
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,863,290)
Internal service funds are reported separately in the fund financial statements.	<u>28,306</u>
Change in net position - governmental activities	<u><u>\$ 19,749</u></u>

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The accompanying notes are an integral part of this statement.

**City of North Chicago, Illinois**

Proprietary Funds  
Statement of Net Position  
April 30, 2015

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Major Funds</u>			<u>Activities</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Internal</u> <u>Service</u> <u>Funds</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 6,613,101	\$ 2,470,476	\$ 9,083,577	\$ 340,029
Other receivables, net	774,104	194,455	968,559	21,572
Total current assets	<u>7,387,205</u>	<u>2,664,931</u>	<u>10,052,136</u>	<u>361,601</u>
Noncurrent assets				
Land and other capital assets not being depreciated	2,435	-	2,435	-
Capital assets, net of accumulated depreciation	<u>11,469,278</u>	<u>4,044,414</u>	<u>15,513,692</u>	<u>-</u>
Total noncurrent assets	<u>11,471,713</u>	<u>4,044,414</u>	<u>15,516,127</u>	<u>-</u>
Total assets	<u>18,858,918</u>	<u>6,709,345</u>	<u>25,568,263</u>	<u>361,601</u>
<b>DEFERRED OUTFLOWS</b>				
Loss on refunding of bonds	<u>51,534</u>	<u>53,638</u>	<u>105,172</u>	<u>-</u>
Total deferred outflows	<u>51,534</u>	<u>53,638</u>	<u>105,172</u>	<u>-</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, 2015

	<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>	
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 150,469	\$ 32,056	\$ 182,525	\$ 46,011
Accrued payroll	39,273	10,862	50,135	-
Noncurrent liabilities -				
current portion	225,290	89,250	314,540	-
Claims payable	-	-	-	12,803
Due to other funds	216,465	20,609	237,074	116,919
Total current liabilities	<u>631,497</u>	<u>152,777</u>	<u>784,274</u>	<u>175,733</u>
Noncurrent liabilities	<u>1,444,704</u>	<u>2,220,625</u>	<u>3,665,329</u>	<u>-</u>
Total liabilities	<u>2,076,201</u>	<u>2,373,402</u>	<u>4,449,603</u>	<u>175,733</u>
Deferred inflows				
Property taxes levied for a future period	<u>16,147</u>	<u>16,805</u>	<u>32,952</u>	<u>-</u>
Total deferred inflows	<u>16,147</u>	<u>16,805</u>	<u>32,952</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	9,997,611	1,890,988	11,888,599	-
Unrestricted	<u>6,820,493</u>	<u>2,481,788</u>	<u>9,302,281</u>	<u>185,868</u>
Total net position	<u>\$ 16,818,104</u>	<u>\$ 4,372,776</u>	<u>\$ 21,190,880</u>	<u>\$ 185,868</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, 2015

	<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>	
Operating revenues				
Charges for sales and services	\$ 6,021,491	\$ 1,415,274	\$ 7,436,765	\$ 321,616
Miscellaneous	12,943	-	12,943	-
Total operating revenues	<u>6,034,434</u>	<u>1,415,274</u>	<u>7,449,708</u>	<u>321,616</u>
Operating expenses				
Operations	2,961,979	802,882	3,764,861	293,442
Depreciation	547,409	123,744	671,153	-
Total operating expenses	<u>3,509,388</u>	<u>926,626</u>	<u>4,436,014</u>	<u>293,442</u>
Operating income	<u>2,525,046</u>	<u>488,648</u>	<u>3,013,694</u>	<u>28,174</u>
Nonoperating revenues (expenses)				
Property taxes	15,054	15,667	30,721	-
Bond issuance costs	(27,882)	(29,020)	(56,902)	
Interest income	12,263	11,975	24,238	132
Interest expense	(40,460)	(57,993)	(98,453)	-
Total nonoperating revenues (expenses)	<u>(41,025)</u>	<u>(59,371)</u>	<u>(100,396)</u>	<u>132</u>
Income before transfers	<u>2,484,021</u>	<u>429,277</u>	<u>2,913,298</u>	<u>28,306</u>

(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, 2015

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	<u>Business-Type Activities - Enterprise Funds</u>			Governmental
	<u>Major Funds</u>			Activities -
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	Internal
				Service
				<u>Funds</u>
Transfers out	\$ (1,600,000)	\$ (401,169)	\$ (2,001,169)	-
Change in net position	884,021	28,108	912,129	28,306
Net position, beginning of year	<u>15,934,083</u>	<u>4,344,668</u>	<u>20,278,751</u>	<u>157,562</u>
Net position, end of year	<u>\$ 16,818,104</u>	<u>\$ 4,372,776</u>	<u>\$ 21,190,880</u>	<u>\$ 185,868</u>

(Concluded)

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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, 2015

	<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>	
Cash flows from operating activities				
Cash received from customers	\$ 6,093,680	\$ 1,455,471	\$ 7,549,151	\$ 300,044
Cash payments for goods and services	(2,556,373)	(430,412)	(2,986,785)	(273,977)
Cash payments to employees	(1,221,603)	(427,494)	(1,649,097)	-
Net cash provided by operating activities	<u>2,315,704</u>	<u>597,565</u>	<u>2,913,269</u>	<u>26,067</u>
Cash flows from noncapital financing activities				
Property tax revenues	15,054	15,667	30,721	-
Interfund borrowing	536,490	15,549	552,039	40,864
Operating transfers in (out)	(1,600,000)	(401,169)	(2,001,169)	-
Net cash provided by (used in) noncapital financing activities	<u>(1,048,456)</u>	<u>(369,953)</u>	<u>(1,418,409)</u>	<u>40,864</u>
Cash flows from capital and related financing activities				
Purchase of equipment and infrastructure	(125,660)	(43,988)	(169,648)	-
Payment of note payable	(58,813)	-	(58,813)	-
Payment of bond principal	(85,000)	(85,000)	(170,000)	-
Payments on loan payable	-	(57,876)	(57,876)	-
Interest paid	(35,775)	(53,117)	(88,892)	-
Net cash used in capital and related financing activities	<u>(305,248)</u>	<u>(239,981)</u>	<u>(545,229)</u>	<u>-</u>
Cash flows from investing activities				
Interest received	1,158	416	1,574	132
Net cash provided by investing activities	<u>1,158</u>	<u>416</u>	<u>1,574</u>	<u>132</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	963,158	(11,953)	951,205	67,063
Cash and cash equivalents, beginning of year	<u>5,649,943</u>	<u>2,482,429</u>	<u>8,132,372</u>	<u>272,966</u>
Cash and cash equivalents, end of year	<u>\$ 6,613,101</u>	<u>\$ 2,470,476</u>	<u>\$ 9,083,577</u>	<u>\$ 340,029</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, 2015

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Major Funds			
	Water	Sewer	Total	
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 2,525,046	\$ 488,648	\$ 3,013,694	\$ 28,174
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	547,409	123,744	671,153	-
Increase in property tax receivables	(31,200)	(32,472)	(63,672)	-
(Increase) decrease in other receivables	74,299	55,864	130,163	(21,572)
Increase (decrease) in accounts payable	(825,103)	(36,867)	(861,970)	21,321
Increase (decrease) in accrued payroll	2,509	(8,339)	(5,830)	-
Increase in property taxes levied for a future period	16,147	16,805	32,952	-
Increase (decrease) in compensated absences payable	6,597	(9,818)	(3,221)	-
Decrease in claims payable	-	-	-	(1,856)
Net cash provided by operating activities	\$ 2,315,704	\$ 597,565	\$ 2,913,269	\$ 26,067

#### Non-cash noncapital financing activities

The City issued 2014B General Obligation Refunding Bonds with proceeds used to pay bond issuance costs and to fund an escrow account to repay the 2005B General Obligation Bonds. The non-cash components of the 2014B General Obligation Refunding Bonds were as follows:

Principal amount	\$ 1,114,750	\$ 1,160,250	\$ 2,275,000
Plus: original issue premium	111,051	115,584	226,635
Less: cost of issuance	(27,882)	(29,020)	(56,902)
Deposit to Escrow	\$ 1,197,919	\$ 1,246,814	\$ 2,444,733

(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, 2015

	Pension Trust Funds			Agency Fund
	Police Pension	Firefighters' Pension	Total	Temporary Escrow
<b>ASSETS</b>				
Cash and cash equivalents	\$ 344,935	\$ 694,333	\$ 1,039,268	\$ 1,842
Investments	16,073,538	8,764,824	24,838,362	-
Prepaid expenses	517	517	1,034	-
Interest receivable	70,061	624	70,685	-
Total assets	16,489,051	9,460,298	25,949,349	1,842
<b>LIABILITIES</b>				
Accounts payable	2,645	6,586	9,231	-
Escrow funds payable	-	-	-	1,842
Total liabilities	2,645	6,586	9,231	1,842
<b>PLAN NET POSITION</b>				
Plan net position held in trust for pension benefits	16,486,406	9,453,712	25,940,118	-
Total net position	\$ 16,486,406	\$ 9,453,712	\$ 25,940,118	\$ -

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, 2015

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
<b>Additions</b>			
Contributions			
Employer	\$ 871,239	\$ 612,133	\$ 1,483,372
Plan members	449,402	221,905	671,307
Total contributions	<u>1,320,641</u>	<u>834,038</u>	<u>2,154,679</u>
Investment earnings			
Interest and dividends	409,247	190,175	599,422
Net change in fair value of investments	566,800	425,651	992,451
Total investment earnings	976,047	615,826	1,591,873
Less investment expenses	<u>121,788</u>	<u>35,300</u>	<u>157,088</u>
Net investment income	<u>854,259</u>	<u>580,526</u>	<u>1,434,785</u>
Total additions	<u>2,174,900</u>	<u>1,414,564</u>	<u>3,589,464</u>
<b>Deductions</b>			
Administration	54,680	47,171	101,851
Benefits	2,090,560	1,297,814	3,388,374
Refunds of contributions	195,761	18,191	213,952
Total deductions	<u>2,341,001</u>	<u>1,363,176</u>	<u>3,704,177</u>
Change in net position	(166,101)	51,388	(114,713)
Net position held in trust for pension benefits			
Beginning of year	<u>16,652,507</u>	<u>9,402,324</u>	<u>26,054,831</u>
End of year	<u>\$ 16,486,406</u>	<u>\$ 9,453,712</u>	<u>\$ 25,940,118</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, 2015

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**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**1. Reporting Entity**

As defined by GAAP, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the 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 does not have any component units.

**2. New Accounting Pronouncement**

Effective for the April 30, 2015 Fiscal Year, the City's Police and Firefighters' Pension Funds have adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67 *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

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

4. Fund Accounting

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

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

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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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 modified 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, 2015

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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, 2015

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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 and unavailable revenue on its financial statements. Unearned and unavailable revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability or deferred inflow of resources for unearned or unavailable revenue is removed from the balance sheet and revenue is recognized. Governmental Funds also defer revenue recognition in connection with resources received, but not yet earned.

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, 2015, the City has deferred outflows of resources related to the loss on refunding of bonds. 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, 2015, the City's property taxes levied for a future period 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, 2015

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Budgets (Continued)

The annual appropriation exceeded the annual budget by 1.2%. 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.

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.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Receivables (Continued)

The City participates in federally funded forgivable rehabilitation loan programs that allow citizens to apply for money designated for the improvement of property, recorded in non major governmental funds. Each loan provided is subject to various compliance criteria and may be forgiven or partially forgiven under the provisions of the federal loan programs. The City maintains the loans at a value net of an allowance for properties in which the repayment is not anticipated. The carrying value of these loans, net of an allowance of \$51,147 reported in other receivables was \$297,694 at April 30, 2015. During 2015, Lake County, Illinois assumed the responsibility for maintaining the federal programs on behalf of the City. Based upon a review of the outstanding loans and the review of the allowance for loans outstanding \$1,001,156 of loans, net of existing allowances, were forgiven or written off in fiscal 2015.

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.

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.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. Capital Assets (Continued)

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.

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, 2015, the City has \$1,773,574 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, 2015, the City has \$148,370 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.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2014 levy year are payable in two installments on or about June 1, 2015 and September 1, 2015.

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.

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.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

20. Fund Balance (Continued)

- 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, 2015.
- 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 \$104,886 in assigned fund balances related to account payable clearing at April 30, 2015.
- 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:

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2015

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

(Continued)

1. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position (Continued)

General obligation bonds payable	\$ 21,145,000
Note payable to Lake Forest Bank	115,939
Note payable to Illinois Department of Revenue	1,405,290
Bond issuance premium	683,131
Compensated absences payable	1,773,574
Capital leases	321,640
Other postemployment benefits obligation	114,101
Lawsuit settlement liability	49,100
Net pension obligation	<u>10,229,197</u>
Net adjustment to reduce total fund balances - governmental funds to net position of governmental activities	<u><u>\$ 35,836,972</u></u>

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and change in net 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	\$ (1,345,127)
Capital outlay	<u>1,651,923</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u><u>\$ 306,796</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:

**City of North Chicago, Illinois**  
 NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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**NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**  
 (Continued)

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

Principal retirement of long-term debt	\$	7,865,038
Issuance of long-term debt		(6,327,209)
Bond issuance premium		<u>(535,135)</u>
Net long-term debt adjustment to increase net change in fund balances - funds to arrive at change in net position - governmental activities	\$	<u><u>1,002,694</u></u>

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

Net compensated absences	\$	(155,418)
Amortization of bond issuance premium		116,669
Net other postemployment benefits obligation		(2,140)
Lawsuit settlement liability		1,500
Net fire and police pension fund obligation		<u>(1,823,901)</u>
Net current adjustment to decrease net change in fund balances - total funds to arrive at change in net position - governmental activities	\$	<u><u>(1,863,290)</u></u>

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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**NOTE C - DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by most funds. The City's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents". The City is authorized by its own local ordinances 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.

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.

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2015

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

As of April 30, 2015, 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>22,821,827</u>	\$ <u>25,879,472</u>	\$ <u>48,701,299</u>

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:

	<u>Total</u>
Cash on hand	\$ 5,400
Deposits with financial institutions - City	20,353,512
Deposits with financial institutions - Police and Firefighters' Pension Funds	1,039,268
Deposits with financial institutions - Temporary Escrow Fund	1,842
The Illinois Funds - City	2,462,915
Investments - Police and Firefighters' Pension Funds	<u>24,838,362</u>
Total	<u>\$ 48,701,299</u>

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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

As of April 30, 2015, 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	\$ 3,340,549	\$ 535,820	\$ 1,222,126	\$ 1,438,150	\$ 144,453
Corporate bonds	1,548,529	-	1,158,300	-	390,229
Money Market Mutual Funds	<u>3,117,288</u>	<u>3,117,288</u>	<u>-</u>	<u>-</u>	<u>-</u>
	8,006,366	<u>\$ 3,653,108</u>	<u>\$ 2,380,426</u>	<u>\$ 1,438,150</u>	<u>\$ 534,682</u>
Equity Mutual Funds	5,167,079				
Insurance Company Contracts	5,691,239				
Equity Securities	<u>5,973,678</u>				
	<u>\$ 24,838,362</u>				

**1. Interest Rate Risk**

The City's investment policy limits investment maturities to no more than two years from the date of purchase as a means of managing its exposure to fair value losses arising from increasing interest rates. The objective is to maintain a core portfolio with maturities in the one- to two-year range.

The Police Pension Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity while at the same time matching investment maturities to projected fund liabilities. The Pension Fund does not have a formal written policy with regards to interest rate risk.

The Firefighters' Pension Fund investment policy limits its exposure to interest rate risk by structuring the portfolio to "provide liquidity while at the same time matching investment maturities to projected fund liabilities."

**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.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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NOTE C - DEPOSITS AND INVESTMENTS (Continued)

2. Credit Risk (Continued)

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

The Police and Firefighters' Pension Funds limit their exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. The Pension Funds' investment policy establishes criteria for allowable investments; those criteria follow the requirements of the Illinois Pension Code. The investments in the securities of U.S. government and agency obligations were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The Police and Firefighters' Pension Funds' investment policies prescribe to the "prudent person" rule, which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the primary objective of safety as well as the secondary objective of the attainment of market rates of return."

3. Custodial Credit Risk

In the case of deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City's investment policy states that 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, 2015.

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, 2015, 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, 2015, the entire amount of the bank balance of the deposits was covered by federal depository insurance or collateralized.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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NOTE C - DEPOSITS AND INVESTMENTS (Continued)

3. Custodial Credit Risk (Continued)

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 limit 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, 2015, the Police Pension Fund has over 5%, \$824,320, 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.

The Firefighters' Pension Fund's investment policy states "investments of the plan will be diversified so as to minimize the risk of large losses, unless it is clearly prudent not to do so." At April 30, 2015 the Firefighters' Pension Fund has over 5%, \$472,686, 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.

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2015

**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, 2015 are shown as follows:

	Due From	Due To
Major Governmental Funds		
General Fund	\$ 538,855	\$ 92,542
Downtown Tax Incremental Financing Redevelopment Area	182,400	-
Major Enterprise Funds		
Water Fund	-	216,465
Sewer Fund	-	20,609
Internal Service Funds	-	116,919
Nonmajor Governmental Funds	174,062	448,782
	895,317	895,317
Less amounts eliminated during GASB 34 adjustments and net adjustments to interfund balances	(658,243)	(658,243)
Total internal balances as shown on the statement of net position	\$ 237,074	\$ 237,074

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2015

**NOTE E - CAPITAL ASSETS**

Capital asset activity for the year ended April 30, 2015, 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	4,926,622	-	-	4,926,622
Infrastructure	22,312,368	1,076,944	634,515	22,754,797
Library collections	737,803	51,000	115,345	673,458
Machinery and equipment	6,903,030	523,979	-	7,427,009
 Total capital assets being depreciated	 <u>35,276,997</u>	 <u>1,651,923</u>	 <u>749,860</u>	 <u>36,179,060</u>
 Less accumulated depreciation for				
Land improvements	177,309	12,564	-	189,873
Buildings and improvements	2,933,950	104,807	-	3,038,757
Infrastructure	10,145,470	601,880	634,515	10,112,835
Library collections	567,901	58,464	115,345	511,020
Machinery and equipment	4,655,450	567,412	-	5,222,862
 Total accumulated depreciation	 <u>18,480,080</u>	 <u>1,345,127</u>	 <u>749,860</u>	 <u>19,075,347</u>
 Total capital assets being depreciated, net	 <u>16,796,917</u>	 <u>306,796</u>	 <u>-</u>	 <u>17,103,713</u>
 Governmental activities capital assets, net	 <u>\$ 19,628,758</u>	 <u>\$ 306,796</u>	 <u>\$ -</u>	 <u>\$ 19,935,554</u>

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2015

**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	8,080,800	45,575	-	8,126,375
Machinery and equipment	17,416,761	124,073	-	17,540,834
Underground equipment	15,081,706	-	-	15,081,706
 Total capital assets being depreciated	 40,789,080	 169,648	 -	 40,958,728
Less accumulated depreciation for				
Land improvements	99,961	3,337	-	103,298
Buildings	3,901,113	171,540	-	4,072,653
Machinery and equipment	11,010,887	311,893	-	11,322,780
Underground equipment	9,761,922	184,383	-	9,946,305
 Total accumulated depreciation	 24,773,883	 671,153	 -	 25,445,036
 Total capital assets being depreciated, net	 16,015,197	 (501,505)	 -	 15,513,692
 Business-type activities capital assets, net	 \$ 16,017,632	 \$ (501,505)	 \$ -	 \$ 15,516,127

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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NOTE E - CAPITAL ASSETS (Continued)

3. Depreciation

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

Governmental activities	
Administration and general government	\$ 252,409
Police	201,362
Fire	247,186
Public works	601,880
Library	<u>42,290</u>
 Total depreciation expense - governmental activities	 \$ <u><u>1,345,127</u></u>
 Business-type activities	
Water	\$ 547,409
Sewer	<u>123,744</u>
 Total depreciation expense - business-type activities	 \$ <u><u>671,153</u></u>

4. Construction Commitments

The City has certain contracts in various funds for construction projects which were in progress at April 30, 2015. Remaining commitments under these contracts approximated \$56,000.

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2015

**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, 2015:

	<u>Balance</u> <u>May 1, 2014</u>	<u>Additions/</u> <u>Issuances</u>	<u>Reductions/</u> <u>Retirements</u>	<u>Balance</u> <u>April 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities					
General obligation bonds					
Series 2005A	\$ 7,415,000	\$ -	\$ 6,775,000	\$ 640,000	\$ 640,000
Series 2007A	2,030,000	-	170,000	1,860,000	180,000
Series 2007B	4,740,000	-	-	4,740,000	-
Series 2007C	8,185,000	-	290,000	7,895,000	325,000
Series 2014A Refunding	-	6,010,000	-	6,010,000	-
Bond issuance					
premium	264,665	535,135	116,669	683,131	268,691
Note payable to					
Lake Forest Bank	308,629	-	192,690	115,939	115,939
Note payable to State					
of Illinois, Office of					
the State Fire Marshal	20,000	-	20,000	-	-
Lawsuit settlement					
liability	50,600	-	1,500	49,100	7,800
Note payable to Illinois					
Department of Revenue	1,616,490	-	211,200	1,405,290	211,200
Capital leases	210,579	317,209	206,148	321,640	206,216
Compensated					
absences	1,618,156	331,484	176,066	1,773,574	6,482
Other postemploy-					
ment benefits	111,961	96,886	94,746	114,101	-
Net fire and police					
pension obligation	<u>8,405,296</u>	<u>3,307,273</u>	<u>1,483,372</u>	<u>10,229,197</u>	<u>-</u>
Governmental					
activity long-term					
liabilities	<u>\$ 34,976,376</u>	<u>\$ 10,597,987</u>	<u>\$ 9,737,391</u>	<u>\$ 35,836,972</u>	<u>\$ 1,961,328</u>

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2015

**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>
<b>Business-type activities</b>					
General obligation bonds					
Series 2005B	\$ 2,675,000	\$ -	\$ 2,500,000	\$ 175,000	\$ 175,000
Series 2014B Refunding	-	2,275,000	-	2,275,000	-
Bond issuance					
premium	-	226,635	22,664	203,971	22,664
Note payable to					
Abbott Laboratories	339,275	-	58,813	280,462	59,000
Note payable to					
Illinois Environ- mental Protection Agency	954,942	-	57,876	897,066	57,876
Compensated absences	<u>151,591</u>	<u>-</u>	<u>3,221</u>	<u>148,370</u>	<u>-</u>
 <b>Business-type activity</b>					
long-term liabilities	<u>\$ 4,120,808</u>	<u>\$ 2,501,635</u>	<u>\$ 2,642,574</u>	<u>\$ 3,979,869</u>	<u>\$ 314,540</u>

During the fiscal year ended April 30, 2015, the City issued \$6,010,000 and \$2,275,000 of General Obligation Refunding Bonds, Series 2014A (governmental activities) and Series 2014B (business-type activities), respectively. These bond issuances were used to refund certain principal and interest maturities on the City's Series 2005 Bond Series A and Series B. This transaction resulted in a theoretical economic gain (difference between the present value of the debt service payments on the old and new debt) of \$541,631 and \$250,325, respectively, related to the refunding bonds.

The City defeased the debt by placing the proceeds of new bonds in escrow to provide for future debt service payments on the old bonds. Accordingly, the escrow account assets and the liability for the defeased debt are not included in the City's financial statements. At April 30, 2015, \$6,180,000 of governmental activity bonds and \$2,330,000 of business-type bonds principal outstanding are considered defeased.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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NOTE F - LONG-TERM DEBT (Continued)

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:

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%.	\$ 640,000
\$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%.	1,860,000
\$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%.	7,895,000
\$6,010,000 General Obligation Bonds, Series 2014A Refunding, dated February 4, 2015. 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 3.0 to 4.0%.	<u>6,010,000</u>
Total governmental activities general obligation bonds outstanding	\$ <u>21,145,000</u>

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2015

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

**2. General Obligation Bonds (Continued)**

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%. 175,000

\$2,275,000 General Obligation Bonds, Series 2014B Refunding, dated February 4, 2015. 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 3.0 to 4.0%, 2,275,000

Total business-type general obligation bonds outstanding 2,450,000

Total general obligation bonds outstanding \$ 23,595,000

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

Year Ending <u>April 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,145,000	\$ 1,125,198	\$ 175,000	\$ 146,750
2017	1,235,000	917,610	195,000	82,075
2018	1,370,000	866,272	200,000	76,150
2019	1,475,000	809,635	205,000	70,075
2020	1,580,000	744,407	215,000	62,700
2021-2025	7,020,000	2,569,470	1,195,000	176,300
2026-2030	3,430,000	1,246,053	265,000	5,300
2031-2035	2,455,000	640,195	-	-
2036-2038	1,435,000	107,228	-	-
Total	<u>\$ 21,145,000</u>	<u>\$ 9,026,068</u>	<u>\$ 2,450,000</u>	<u>\$ 619,350</u>

**City of North Chicago, Illinois**  
 NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

NOTE F - LONG-TERM DEBT (Continued)

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, 2015 is \$115,939.

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

<u>Year Ending</u> <u>April 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ <u>115,939</u>	\$ <u>1,897</u>

4. Note Payable to State of Illinois

In June 2009, the City entered into an agreement with the State of Illinois under an Ambulance Revolving Loan Program in the total amount of \$100,000 to be used for financing the purchase of an ambulance. The note required that the City make five annual principal payments of \$20,000 through November 2014. The note is non interest bearing and was paid off in full during fiscal year 2015.

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 \$49,100 has been recorded as a liability, at April 30, 2015.

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2015

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NOTE F - LONG-TERM DEBT (Continued)

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, 2015, the City is obligated for future payments under the note payable as follows:

Year Ending April 30,	Principal
2016	\$ 211,200
2017	211,200
2018	211,200
2019	211,200
2020-2022	560,490
Total	\$ 1,405,290

**City of North Chicago, Illinois**  
 NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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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%. In May 2014, the City entered into a capital lease agreement with a leasing company for the lease of eight vehicles. Monthly principal and interest payments of \$9,328 are due over a three year period. The balance due under these leases, at April 30, 2015, is \$321,640.

At April 30, 2015, the City is obligated for future payments under these leases as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Principal</u>
2016	\$ 206,216
2017	<u>115,424</u>
Total	<u><u>\$ 321,640</u></u>

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, 2015, is \$280,462. The City estimated the current portion of this enterprise liability to be \$59,000 based on prior history of credits issued ranging between approximately \$55,000 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, 2015, is \$897,066, which is recorded in an enterprise fund.

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2015

**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, 2015, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Sewer Fund	\$ 400,000	\$ -
Water Fund	1,600,000	-
Nonmajor Governmental Funds	-	42,381
Total General Fund	2,000,000	42,381
Enterprise funds		
Sewer Fund		
General Fund	-	400,000
Nonmajor Governmental Funds		1,169
Water Fund		
General Fund	-	1,600,000
Total enterprise funds	-	2,001,169
Nonmajor Governmental Funds	43,550	-
Total all funds	\$ 2,043,550	\$ 2,043,550

**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, 2015

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

**1. Illinois Municipal Retirement Fund**

**a. Plan Description**

The City contributes to the Illinois Municipal Retirement Fund (IMRF), which provides retirement, disability, and death benefits to plan members and beneficiaries. IMRF is an agent-multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. All employees, except those covered by the police and fire pension plans, in positions that meet or exceed the prescribed minimum hours standard must be enrolled in IMRF as participating members. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. The report may be obtained from the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60521.

**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 2014 was 10.05%. 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 fiscal year 2015 was \$431,392.

<u>Three-Year Trend Information for the Regular Plan</u>					
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation		
4/30/15	\$ 431,392	100%	\$	-	
4/30/14	435,709	100%		-	
4/30/13	412,951	100%		-	

**City of North Chicago, Illinois**  
 NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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

1. Illinois Municipal Retirement Fund (Continued)

c. Annual Pension Cost (Continued)

The required contribution for 2014 was determined as part of the December 31, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2012 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, 2012 is being amortized as a level percentage of projected payroll on an open 29 year basis.

d. Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the regular plan was 93.54% funded. The actuarial accrued liability for benefits was \$11,941,706 and the actuarial value of assets was \$11,170,622, resulting in an underfunded actuarial accrued liability (UAAL) of \$771,084. The covered payroll for calendar year 2014 (annual payroll of active employees covered by the plan) was \$4,284,487, and the ratio of the UAAL to covered payroll was 18%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

2. Police and Firefighters' Pension Plans

a. Plan Descriptions

The Police Pension Plan and Firefighters' Pension Plan are contributory single-employer, defined benefit public employee retirement plans administered by the City and a Board of Trustees for each fund. All sworn City police officers and firefighters are participants in the Plans. The Plans are not included in the report of a public retirement system or another entity. Separate reports are issued for the Police Pension Plan and Firefighters' Pension Plan and may be obtained by writing to the City of North Chicago at 1850 Lewis Avenue, North Chicago, Illinois 60064.

	Police	Firefighters'
Retirees and beneficiaries currently receiving benefits and terminated members entitled to but not yet receiving benefits	42	33
Active plan members	55	33
Total participants	97	66

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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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 and The Firefighters' Pension Plan provide retirement benefits through two tiers, as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), 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, or for one year prior to the last day of service, whichever is greater. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years of service through 30 years of service, to a maximum of 75% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer or firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3.00% of the original pension and 3.00% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for pension purposes is capped at \$106,800, plus the lesser of one-half of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., 1/2% for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the police officer or firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or one-half of the change in the Consumer Price Index for the preceding calendar year.

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, 2015

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NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

2. Police and Firefighters' Pension Plans (Continued)

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

The City's 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, 2015

NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

2. Police and Firefighters' Pension Plans (Continued)

e. Contributions

Covered employee are required to contribute 9.91% of their pensionable salary to the Police Pension Plan and 9.455% of a firefighter's salary to the Firefighters' Pension Plan. 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. However, effective January 1, 2011, ILCS requires the City to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040.

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, 2015 as follows:

	Police	Firefighters	Total
Annual required contribution	\$ 1,946,886	\$ 1,024,176	\$ 2,971,062
Interest on net pension obligation	227,171	109,040	336,211
Annual pension cost	2,174,057	1,133,216	3,307,273
Contributions made	(871,239)	(612,133)	(1,483,372)
Increase in net pension obligation	1,302,818	521,083	1,823,901
Net pension obligation at May 1, 2014	5,679,287	2,726,009	8,405,296
Net pension obligation at April 30, 2015	\$ 6,982,105	\$ 3,247,092	\$ 10,229,197

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, 2015

**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	04/30/15	\$ 2,174,057	33.8%	\$ 7,117,654
	04/30/14	1,998,414	37.8%	5,679,287
	04/30/13	1,768,974	42.6%	4,416,563
Firefighters'	04/30/15	\$ 1,133,216	49.2%	\$ 3,301,843
	04/30/14	1,061,972	54.4%	2,726,009
	04/30/13	907,776	64.1%	2,221,419

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, 2015

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

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

**h. Net Pension Liability**

The components of the net pension liability as of April 30, 2015 are as follows:

	<u>Police</u>	<u>Firefighters</u>
Total pension liability	\$ 69,672,984	\$ 36,418,543
Plan fiduciary net position	<u>16,486,406</u>	<u>9,453,712</u>
Employer's net pension liability	<u>\$ 53,186,578</u>	<u>\$ 26,964,831</u>
Plan fiduciary net position as a percentage of the total pension liability	23.66%	25.96%

**i. Actuarial Assumptions**

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2015, using the following actuarial methods and assumptions.

	<u>Police</u>	<u>Firefighters</u>
Actuarial valuation date	April 30, 2015	April 30, 2015
Actuarial cost method	Entry age normal;	Entry age normal;
	Level % of pay	Level % of pay
Asset valuation method	Market value	Market value
Assumptions		
Interest rate	7.00%	7.00%
Discount rate	3.95%	4.21%
Salary increases	4.50 - 8.00%	5.00%
Cost of living adjustments	3.00%	3.00%
Inflation	3.00%	3.00%

Mortality rates are based on rates developed in the Lauterbach & Amen, LLP 2012 Mortality Table for Illinois Police and Firefighters, respectively.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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NOTE I - DEFINED BENEFIT PENSION PLANS (Continued)

2. Police and Firefighters' Pension Plans (Continued)

j. Discount Rate

The discount rate used to measure the total pension liability was 3.95% for Police and 4.21% for Firefighters, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension Fund's fiduciary net position was projected to be available to make all project future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

k. Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the City calculated using the discount rate of 3.95% for Police and 4.21% for Firefighters as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

*Police Pension Fund*

	1% Decrease (2.95%)	Current Discount Rate (3.95%)	1% Increase (4.95%)
Net Pension Liability	64,840,476	53,186,578	43,853,471

*Firefighters' Pension Fund*

	1% Decrease (3.21%)	Current Discount Rate (4.21%)	1% Increase (5.21%)
Net Pension Liability	33,042,114	26,964,831	22,087,550

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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

**1. Plan Description**

The City provides postemployment health care insurance benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The plan is 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, 2015 (most recent date available), membership in the Plan consisted of the following:

	<u>Membership</u>
Retirees	22
Actives fully eligible to retire	16
Actives not fully eligible to retire	<u>152</u>
Total membership	<u><u>190</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, 2015, estimated employer contributions are \$94,746. Active employees do not contribute to the plan until retirement.

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2015

**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, 2015. 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, 2015.

	<u>Amount</u>
Annual Required Contribution (ARC)	\$ 96,140
Interest on net OPEB obligation	4,478
Adjustment to Annual Required Contribution	(3,732)
Annual OPEB cost	96,886
Contributions made	(94,746)
Increase in OPEB obligation	2,140
Net OPEB obligation at May 1, 2014	111,961
Net OPEB obligation at April 30, 2015	\$ 114,101

**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 2015 are as follows:

<u>Trend Information - Other Postemployment Benefits</u>			
Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation
04/30/15	\$ 96,886	97.79%	\$ 114,101
04/30/14	49,303	53.07%	111,961
04/30/13	48,413	54.05%	88,825

**City of North Chicago, Illinois**  
 NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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

5. Funding Policy and Actuarial Assumptions

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

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

The following simplifying assumptions were made:

Measurement date	May 1, 2014
Actuarial cost method	Entry age normal
Amortization period	Level dollar-open
Remaining amortization period	30 years
Asset valuation method	N/A
Actuarial assumptions:	
Discount rate	4.00%
Salary rate increase	4.00%
Healthcare inflation rate	6.00% initial; 5.00% ultimate
Mortality, Turnover, Disability, Retirement Ages	Similar rates utilized for IMRF, Police and Fire Pension
Percentage of active employees assumed to elect benefit	15%

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2015

**NOTE K - RESTRICTIONS BY ENABLING LEGISLATION**

The government-wide statement of net position reports \$4,214,687 of net position restricted by enabling legislation which consists of the following:

Road maintenance (Motor Fuel Tax)	\$	1,987,309
Drug law enforcement		48,308
Emergency phone		450,254
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2005A		446,317
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2007A		134,483
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2007B		116,230
Grant Place Retail Center Debt Service 2007C		366,477
Total government-wide net position restricted by enabling legislation	\$	3,549,378

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

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

The City self-insures dental and vision insurance claims up to \$1,000 and \$350 per covered employee per year, respectively. The City accounts for this health insurance activity in the separate Dental and Vision Fund. As of the date of this report, the City has accrued \$12,803 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:

	2015	2014
Unpaid claims, beginning of fiscal year	\$ 14,659	\$ 21,914
Incurred claims including claims incurred but not yet reported (IBNRs)	135,758	136,229
Claim payments	(137,614)	(143,484)
Unpaid claims, end of fiscal year	\$ 12,803	\$ 14,659

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2015

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**NOTE M - OTHER COMMITMENTS AND CONTINGENCIES AND SUBSEQUENT EVENT**

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. The City has been involved in an ongoing legal case for several years that was settled subsequent to year end. The settlement calls for payment of \$3,000,000 to the plaintiffs, which is covered by insurance carried by the City.

2. Grants

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

**NOTE N - SIGNIFICANT FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which will be implemented by the District during the fiscal year ended April 30, 2016. This Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures on the government wide financial statements. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute the present value to periods of employee service.

GASB has issued Statement No. 71, *Pension Transition For Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and will also be implemented by the District during the fiscal year ended April 30, 2016. This Statement established standards for measuring amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Specific changes to the District's financial statements will relate to the recognition of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The most significant effect of this statement will be the requirement that the City record the net pension liability related to the Illinois Municipal Retirement Fund, the Police Pension Fund, and the Firefighters Pension Fund as part of long-term liabilities in the statement of net position (see Note I). The District anticipates that the adoption of these statements will have a significant negative impact on the April 30, 2016 the government-wide financial statements.

**NOTE O - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 5, 2016, the date these financial statements were available to be issued. Management has determined that no events or transactions, other than the item noted in Note M above, have occurred subsequent to the statement of net position/balance sheet date that require disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

**City of North Chicago, Illinois**

Illinois Municipal Retirement Fund

Schedule of Funding Progress

Required Supplementary Information

April 30, 2015

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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
12/31/2014	\$ 11,170,622	\$ 11,941,706	\$ 771,084	93.54 %	\$ 4,284,487	18.00 %
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

On a market value basis, the actuarial value of assets, as of December 31, 2014, is \$13,182,737. On a market basis, the funded ratio would be 110.39%.

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**  
 Police Pension Fund and Firefighters' Pension Fund  
 Schedules of Funding Progress  
 Required Supplementary Information  
April 30, 2015

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
<b><u>Police Pension Fund</u></b>						
04/30/2014	\$ 17,267,009	\$ 42,959,117	\$ 25,692,108	40.19 %	\$ 4,338,781	592.15 %
04/30/2013*	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
<b><u>Firefighters' Pension Fund</u></b>						
04/30/2014	\$ 9,373,761	\$ 24,641,328	\$ 15,267,567	38.04 %	\$ 2,266,938	673.49 %
04/30/2013*	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

\* 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

### Schedule of Changes in Net Pension Liability and Related Ratios

#### Police Pension Fund

April 30, 2015

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#### *Police Pension Fund*

Total pension liability	
Service cost	\$ 1,964,836
Interest on the total pension liability	2,616,283
Benefit payments and refunds	(2,286,321)
Net change in total pension liability	<u>2,294,798</u>
Total pension liability, beginning	<u>67,378,186</u>
Total pension liability, ending	<u><u>\$ 69,672,984</u></u>
Plan fiduciary net position	
Contributions, employer	\$ 871,239
Contributions, employee	449,402
Net investment income	854,259
Benefit payments, including refunds of employee contributions	(2,286,321)
Administrative expense	(54,680)
Net change in plan fiduciary net position	<u>(166,101)</u>
Plan fiduciary net position, beginning	<u>16,652,507</u>
Plan fiduciary net position, ending	<u><u>\$ 16,486,406</u></u>
Net pension liability (asset)	<u><u>\$ 53,186,578</u></u>
Plan fiduciary net position as a percentage of the total pension liability	23.66 %
Covered Valuation Payroll	\$ 4,321,523
Net pension liability as a percentage of covered valuation payroll	1,230.74 %

Note: The Police Pension Fund implemented GASB 67 beginning with it's fiscal year ended April 30, 2015; therefore, 10 years of information is not available.

## City of North Chicago, Illinois

### Schedule of Changes in Net Pension Liability and Related Ratios

#### Firefighters' Pension Fund

April 30, 2015

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#### *Firefighters' Pension Fund*

#### Total pension liability

Service cost	\$ 1,075,887
Interest on the total pension liability	1,454,398
Benefit payments and refunds	<u>(1,316,005)</u>
Net change in total pension liability	1,214,280
Total pension liability, beginning	<u>35,204,263</u>
Total pension liability, ending	<u><u>\$ 36,418,543</u></u>

#### Plan fiduciary net position

Contributions, employer	\$ 612,133
Contributions, employee	221,905
Net investment income	580,526
Benefit payments, including refunds of employee contributions	<u>(1,316,005)</u>
Administrative expense	<u>(47,171)</u>
Net change in plan fiduciary net position	51,388
Plan fiduciary net position, beginning	<u>9,402,324</u>
Plan fiduciary net position, ending	<u><u>\$ 9,453,712</u></u>

Net pension liability (asset) \$ 26,964,831

Plan fiduciary net position as a percentage of the total pension liability 25.96 %

Covered Valuation Payroll \$ 2,267,983

Net pension liability as a percentage of covered valuation payroll 1,188.93 %

Note: The Firefighters' Pension Fund implemented GASB 67 beginning with its fiscal year ended April 30, 2015; therefore, 10 years of information is not available.

# City of North Chicago, Illinois

## Schedule of Contributions

### Police Pension Fund

April 30, 2015

*Police Pension Fund*

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2014	\$ 2,252,422	* \$ 871,239	\$ 1,381,183	\$ 4,321,523	20.16 %

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal (Level% Pay)
Amortization Method	Level % Pay (Closed)
Amortization Target	90% Funded in year 2040
Asset Valuation Method	5-Year Smoothed Market Value
Inflation	2.50%
Salary Increases	1.1220% - 4.8611%
Investment Rate of Return	7.00%
Retirement Age	See the Noted to the Financial Statements
Mortality	RP-2000 Combined Healthy Mortality Table (male) with blue collar adjustment and with a 200% load for participants under age 50 and 125% for participants age 50 and over.

\* Estimated based on contribution rate of 10.65% and covered valuation payroll of \$1,474,629.

Note: The Police Pension Fund implemented GASB 67 beginning with it's fiscal year ended April 30, 2015; therefore, 10 years of information is not available.

## City of North Chicago, Illinois

Schedule of Contributions

Firefighters' Pension Fund

April 30, 2015

### *Firefighters' Pension Fund*

Fiscal Year <u>April 30,</u>	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2015	\$ 1,024,176 *	\$ 612,133	\$ 412,043	\$ 2,267,983	26.99 %

#### Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal (Level% Pay)
Amortization Method	Level % Pay (Closed)
Amortization Target	100% Funded in year 2040
Asset Valuation Method	5-Year Smoothed Market Value
Inflation	3.00%
Salary Increases	5.00%
Investment Rate of Return	7.00%
Retirement Age	See the Notes to the Financial Statements
Mortality	Lauterbach & Amen, LLP 2012 Mortality Table for Illinois Firefighters

\* Estimated based on contribution rate of 10.65% and covered valuation payroll of \$1,474,629.

Note: The Firefighters' Pension Fund implemented GASB 67 beginning with its fiscal year ended April 30, 2015; therefore, 10 years of information is not available.

**City of North Chicago, Illinois**  
 Schedule of Investment Returns  
 Police Pension Fund and Firefighters' Pension Fund  
April 30, 2015

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<u>Fiscal Year</u>	<u>Annual Money- Weighted Rate of Return, Net of Investment Expense</u>
 <i><u>Police Pension Fund</u></i>	
2015	4.78%
 <i><u>Firefighters' Pension Fund</u></i>	
2015	6.05%

Note: The Police and Firefighters' Pension Funds implemented GASB 67 beginning with its fiscal year ended April 30, 2015; therefore, 10 years of information is not available.

# City of North Chicago, Illinois

Other Postemployment Benefits

Schedule of Funding Progress

Required Supplementary Information

April 30, 2015

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
04/30/2015	\$ -	\$ 1,354,848	\$ 1,354,848	0.00 %
4/30/2014 <sup>1</sup>	-	623,220	623,220	0.00
4/30/2013 <sup>1</sup>	-	623,220	623,220	0.00

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

<sup>1</sup> Results from last available actuarial study.

# 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, 2015

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	Original and Final Budget	Actual	Variance from Final Budget
Revenues			
Property taxes	\$ 5,982,970	\$ 5,999,400	\$ 16,430
Taxes - other	4,130,000	4,327,303	197,303
Licenses and permits	591,500	601,273	9,773
Intergovernmental	6,095,000	6,137,125	42,125
Grants	440,144	641,148	201,004
Fines and fees	3,054,695	2,795,746	(258,949)
Interest	1,000	3,970	2,970
Miscellaneous	136,230	239,538	103,308
Total revenues	<u>20,431,539</u>	<u>20,745,503</u>	<u>313,964</u>
Expenditures			
General government			
Mayor's office	425,545	301,860	123,685
City Clerk's office	221,355	170,580	50,775
Legislative	192,709	185,144	7,565
City Treasurer	41,632	28,904	12,728
Comptroller	1,027,177	596,392	430,785
Information technology	467,265	326,338	140,927
Human resources	262,786	203,731	59,055
Building and community development	423,689	535,411	(111,722)
Buildings and grounds department	232,000	265,588	(33,588)
Total general government	<u>3,294,158</u>	<u>2,613,948</u>	<u>680,210</u>
Administration services	<u>3,877,087</u>	<u>3,431,630</u>	<u>445,457</u>
Highway and streets	<u>1,531,281</u>	<u>1,274,994</u>	<u>256,287</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, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Expenditures (continued)			
Public safety			
Police department	\$ 8,590,038	\$ 9,593,219	\$ (1,003,181)
Fire department	4,112,559	4,533,358	(420,799)
Total public safety	<u>12,702,597</u>	<u>14,126,577</u>	<u>(1,423,980)</u>
Economic development			
Economic development department	376,733	268,350	108,383
Economic development incentive	841,271	918,483	(77,212)
Total economic development	<u>1,218,004</u>	<u>1,186,833</u>	<u>31,171</u>
Debt service	<u>211,000</u>	<u>211,000</u>	<u>-</u>
Total expenditures	<u>22,834,127</u>	<u>22,844,982</u>	<u>(10,855)</u>
Deficiency of revenues over expenditures	<u>(2,402,588)</u>	<u>(2,099,479)</u>	<u>303,109</u>
Other financing sources			
Proceeds from capital lease	-	317,209	(317,209)
Transfers in	2,000,000	1,957,619	42,381
Total other financing sources	<u>2,000,000</u>	<u>2,274,828</u>	<u>(274,828)</u>
Net change in fund balance	<u>\$ (402,588)</u>	175,349	<u>\$ 28,281</u>
Fund balance, beginning of year		<u>11,630,769</u>	
Fund balance, end of year		<u>\$ 11,806,118</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, 2015

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	Original and Final Budget	Actual	Variance from Final Budget
Revenues			
Interest	\$ 400	\$ 168	\$ (232)
Miscellaneous	<u>-</u>	<u>118</u>	<u>118</u>
Total revenues	<u>400</u>	<u>286</u>	<u>(114)</u>
Expenditures			
General government			
Other professional services	<u>100,000</u>	<u>51,551</u>	<u>48,449</u>
Total expenditures	<u>100,000</u>	<u>51,551</u>	<u>48,449</u>
Deficiency of revenues over expenditures	<u>\$ (99,600)</u>	<u>(51,265)</u>	<u>\$ 48,335</u>
Fund balance, beginning of year		<u>7,687,645</u>	
Fund balance, end of year		<u>\$ 7,636,380</u>	

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**City of North Chicago, Illinois**  
Notes to the Required Supplementary Information  
April 30, 2015

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NOTE A - BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to May 15 of each year, the Comptroller submits to the City Council a statement of estimated receipts and disbursements for the fiscal year commencing May 1. Upon review by the City Council, an appropriation ordinance is prepared.

Public hearings are conducted to obtain taxpayer comments.

The legal authorization for expenditures is set by the appropriation ordinance. 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 (including transfers out) exceeded budgets in the following funds for the year ended April 30, 2015:

<u>Fund</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Budget</u>
General	\$ 22,834,127	\$ 22,887,363	\$ 53,236
Community Development Block Grant	375,500	1,327,332	951,832
Downtown Tax Increment Financing			
Redevelopment Project Area Debt Series 200	948,515	1,137,068	188,553
Delta Institute Emerald Ash Borer Grant		32,940	32,940
Seized Drug Money	-	20,840	20,840
Grant Place Capital	-	3,596	3,596

**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, 2015

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	Original and Final Budget	Actual	Variance from Final Budget
Property taxes			
Real estate taxes	\$ 4,485,840	\$ 4,209,360	\$ (276,480)
Real estate taxes - Firefighters' and Police pensions	1,497,130	1,790,040	292,910
Total property taxes	5,982,970	5,999,400	16,430
Taxes - other			
Hotel/motel tax	140,000	152,694	12,694
Real estate transfer tax	350,000	75,409	(274,591)
Food and beverage tax	250,000	293,552	43,552
Municipal motor fuel tax	415,000	830,085	415,085
Self storage facility tax	30,000	33,387	3,387
Utility tax	1,450,000	1,617,972	167,972
Simplified telecommunications tax	900,000	583,835	(316,165)
Local use tax	500,000	611,661	111,661
Road and bridge tax	45,000	36,828	(8,172)
Pull tabs tax	-	200	200
Video gaming tax	50,000	91,680	41,680
Total taxes - other	4,130,000	4,327,303	197,303
Total property taxes and taxes - other	10,112,970	10,326,703	213,733
Licenses and permits			
Amusement tax license	-	105	105
Contractors license	15,000	12,020	(2,980)
Pet tag license	1,000	821	(179)
Liquor license	35,000	52,175	17,175
Taxi class B license	20,000	23,983	3,983
Business license	100,000	119,680	19,680
Landlord license	25,000	41,140	16,140
Prop. Vacancies registration	10,000	27,600	17,600

(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, 2015

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	Original and Final Budget	Actual	Variance from Final Budget
Licenses and permits (continued)			
Building permits	\$ 250,000	\$ 185,290	\$ (64,710)
Rezoning variance permits	500	2,000	1,500
Miscellaneous permits	10,000	9,790	(210)
Vehicle stickers			
Truck	15,000	8,900	(6,100)
Occupancy permits	50,000	59,524	9,524
Hazardous materials permits	40,000	28,000	(12,000)
Taxi A drivers license	20,000	30,245	10,245
	<hr/>	<hr/>	<hr/>
Total licenses and permits	591,500	601,273	9,773
	<hr/>	<hr/>	<hr/>
Intergovernmental			
State income tax	3,050,000	3,037,297	(12,703)
Sales tax	2,785,000	2,790,886	5,886
Replacement tax - state	250,000	305,798	55,798
North Chicago Housing Authority	10,000	3,144	(6,856)
	<hr/>	<hr/>	<hr/>
Total intergovernmental	6,095,000	6,137,125	42,125
	<hr/>	<hr/>	<hr/>
Grant proceeds	440,144	641,148	201,004
	<hr/>	<hr/>	<hr/>
Fines and fees			
Lien fees	40,000	81,338	41,338
Animal fines and fees	1,000	5,788	4,788
Photocopies	3,000	4,610	1,610
Code books and maps	1,000	154	(846)
Fire service charges			
Ambulance fees	330,000	332,502	2,502

(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, 2015

	Original and Final Budget	Actual	Variance from Final Budget
<b>Fines and fees (continued)</b>			
<b>Policing charges</b>			
Police fines	\$ 10,000	\$ -	\$ (10,000)
Parking fines	20,000	25,277	5,277
Redflex fines	640,000	286,339	(353,661)
Adjudication fines	160,000	161,515	1,515
Adjudication court costs	5,000	4,740	(260)
Police services fees	583,695	576,313	(7,382)
Alarm service fees	10,000	17,328	7,328
Magistrate	250,000	141,748	(108,252)
Building fines and penalties	-	(7,530)	(7,530)
Cable franchise fees	130,000	306,274	176,274
Railroad parking lot pass fees	40,000	14,378	(25,622)
Community day fees	75,000	95,758	20,758
Garbage fees	756,000	749,214	(6,786)
Total fines and fees	3,054,695	2,795,746	(258,949)
Interest	1,000	3,970	2,970
<b>Miscellaneous</b>			
Cable land use lease	90,000	92,664	2,664
Miscellaneous	20,000	100,340	80,340
Worker's compensation reimbursements	-	2,581	2,581
Train station lease	16,230	2,700	(13,530)
Rental income	-	12,000	12,000
Sale of city property	-	28,379	28,379
Donations and contributions	-	200	200
Reimbursements	10,000	674	(9,326)
Total miscellaneous	136,230	239,538	103,308
Total revenues	20,431,539	20,745,503	313,964

(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, 2015

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	Original and Final Budget	Actual	Variance from Final Budget
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Other financing sources			
Proceeds from capital lease	\$ -	\$ 317,209	\$ 317,209
Transfer in from Water Fund	1,600,000	1,600,000	-
Transfer in from Sewer Fund	400,000	400,000	-
Transfer in from Delta Institute Emerald Ash Borer Grant Fund	<u>-</u>	<u>(42,381)</u>	<u>(42,381)</u>
Total other financing sources	<u>2,000,000</u>	<u>2,274,828</u>	<u>274,828</u>
Total revenues and other financing sources	<u>\$ 22,431,539</u>	<u>\$ 23,020,331</u>	<u>\$ 588,792</u>

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(Concluded)

**City of North Chicago, Illinois**  
 General Fund  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
General government			
Mayor's office			
Salaries and wages			
Full-time salaries and wages	\$ 259,204	\$ 194,885	\$ 64,319
Part-time salaries and wages	-	5,000	(5,000)
Overtime allowances	3,500	5,141	(1,641)
Comptime used	-	5,209	(5,209)
Car allowances	-	519	(519)
Total salaries and wages	<u>262,704</u>	<u>210,754</u>	<u>51,950</u>
Fringe benefits			
IMRF match	26,050	20,411	5,639
Employer's health insurance	21,496	(11,172)	32,668
Employer's dental and vision insurance	2,215	1,344	871
Social security match	16,071	12,656	3,415
Medicare match	3,758	2,960	798
Life insurance premiums	420	346	74
Total fringe benefits	<u>70,010</u>	<u>26,545</u>	<u>43,465</u>
Contractual services			
Maintenance - vehicles	1,000	965	35
Telephone	-	534	(534)
Travel and training	20,000	18,519	1,481
Public relations	10,000	522	9,478
Postage	1,000	327	673
Printing and publishing	500	-	500
Other professional services	-	296	(296)
Dues and memberships	17,500	9,674	7,826
Total contractual services	<u>50,000</u>	<u>30,837</u>	<u>19,163</u>
Commodities			
Office supplies	4,000	3,360	640
Gasoline and oil	2,500	1,707	793
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, 2015

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Mayor's office (continued)			
Commodities (continued)			
Miscellaneous expenses	\$ 15,000	\$ 24,229	\$ (9,229)
Equipment	10,000	-	10,000
Mayor's expense account	5,000	-	5,000
Total commodities	<u>38,000</u>	<u>29,296</u>	<u>8,704</u>
Debt service			
Loan principal and interest	4,831	4,428	403
Total debt service	<u>4,831</u>	<u>4,428</u>	<u>403</u>
Total Mayor's office	<u>425,545</u>	<u>301,860</u>	<u>123,685</u>
City Clerk's office			
Salaries and wages			
Full-time salaries and wages	153,779	121,839	31,940
Gas allowance	-	236	(236)
Total salaries and wages	<u>153,779</u>	<u>122,075</u>	<u>31,704</u>
Fringe benefits			
IMRF match	15,455	11,997	3,458
Sick leave sell back	-	1,654	(1,654)
Employer's health insurance	18,502	13,203	5,299
Employer's dental and vision insurance	2,215	1,511	704
Social security match	9,534	7,326	2,208
Medicare match	2,230	1,713	517
Life insurance premiums	240	275	(35)
Total fringe benefits	<u>48,176</u>	<u>37,679</u>	<u>10,497</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
City Clerk's office (continued)			
Contractual services			
Maintenance - equipment	\$ 1,000	\$ 1,252	\$ (252)
Travel and training	3,000	1,522	1,478
Postage	200	58	142
Printing and publishing	8,500	3,621	4,879
Dues and memberships	1,200	904	296
Total contractual services	<u>13,900</u>	<u>7,357</u>	<u>6,543</u>
Commodities			
Office supplies	3,500	2,541	959
Gasoline and oil	1,500	914	586
Publications	500	-	500
Miscellaneous expenses	-	14	(14)
Total commodities	<u>5,500</u>	<u>3,469</u>	<u>2,031</u>
Total City Clerk's office	<u>221,355</u>	<u>170,580</u>	<u>50,775</u>
Legislative			
Salaries and wages			
Full-time salaries and wages	-	965	(965)
Part-time salaries and wages	68,110	63,378	4,732
Total salaries and wages	<u>68,110</u>	<u>64,343</u>	<u>3,767</u>
Fringe benefits			
IMRF match	4,824	2,342	2,482
Employer's health insurance	51,806	47,978	3,828
Employer's dental and vision insurance	5,168	4,509	659
Social security match	4,223	3,423	800
Medicare match	988	801	187
Life insurance premiums	420	357	63
Total fringe benefits	<u>67,429</u>	<u>59,410</u>	<u>8,019</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Legislative (continued)			
Contractual services			
Travel and training	\$ 22,000	\$ 34,788	\$ (12,788)
Per diem	-	280	(280)
Postage	1,000	-	1,000
Printing and publishing	500	994	(494)
Dues and memberships	4,300	4,622	(322)
Boards and commissions	2,500	383	2,117
Other professional service	9,420	13,482	(4,062)
Total contractual services	<u>39,720</u>	<u>54,549</u>	<u>(14,829)</u>
Commodities			
Office supplies	2,450	280	2,170
Publications	-	50	(50)
Miscellaneous expenses	15,000	6,512	8,488
Total commodities	<u>17,450</u>	<u>6,842</u>	<u>10,608</u>
Total legislative	<u>192,709</u>	<u>185,144</u>	<u>7,565</u>
City Treasurer			
Salaries and wages			
Part-time salaries and wages	15,000	15,000	-
Gas allowance	-	200	(200)
	<u>15,000</u>	<u>15,200</u>	<u>(200)</u>
Fringe benefits			
IMRF match	1,508	1,464	44
Employer's health insurance	7,918	4,906	3,012
Employer's dental and vision insurance	738	859	(121)
Social security match	930	882	48
Medicare match	218	206	12
Life insurance premiums	120	80	40
Total fringe benefits	<u>11,432</u>	<u>8,397</u>	<u>3,035</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
City Treasurer (continued)			
Contractual services			
Travel and training	\$ 6,200	\$ 3,059	\$ 3,141
Printing and publishing	1,000	666	334
Dues and memberships	1,500	701	799
Total contractual services	<u>8,700</u>	<u>4,426</u>	<u>4,274</u>
Commodities			
Office supplies	3,500	191	3,309
Gasoline and oil	1,000	690	310
Miscellaneous expenses	2,000	-	2,000
Total commodities	<u>6,500</u>	<u>881</u>	<u>5,619</u>
Total City Treasurer	<u>41,632</u>	<u>28,904</u>	<u>12,728</u>
Comptroller			
Salaries and wages			
Full-time salaries and wages	344,640	336,915	7,725
Holiday taken	-	14,720	(14,720)
Comptime used	-	26,008	(26,008)
Overtime allowances	4,800	15,057	(10,257)
Total salaries and wages	<u>349,440</u>	<u>392,736</u>	<u>(43,296)</u>
Fringe benefits			
IMRF match	34,636	35,872	(1,236)
Employer's health insurance	64,836	76,823	(11,987)
Employer's dental and vision insurance	4,430	5,537	(1,107)
Social security match	21,368	22,235	(867)
Medicare match	4,997	5,200	(203)
Life insurance premiums	720	2,499	(1,779)
Total fringe benefits	<u>130,987</u>	<u>148,166</u>	<u>(17,179)</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Comptroller (continued)			
Contractual services			
Maintenance - equipment	\$ 1,600	\$ 11,686	\$ (10,086)
Telephone	1,200	615	585
Travel and training	5,200	5,428	(228)
Postage	3,500	82	3,418
Printing and publishing	10,000	9,745	255
Other professional services	5,000	15,705	(10,705)
Dues and memberships	1,500	338	1,162
Total contractual services	<u>28,000</u>	<u>43,599</u>	<u>(15,599)</u>
Commodities			
Office supplies	17,000	9,712	7,288
Publications	250	-	250
Miscellaneous expenses	1,500	2,179	(679)
Total commodities	<u>18,750</u>	<u>11,891</u>	<u>6,859</u>
Capital Outlay			
Equipment	500,000	-	500,000
Total equipment	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total Comptroller	<u>1,027,177</u>	<u>596,392</u>	<u>430,785</u>
Information technology			
Salaries and wages			
Full-time salaries and wages	139,335	54,420	84,915
Total salaries and wages	<u>139,335</u>	<u>54,420</u>	<u>84,915</u>
Fringe benefits			
IMRF match	14,003	-	14,003
Employer's health insurance	17,082	-	17,082
Employer's dental and vision insurance	1,477	1,002	475
Social security match	8,667	-	8,667
Medicare match	2,020	-	2,020
Life insurance premiums	240	(20)	260
Total fringe benefits	<u>43,489</u>	<u>982</u>	<u>42,507</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Information technology (continued)			
Contractual services			
Maintenance - equipment	\$ 87,500	\$ 117,995	\$ (30,495)
Telephone	-	538	(538)
Postage	100	-	100
Travel and training	35,000	-	35,000
Other professional services	29,900	17,385	12,515
Total contractual services	<u>152,500</u>	<u>135,918</u>	<u>16,582</u>
Commodities			
Operating supplies	25,000	18,297	6,703
Total commodities	<u>25,000</u>	<u>18,297</u>	<u>6,703</u>
Debt service			
Loan principal and interest	66,941	70,762	(3,821)
Capital Outlay			
Equipment	-	44,234	(44,234)
Capital improvement	40,000	1,725	38,275
Total capital outlay	<u>40,000</u>	<u>45,959</u>	<u>(5,959)</u>
Total information technology	<u>467,265</u>	<u>326,338</u>	<u>140,927</u>
Human resources			
Salaries and wages			
Full-time salaries and wages	144,542	101,829	42,713
Part-time salaries and wages	7,800	1,481	6,319
Total salaries and wages	<u>152,342</u>	<u>103,310</u>	<u>49,032</u>
Fringe benefits			
IMRF match	14,526	9,256	5,270
Employer's health insurance	18,243	908	17,335
Employer's dental and vision insurance	1,477	835	642
Social security match	8,962	6,112	2,850
Medicare match	2,096	1,429	667
Life insurance premiums	240	80	160
Total fringe benefits	<u>45,544</u>	<u>18,620</u>	<u>26,924</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Human resources (continued)			
Contractual services			
Telephone	\$ 1,100	\$ 615	\$ 485
Travel and training	5,000	2,840	2,160
In-house training	10,000	1,917	8,083
Postage	1,000	304	696
Printing and publishing	3,000	98	2,902
Other professional services	25,000	63,571	(38,571)
Dues and memberships	1,000	408	592
Total contractual services	<u>46,100</u>	<u>69,753</u>	<u>(23,653)</u>
Commodities			
Office supplies	4,600	2,301	2,299
Publications	1,000	-	1,000
Advertising-all departments	5,000	6,650	(1,650)
Employee recognition	5,000	327	4,673
Public relations	500	146	354
Safety incentives	1,000	-	1,000
Miscellaneous expenses	500	718	(218)
Total commodities	<u>17,600</u>	<u>10,142</u>	<u>7,458</u>
Capital Outlay			
Equipment	1,200	1,906	(706)
Total human resources	<u>262,786</u>	<u>203,731</u>	<u>59,055</u>
Building and community development			
Salaries and wages			
Full-time salaries and wages	184,138	259,919	(75,781)
Overtime allowances	4,000	7,738	(3,738)
Comp time	8,000	1,062	6,938
Total salaries and wages	<u>196,138</u>	<u>268,719</u>	<u>(72,581)</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Building and community development (continued)			
Fringe benefits			
IMRF match	\$ 22,325	\$ 26,112	\$ (3,787)
Employer's health insurance	29,345	28,031	1,314
Employer's dental and vision insurance	4,061	4,103	(42)
Social security match	13,773	16,012	(2,239)
Medicare match	3,221	3,745	(524)
Life insurance premiums	2,750	238	2,512
Total fringe benefits	<u>75,475</u>	<u>78,241</u>	<u>(2,766)</u>
Contractual services			
Maintenance - vehicle	1,500	277	1,223
Maintenance - equipment	750	2,633	(1,883)
Telephone	2,000	2,505	(505)
Travel and training	2,000	1,601	399
Postage	2,000	484	1,516
Printing and publishing	2,800	3,217	(417)
Other professional services	65,000	91,158	(26,158)
Dues and memberships	3,000	425	2,575
Demolition	35,000	61,719	(26,719)
Total contractual services	<u>114,050</u>	<u>164,019</u>	<u>(49,969)</u>
Commodities			
Office supplies	8,800	2,310	6,490
Publications	500	-	500
Uniforms	500	1,209	(709)
Gas and oil	4,500	3,740	760
Miscellaneous expenses	1,000	128	872
Total commodities	<u>15,300</u>	<u>7,387</u>	<u>7,913</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Building and community development (continued)			
Debt Service			
Loan principal and interest	\$ 22,726	\$ 17,045	\$ 5,681
Total debt service	<u>22,726</u>	<u>17,045</u>	<u>5,681</u>
Total building and community development	<u>423,689</u>	<u>535,411</u>	<u>(111,722)</u>
Building and grounds department			
Contractual services			
Maintenance - buildings	62,000	66,784	(4,784)
Maintenance - equipment	1,000	424	576
Telephone	1,000	337	663
Building improvements	-	56,836	(56,836)
Other professional services	112,000	97,855	14,145
Total contractual services	<u>176,000</u>	<u>222,236</u>	<u>(46,236)</u>
Commodities			
Pest control	35,000	34,930	70
Maintenance supplies	8,000	8,069	(69)
Operating supplies	13,000	353	12,647
Total commodities	<u>56,000</u>	<u>43,352</u>	<u>12,648</u>
Total building and grounds department	<u>232,000</u>	<u>265,588</u>	<u>(33,588)</u>
Total general government	<u>3,294,158</u>	<u>2,613,948</u>	<u>680,210</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
Administration services			
Contractual services			
Unemployment insurance	\$ 50,000	\$ 25,430	\$ 24,570
Maintenance of equipment	53,285	46,330	6,955
Workers' compensation	375,013	73,045	301,968
Workers' compensation deductible	250,000	282,663	(32,663)
Liability insurance	568,389	644,537	(76,148)
Liability deductibility	510,000	208,693	301,307
Telephone	150,000	215,711	(65,711)
Utilities	240,000	234,698	5,302
Postage	5,000	9,176	(4,176)
Travel and training	-	13,450	(13,450)
Printing and publishing	13,000	1,803	11,197
Auditing services	60,000	83,674	(23,674)
Payroll service	24,000	26,764	(2,764)
Engineering services	90,000	36,256	53,744
Retainer fees	24,000	38,528	(14,528)
Medical services	31,000	12,532	18,468
Other professional services	61,000	63,599	(2,599)
Refuse collection	795,000	830,355	(35,355)
Redflex traffic systems fees	183,400	160,354	23,046
Lawsuits and attorney fees	244,000	298,886	(54,886)
Public relations	35,000	29,025	5,975
Public relations - community day	75,000	93,358	(18,358)
Reimbursements	30,000	30,000	-
Total contractual services	<u>3,867,087</u>	<u>3,511,543</u>	<u>355,544</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
Administration services (continued)			
Commodities			
Office supplies	\$ 5,000	\$ 438	\$ 4,562
Miscellaneous expense	5,000	(80,351)	85,351
Total commodities	<u>10,000</u>	<u>(79,913)</u>	<u>89,913</u>
Total administration services	<u>3,877,087</u>	<u>3,431,630</u>	<u>445,457</u>
Highway and streets			
Street department			
Salaries and wages			
Full-time salaries and wages	782,123	640,262	141,861
Part-time salaries and wages	66,096	-	66,096
Voluntary separation plan	-	154	(154)
Sick leave sell back	-	406	(406)
Overtime allowances	20,000	26,175	(6,175)
Workers' compensation	-	4,153	(4,153)
Total salaries and wages	<u>868,219</u>	<u>671,150</u>	<u>197,069</u>
Fringe benefits			
IMRF match	78,603	60,308	18,295
Employer's health insurance	97,898	64,171	33,727
Employer's dental and vision insurance	8,860	11,477	(2,617)
Social security match	48,492	40,366	8,126
Medicare match	11,341	9,440	1,901
Life insurance premiums	1,440	1,526	(86)
Total fringe benefits	<u>246,634</u>	<u>187,288</u>	<u>59,346</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
Highway and streets (continued)			
Street department (continued)			
Contractual services			
Maintenance - building	\$ 1,000	\$ 4,726	\$ (3,726)
Maintenance - vehicles	55,000	54,912	88
Maintenance - equipment	28,500	13,177	15,323
Maintenance - streets	77,250	30,371	46,879
Maintenance - grounds	8,500	13,039	(4,539)
Other maintenance	1,000	-	1,000
Telephone	3,000	2,796	204
Street lighting	10,000	25,379	(15,379)
Landfill and garbage	2,000	-	2,000
Rentals	5,000	3,672	1,328
Travel and training	2,100	2,507	(407)
Postage	250	59	191
Printing and publishing	250	292	(42)
Memberships and dues	50	935	(885)
Medical services	400	-	400
Other professional services	20,000	76,428	(56,428)
Total contractual services	<u>214,300</u>	<u>228,293</u>	<u>(13,993)</u>
Commodities			
Office supplies	1,750	2,191	(441)
Gasoline and oil	70,000	53,238	16,762
Maintenance and supplies	9,000	5,879	3,121
Operating supplies	6,500	14,566	(8,066)
Uniforms	17,750	14,302	3,448
Miscellaneous expenses	1,000	121	879
Total commodities	<u>106,000</u>	<u>90,297</u>	<u>15,703</u>
Debt service			
Loan principal and interest	<u>79,128</u>	<u>82,805</u>	<u>(3,677)</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
Highway and streets (continued)			
Street department (continued)			
Capital outlay			
Vehicles	\$ -	\$ 4,457	\$ (4,457)
Equipment	17,000	10,704	6,296
Total capital outlay	<u>17,000</u>	<u>15,161</u>	<u>1,839</u>
Total highway and streets	<u>1,531,281</u>	<u>1,274,994</u>	<u>256,287</u>
Public safety			
Police department			
Salaries and wages			
Full-time salaries and wages	4,986,658	4,936,402	50,256
Part-time salaries and wages	151,639	169,700	(18,061)
Voluntary separation plan	-	20,958	(20,958)
Holiday taken	-	149,907	(149,907)
Police special detail	-	30,568	(30,568)
Overtime allowances	50,000	119,416	(69,416)
Police overtime	300,000	999,608	(699,608)
Comp time accrued	-	49,751	(49,751)
Sick leave sell back	-	10,547	(10,547)
Workers' compensation	-	104,380	(104,380)
Total salaries and wages	<u>5,488,297</u>	<u>6,591,237</u>	<u>(1,102,940)</u>
Fringe benefits			
IMRF match	73,074	92,345	(19,271)
Employer pension contribution	883,695	871,702	11,993
Employer's health insurance	887,302	743,752	143,550
Employer's dental and vision insurance	57,278	57,181	97
Social security match	54,482	60,496	(6,014)
Medicare match	74,505	85,399	(10,894)
Life insurance premiums	9,310	9,806	(496)
Total fringe benefits	<u>2,039,646</u>	<u>1,920,681</u>	<u>118,965</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Police department (continued)			
Contractual services			
Uniform allowance	\$ 8,775	\$ 10,800	\$ (2,025)
Maintenance - vehicle	60,000	150,162	(90,162)
Maintenance - equipment	60,000	86,346	(26,346)
Other maintenance	1,000	632	368
Telephone	15,000	20,162	(5,162)
Rentals	14,350	288	14,062
Travel and training	35,000	33,893	1,107
Postage	1,000	172	828
Printing and publishing	13,150	7,449	5,701
Other professional services	68,000	33,656	34,344
Dues and memberships	2,315	9,343	(7,028)
Animal control	24,000	27,175	(3,175)
Other communication service	15,000	19,938	(4,938)
Total contractual services	<u>317,590</u>	<u>400,016</u>	<u>(82,426)</u>
Commodities			
Office supplies	7,250	17,785	(10,535)
Gasoline and oil	145,000	108,667	36,333
Maintenance supplies	-	530	(530)
Operating supplies	31,670	55,101	(23,431)
Uniforms	41,500	68,075	(26,575)
Prisoner meals	1,500	3,277	(1,777)
Publications	1,000	306	694
Reimbursements	1,000	-	1,000
Investigative expenses	3,500	4,134	(634)
Crime prevention	26,000	9,969	16,031
Miscellaneous	10,000	15,644	(5,644)
Total commodities	<u>268,420</u>	<u>283,488</u>	<u>(15,068)</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Police department (continued)			
Debt service			
Loan principal and interest	\$ 48,732	\$ 114,603	\$ (65,871)
Capital lease	191,353	111,944	79,409
Total debt service	<u>240,085</u>	<u>226,547</u>	<u>13,538</u>
Capital outlay			
Vehicles	-	(750)	750
Equipment	236,000	172,000	64,000
Total capital outlay	<u>236,000</u>	<u>171,250</u>	<u>64,750</u>
Total police department	<u>8,590,038</u>	<u>9,593,219</u>	<u>(1,003,181)</u>
Fire department			
Salaries and wages			
Full-time salaries and wages	2,417,970	2,217,462	200,508
Part-time salaries and wages	39,651	22,052	17,599
Fire overtime	40,000	82,928	(42,928)
Holiday taken	-	73,546	(73,546)
Fire lieutenant pay	-	3,542	(3,542)
Overtime allowances	2,000	464	1,536
Sick leave buy back	-	12,412	(12,412)
Worker's compensation	-	58,832	(58,832)
Good attendance	-	10,914	(10,914)
Total salaries and wages	<u>2,499,621</u>	<u>2,482,152</u>	<u>17,469</u>
Fringe benefits			
IMRF match	5,412	10,858	(5,446)
Employer pension contribution	613,435	612,133	1,302
Employer's health insurance	376,888	338,702	38,186
Employer's dental and vision insurance	24,364	26,987	(2,623)
Social security match	5,412	4,281	1,131

(Continued)

**City of North Chicago, Illinois**  
 General Fund  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Fire department (continued)			
Fringe benefits (continued)			
Medicare match	\$ 33,285	\$ 31,176	\$ 2,109
Life insurance premiums	3,960	4,967	(1,007)
Total fringe benefits	<u>1,062,756</u>	<u>1,029,104</u>	<u>33,652</u>
Contractual services			
Maintenance - vehicles	33,700	48,358	(14,658)
Maintenance - equipment	10,500	65,800	(55,300)
Telephone	6,000	2,441	3,559
Rentals	2,500	1,298	1,202
Travel and training	27,000	37,511	(10,511)
Postage	200	187	13
Printing and publishing	5,000	5,539	(539)
Medical services	12,500	9,532	2,968
Other professional service	10,000	9,540	460
Dues and memberships	9,000	9,026	(26)
Total contractual services	<u>116,400</u>	<u>189,232</u>	<u>(72,832)</u>
Commodities			
Office supplies	2,500	4,441	(1,941)
Gasoline and oil	23,000	23,971	(971)
Maintenance supplies	4,000	1,239	2,761
Operating supplies	3,000	3,172	(172)
Ambulance operating supplies	8,000	14,206	(6,206)
Uniforms	37,000	26,996	10,004
Publications	37,000	-	37,000
Hazardous material enforcement	4,000	4,011	(11)
Reimbursements	300	546	(246)
Miscellaneous	4,800	6,554	(1,754)
Total commodities	<u>123,600</u>	<u>85,136</u>	<u>38,464</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Debt service			
Loan principal and interest	\$ 20,000	\$ 20,000	\$ -
Capital lease	10,182	9,337	845
Total debt service	<u>30,182</u>	<u>29,337</u>	<u>845</u>
Capital outlay			
Vehicles	145,000	457,209	(312,209)
Equipment	135,000	261,188	(126,188)
Total capital outlay	<u>280,000</u>	<u>718,397</u>	<u>(438,397)</u>
Total fire department	<u>4,112,559</u>	<u>4,533,358</u>	<u>(420,799)</u>
Total public safety	<u>12,702,597</u>	<u>14,126,577</u>	<u>(1,423,980)</u>
Economic development department			
Salaries and wages			
Full-time salaries and wages	246,403	187,440	58,963
Part-time wages	1,376	1,376	-
Comp time	8,000	6,260	1,740
Overtime allowances	1,000	224	776
Total salaries and wages	<u>256,779</u>	<u>195,300</u>	<u>61,479</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
Economic development department (continued)			
Fringe benefits			
IMRF match	\$ 25,706	\$ 18,881	\$ 6,825
Employer's health insurance	37,677	13,367	24,310
Employer's dental and vision insurance	2,584	2,947	(363)
Social security match	15,858	11,805	4,053
Medicare match	3,709	2,761	948
Life insurance premiums	420	454	(34)
Total fringe benefits	<u>85,954</u>	<u>50,215</u>	<u>35,739</u>
Contractual services			
Telephone	1,000	684	316
Travel and training	2,615	2,616	(1)
Postage	500	30	470
Maintenance - vehicle	500	208	292
Maintenance - building	-	168	(168)
Printing and publishing	2,000	8,437	(6,437)
Other professional services	16,000	2,545	13,455
Operating supplies	500	-	500
Dues and memberships	2,500	2,742	(242)
Principal and interest	-	1,812	(1,812)
Lease interest expense	-	81	(81)
Equipment	4,000	918	3,082
Total contractual services	<u>29,615</u>	<u>20,241</u>	<u>9,374</u>
Commodities			
Office supplies	3,885	2,443	1,442
Gasoline and oil	500	151	349
Total commodities	<u>4,385</u>	<u>2,594</u>	<u>1,791</u>
Total economic development department	376,733	268,350	108,383
Economic development incentive	<u>841,271</u>	<u>918,483</u>	<u>(77,212)</u>
Total economic development	<u>1,218,004</u>	<u>1,186,833</u>	<u>31,171</u>
Debt service			
State tax loan payment	<u>211,000</u>	<u>211,000</u>	<u>-</u>
Total expenditures	<u>\$ 22,834,127</u>	<u>\$ 22,844,982</u>	<u>\$ (10,855)</u>

(Concluded)

**NONMAJOR GOVERNMENTAL FUNDS**

**City of North Chicago, Illinois**

Nonmajor Governmental Funds

Combining Balance Sheet (Continued)

April 30, 2015

	<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>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,321,650	\$ 2,037,774	\$ 225,074	\$ 6,205
Property tax receivable	754,442	-	-	-
Intergovernmental receivable	-	75,760	-	-
Other receivables	-	136	304,160	-
Due from other funds	-	79,011	-	-
Property held for resale	-	-	20,072	-
	<u>-</u>	<u>-</u>	<u>20,072</u>	<u>-</u>
Total assets	<u>\$ 2,076,092</u>	<u>\$ 2,192,681</u>	<u>\$ 549,306</u>	<u>\$ 6,205</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 56,831	\$ 205,370	\$ 13,872	\$ -
Accrued payroll	7,896	-	-	-
Other liabilities	-	-	8	-
Unearned fees	-	-	-	-
Due to other funds	27,340	-	150,071	-
	<u>27,340</u>	<u>-</u>	<u>150,071</u>	<u>-</u>
Total liabilities	<u>92,067</u>	<u>205,370</u>	<u>163,951</u>	<u>-</u>
<b>Deferred inflows</b>				
Property taxes levied for a future period	390,440	-	-	-
	<u>390,440</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows	<u>390,440</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances (deficit)</b>				
Nonspendable for property held for resale	-	-	20,072	-
Restricted for special revenue funds	1,593,585	1,987,311	365,283	6,205
Restricted for debt service	-	-	-	-
Restricted for capital projects	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>1,593,585</u>	<u>1,987,311</u>	<u>385,355</u>	<u>6,205</u>
Total liabilities, deferred inflows, and fund balances (deficit)	<u>\$ 2,076,092</u>	<u>\$ 2,192,681</u>	<u>\$ 549,306</u>	<u>\$ 6,205</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
\$	414,322	\$ 7,060	\$ 48,939	\$ 25,033	\$ 510,142	\$ -	\$ 4,596,199
	-	-	-	-	-	-	754,442
	-	-	-	-	-	-	75,760
	38,027	-	-	114,661	79,103	-	536,087
	13,531	-	-	-	41,962	39,558	174,062
	-	-	-	-	1,200,000	-	1,220,072
\$	<u>465,880</u>	<u>7,060</u>	<u>48,939</u>	<u>139,694</u>	<u>1,831,207</u>	<u>39,558</u>	<u>7,356,622</u>
\$	15,626	\$ -	\$ -	\$ 72,519	\$ -	\$ 23,730	\$ 387,948
	-	-	-	-	-	-	7,896
	-	-	-	-	-	3,135	3,143
	-	-	-	67,142	-	-	67,142
	-	-	6,836	-	-	42,577	226,824
	<u>15,626</u>	<u>-</u>	<u>6,836</u>	<u>139,661</u>	<u>-</u>	<u>69,442</u>	<u>692,953</u>
	-	-	-	-	-	-	390,440
	-	-	-	-	-	-	390,440
	-	-	-	-	1,200,000	-	1,220,072
	450,254	7,060	42,103	33	631,207	(29,884)	5,053,157
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	<u>450,254</u>	<u>7,060</u>	<u>42,103</u>	<u>33</u>	<u>1,831,207</u>	<u>(29,884)</u>	<u>6,273,229</u>
\$	<u>465,880</u>	<u>7,060</u>	<u>48,939</u>	<u>139,694</u>	<u>1,831,207</u>	<u>39,558</u>	<u>7,356,622</u>

(Continued)

**City of North Chicago, Illinois**

Nonmajor Governmental Funds

Combining Balance Sheet (Continued)

April 30, 2015

	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
<b>ASSETS</b>			
Cash and cash equivalents	\$ 157,475	\$ 10,513	\$ 16,303
Property tax receivable	833,828	256,944	207,111
Intergovernmental receivable	-	-	-
Other receivables	-	-	-
Due from other funds	-	-	-
Property held for resale	-	-	-
Total assets	<u>\$ 991,303</u>	<u>\$ 267,457</u>	<u>\$ 223,414</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Other liabilities	-	-	-
Unearned fees	-	-	-
Due to other funds	182,400	-	-
Total liabilities	<u>182,400</u>	<u>-</u>	<u>-</u>
<b>Deferred inflows</b>			
Property taxes levied for a future period	147,265	132,974	107,184
Total deferred inflows	<u>147,265</u>	<u>132,974</u>	<u>107,184</u>
<b>Fund balances (deficit)</b>			
Nonspendable for property held for resale	-	-	-
Restricted for special revenue funds	-	-	-
Restricted for debt service	661,638	134,483	116,230
Restricted for capital projects	-	-	-
Total fund balances (deficit)	<u>661,638</u>	<u>134,483</u>	<u>116,230</u>
Total liabilities, deferred inflows, and fund balances (deficit)	<u>\$ 991,303</u>	<u>\$ 267,457</u>	<u>\$ 223,414</u>

		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
\$ 20,173	\$ 204,464	\$ 82,459	\$ 82,459	\$ 4,883,122
799,748	2,097,631	-	-	2,852,073
-	-	-	-	75,760
-	-	-	-	536,087
-	-	-	-	174,062
-	-	-	-	1,220,072
<u>\$ 819,921</u>	<u>\$ 2,302,095</u>	<u>\$ 82,459</u>	<u>\$ 82,459</u>	<u>\$ 9,741,176</u>
\$ -	\$ -	\$ -	\$ -	\$ 387,948
-	-	-	-	7,896
-	-	-	-	3,143
-	-	-	-	67,142
39,558	221,958	-	-	448,782
<u>39,558</u>	<u>221,958</u>	<u>-</u>	<u>-</u>	<u>914,911</u>
413,886	801,309	-	-	1,191,749
<u>413,886</u>	<u>801,309</u>	<u>-</u>	<u>-</u>	<u>1,191,749</u>
-	-	-	-	1,220,072
-	-	-	-	5,053,157
366,477	1,278,828	-	-	1,278,828
-	-	82,459	82,459	82,459
<u>366,477</u>	<u>1,278,828</u>	<u>82,459</u>	<u>82,459</u>	<u>7,634,516</u>
<u>\$ 819,921</u>	<u>\$ 2,302,095</u>	<u>\$ 82,459</u>	<u>\$ 82,459</u>	<u>\$ 9,741,176</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, 2015

	Special Revenue Funds			
	Library	Motor Fuel Tax	Community Development Block Grant	Federal Forfeited Property (DEA)
<b>Revenues</b>				
Property taxes	\$ 741,979	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental Grants	-	1,116,845	-	-
Fines and fees	101,782	-	402,757	-
Interest	16,312	-	-	-
Miscellaneous	418	599	46	3
	8,391	15,556	-	-
Total revenues	<u>868,882</u>	<u>1,133,000</u>	<u>402,803</u>	<u>3</u>
<b>Expenditures</b>				
Current				
Administration	-	-	20,107	-
Highway and streets	-	160,361	-	-
Public safety	-	-	-	568
Culture and recreation	600,387	-	-	-
Economic development	-	-	1,307,225	-
Debt service				
Principal retirement	-	-	-	-
Interest and other	-	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay	97,606	413,095	-	-
Total expenditures	<u>697,993</u>	<u>573,456</u>	<u>1,327,332</u>	<u>568</u>
Excess (deficiency) of revenues over expenditures	170,889	559,544	(924,529)	(565)
<b>Other financing sources (uses)</b>				
Bond proceeds	-	-	-	-
Premium on bonds sold	-	-	-	-
Transfer to escrow agent	-	-	-	-
Transfers in (out)	-	(13,742)	-	-
Gain on sale of property held for resale	-	-	41,299	-
Total other financing sources	<u>-</u>	<u>(13,742)</u>	<u>41,299</u>	<u>-</u>
Net change in fund balance	170,889	545,802	(883,230)	(565)
Fund balance (deficit), beginning of year	<u>1,422,696</u>	<u>1,441,509</u>	<u>1,268,585</u>	<u>6,770</u>
Fund balance (deficit), end of year	<u>\$ 1,593,585</u>	<u>\$ 1,987,311</u>	<u>\$ 385,355</u>	<u>\$ 6,205</u>

						Total Nonmajor Special Revenue Funds
E911 Emergency	Delta Institute Emerald Ash Borer Grant	Seized Drug Money (State)	DCEO Infrastructure	Grant Place Grant Place	Grant Place Operating	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 741,979
154,852	-	-	-	-	-	154,852
-	-	13,182	-	-	-	1,130,027
-	5,073	-	72,519	-	-	582,131
-	-	-	-	-	-	16,312
158	-	24	9	63	2	1,322
-	-	-	-	6,639	100,617	131,203
<u>155,010</u>	<u>5,073</u>	<u>13,206</u>	<u>72,528</u>	<u>6,702</u>	<u>100,619</u>	<u>2,757,826</u>
-	-	-	-	3,596	-	23,703
-	-	-	-	-	-	160,361
47,842	-	20,840	-	-	-	69,250
-	-	-	72,519	-	-	672,906
-	32,940	-	-	-	72,569	1,412,734
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>58,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>569,694</u>
<u>106,835</u>	<u>32,940</u>	<u>20,840</u>	<u>72,519</u>	<u>3,596</u>	<u>72,569</u>	<u>2,908,648</u>
48,175	(27,867)	(7,634)	9	3,106	28,050	(150,822)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	57,292	-	-	-	-	43,550
-	-	-	-	-	-	41,299
-	<u>57,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,849</u>
48,175	29,425	(7,634)	9	3,106	28,050	(65,973)
<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>\$ 450,254</u>	<u>\$ 7,060</u>	<u>\$ 42,103</u>	<u>\$ 33</u>	<u>\$ 1,831,207</u>	<u>\$ (29,884)</u>	<u>\$ 6,273,229</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, 2015

	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	\$ 1,133,892	\$ 252,015	\$ 204,908
Taxes - other	-	-	-
Intergovernmental	-	-	-
Grants	-	-	-
Fines and fees	-	-	-
Interest	115	13	18
Miscellaneous	-	-	-
Total revenues	<u>1,134,007</u>	<u>252,028</u>	<u>204,926</u>
Expenditures			
Current			
Administration	-	445	-
Highway and streets	-	-	-
Public safety	-	-	-
Culture and recreation	-	-	-
Economic development	-	-	-
Debt service			
Principal retirement	595,000	170,000	-
Interest and other	401,422	78,395	205,655
Bond issuance costs	140,646	-	-
Capital outlay	-	-	-
Total expenditures	<u>1,137,068</u>	<u>248,840</u>	<u>205,655</u>
Excess (deficiency) of revenues over expenditures	(3,061)	3,188	(729)
Other financing sources (uses)			
Bond proceeds	6,010,000	-	-
Premium on bonds sold	535,135	-	-
Transfer to escrow agent	(6,329,814)	-	-
Transfers in (out)	-	-	-
Gain on sale of property held for resale	-	-	-
Total other financing sources	<u>215,321</u>	<u>-</u>	<u>-</u>
Net change in fund balance	212,260	3,188	(729)
Fund balance (deficit), beginning of year	<u>449,378</u>	<u>131,295</u>	<u>116,959</u>
Fund balance, end of year	<u>\$ 661,638</u>	<u>\$ 134,483</u>	<u>\$ 116,230</u>

		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
\$ 778,529	\$ 2,369,344	\$ -	\$ -	\$ 3,111,323
-	-	-	-	154,852
-	-	-	-	1,130,027
-	-	-	-	582,131
-	-	-	-	16,312
47	193	30	30	1,545
-	-	53,895	53,895	185,098
<u>778,576</u>	<u>2,369,537</u>	<u>53,925</u>	<u>53,925</u>	<u>5,181,288</u>
-	445	-	-	24,148
-	-	-	-	160,361
-	-	-	-	69,250
-	-	-	-	672,906
-	-	-	-	1,412,734
290,000	1,055,000	-	-	1,055,000
475,870	1,161,342	-	-	1,161,342
-	140,646	-	-	140,646
-	-	-	-	569,694
<u>765,870</u>	<u>2,357,433</u>	<u>-</u>	<u>-</u>	<u>5,266,081</u>
12,706	12,104	53,925	53,925	(84,793)
-	6,010,000	-	-	6,010,000
-	535,135	-	-	535,135
-	(6,329,814)	-	-	(6,329,814)
-	-	-	-	43,550
-	-	-	-	41,299
<u>-</u>	<u>215,321</u>	<u>-</u>	<u>-</u>	<u>300,170</u>
12,706	227,425	53,925	53,925	215,377
<u>353,771</u>	<u>1,051,403</u>	<u>28,534</u>	<u>28,534</u>	<u>7,419,139</u>
<u>\$ 366,477</u>	<u>\$ 1,278,828</u>	<u>\$ 82,459</u>	<u>\$ 82,459</u>	<u>\$ 7,634,516</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, 2015

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	Original and Final Budget	Actual	Variance from Final Budget
Operating revenues			
Charges for sales and services	\$ 6,507,726	\$ 6,021,491	\$ (486,235)
Miscellaneous	10,050	12,943	2,893
Total operating revenues	<u>6,517,776</u>	<u>6,034,434</u>	<u>(483,342)</u>
Operating expenses			
Operations	3,358,153	2,961,979	396,174
Depreciation	552,955	547,409	5,546
Total operating expenses	<u>3,911,108</u>	<u>3,509,388</u>	<u>401,720</u>
Operating income	<u>2,606,668</u>	<u>2,525,046</u>	<u>(81,622)</u>
Nonoperating revenues (expenses)			
Property taxes	-	15,054	15,054
Interest income	1,300	12,263	10,963
Principal retirement	(165,000)	-	165,000
Issuance costs	-	(27,882)	(27,882)
Interest expense	(113,188)	(40,460)	72,728
Total nonoperating expenses	<u>(276,888)</u>	<u>(41,025)</u>	<u>235,863</u>
Income before contributions and transfers	<u>2,329,780</u>	<u>2,484,021</u>	<u>154,241</u>
Transfers out	<u>(1,600,000)</u>	<u>(1,600,000)</u>	<u>-</u>
Change in net position	<u>\$ 729,780</u>	884,021	<u>\$ 154,241</u>
Net position, beginning of year		<u>15,934,083</u>	
Net position, end of year		<u>\$ 16,818,104</u>	

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(Continued)

**City of North Chicago, Illinois**  
 Water Fund  
 Schedule of Operating Revenues - Budget and Actual  
For the Year Ended April 30, 2015

	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	\$ 2,274,492	\$ 236,592
Abbott park water	996,650	662,001	(334,649)
Abbott raw water	832,000	672,239	(159,761)
Residential water	1,561,300	1,303,813	(257,487)
Commercial water	352,000	284,839	(67,161)
Water resumption	5,700	17,906	12,206
Meter sales	10,000	13,797	3,797
Tie-in fees	2,500	200	(2,300)
Water/sewer assessment	500	100	(400)
Base fees	642,000	651,532	9,532
Water penalty	45,000	59,012	14,012
Raw water equipment	22,176	81,560	59,384
Total charges for sales and services	<u>6,507,726</u>	<u>6,021,491</u>	<u>(486,235)</u>
Reimbursement and rebates	50	-	(50)
Miscellaneous	<u>10,000</u>	<u>12,943</u>	<u>2,943</u>
Total other revenues	<u>10,050</u>	<u>12,943</u>	<u>2,893</u>
Total operating revenues	<u>\$ 6,517,776</u>	<u>\$ 6,034,434</u>	<u>\$ (483,342)</u>

(Concluded)

# City of North Chicago, Illinois

## Water Fund

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

For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
<b>Operating expenses</b>			
<b>Salaries and wages</b>			
Full-time salaries and wages	\$ 848,704	\$ 819,709	\$ 28,995
Overtime allowances	55,000	91,237	(36,237)
Comptime used	-	2,920	(2,920)
Compensated absences	-	6,597	(6,597)
Voluntary separation plan	-	62	(62)
Holiday	-	3,474	(3,474)
Workers' compensation	-	33,759	(33,759)
Total salaries and wages	903,704	957,758	(54,054)
<b>Fringe benefits</b>			
IMRF match	85,295	92,158	(6,863)
Employer's health insurance	142,380	105,924	36,456
Employer's dental and vision insurance	10,336	11,124	(788)
Social security match	52,652	54,478	(1,826)
Medicare match	12,306	12,741	(435)
Life insurance premiums	1,680	3,326	(1,646)
Total fringe benefits	304,649	279,751	24,898
<b>Contractual services</b>			
Maintenance - buildings	140,000	108,437	31,563
Maintenance - vehicles	2,000	11,770	(9,770)
Maintenance - equipment	106,000	60,425	45,575
Maintenance - utility system	55,000	3,263	51,737
Other maintenance	20,000	50,379	(30,379)
Telephone	3,500	2,506	994
Utilities	685,000	676,156	8,844
Rentals	1,000	742	258
Medical service	400	-	400
Travel and training	2,900	2,701	199
Postage	12,000	11,358	642
Printing and publishing	5,000	1,535	3,465
Fiber option project	200,000	-	200,000

(Continued)

# City of North Chicago, Illinois

## Water Fund

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

For the Year Ended April 30, 2015

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	Original and Final Budget	Actual	Variance from Final Budget
Operating expenses (continued)			
Contractual services (continued)			
Engineering services	\$ 10,000	\$ 18,240	\$ (8,240)
Other professional services	231,500	249,951	(18,451)
Dues and memberships	750	(70)	820
Sludge treatment	50,000	26,153	23,847
Intake inspection	40,000	38,510	1,490
Total contractual services	<u>1,565,050</u>	<u>1,262,056</u>	<u>302,994</u>
Commodities			
Office supplies	10,000	3,514	6,486
Gasoline and oil	25,000	15,555	9,445
Maintenance supplies	40,000	2,241	37,759
Operating supplies	173,000	116,029	56,971
Uniforms	10,750	6,477	4,273
Miscellaneous expenses	1,000	4,601	(3,601)
Total commodities	<u>259,750</u>	<u>148,417</u>	<u>111,333</u>
Capital outlay			
Other improvements	125,000	181,751	(56,751)
Vehicles	40,000	25,185	14,815
Equipment	100,000	28,770	71,230
Meters	60,000	34,999	25,001
Total capital outlay	<u>325,000</u>	<u>270,705</u>	<u>54,295</u>
Depreciation	<u>552,955</u>	<u>547,409</u>	<u>5,546</u>
Total operating expenses	\$ <u>3,911,108</u>	\$ <u>3,509,388</u>	\$ <u>401,720</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, 2015

---

	Original and Final Budget	Actual	Variance from Final Budget
Operating revenues			
Charges for sales and services	\$ 1,626,490	\$ 1,415,274	\$ (211,216)
Total operating revenues	<u>1,626,490</u>	<u>1,415,274</u>	<u>(211,216)</u>
Operating expenses			
Operations	1,074,421	802,882	271,539
Depreciation	<u>-</u>	<u>123,744</u>	<u>(123,744)</u>
Total operating expenses	<u>1,074,421</u>	<u>926,626</u>	<u>147,795</u>
Operating income	<u>552,069</u>	<u>488,648</u>	<u>(63,421)</u>
Nonoperating revenues (expenses)			
Property taxes	-	15,667	15,667
Interest income	600	11,975	11,375
Principal retirement	(87,180)	-	87,180
Issuance costs	-	(29,020)	(29,020)
Interest expense	<u>(65,077)</u>	<u>(57,993)</u>	<u>7,084</u>
Total nonoperating expenses	<u>(151,657)</u>	<u>(59,371)</u>	<u>92,286</u>
Income before transfers	<u>400,412</u>	<u>429,277</u>	<u>28,865</u>
Transfers out	<u>(400,000)</u>	<u>(401,169)</u>	<u>(1,169)</u>
Changes in net position	\$ <u><u>412</u></u>	28,108	\$ <u><u>27,696</u></u>
Net position, beginning of year		<u>4,344,668</u>	
Net position, end of year		\$ <u><u>4,372,776</u></u>	

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(Continued)

**City of North Chicago, Illinois**  
 Sewer Fund  
 Schedule of Operating Revenues - Budget and Actual  
For the Year Ended April 30, 2015

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	Original and Final <u>Budget</u>	<u>Actual</u>	Variance from <u>Final Budget</u>
Operating revenues			
Charges for sales and services			
Residential sewer	\$ 636,100	\$ 447,762	\$ (188,338)
Industrial sewer	758,000	767,300	9,300
Penalties	11,300	17,887	6,587
Commercial sewer	130,900	88,841	(42,059)
Base fees	<u>90,190</u>	<u>93,484</u>	<u>3,294</u>
Total charges for sales and services	<u>1,626,490</u>	<u>1,415,274</u>	<u>(211,216)</u>
Total operating revenues	<u>\$ 1,626,490</u>	<u>\$ 1,415,274</u>	<u>\$ (211,216)</u>

(Concluded)

**City of North Chicago, Illinois**  
 Sewer Fund  
 Schedule of Operating Expenses - Budget and Actual  
For the Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance from Final Budget
<b>Operating expenses</b>			
Salaries and wages			
Full-time salaries and wages	\$ 223,068	\$ 271,183	\$ (48,115)
Overtime allowances	20,000	33,746	(13,746)
Voluntary separation plan	-	463	(463)
Compensated absences	-	(9,818)	9,818
Total salaries and wages	<u>243,068</u>	<u>295,574</u>	<u>(52,506)</u>
Fringe benefits			
IMRF match	22,418	29,819	(7,401)
Employer's health insurance	46,188	57,089	(10,901)
Employer's dental and vision insurance	2,953	4,744	(1,791)
Social security match	13,830	17,920	(4,090)
Medicare match	3,234	4,191	(957)
Life insurance premiums	480	952	(472)
Total fringe benefits	<u>89,103</u>	<u>114,715</u>	<u>(25,612)</u>
Contractual services			
Maintenance - building	162,500	17,328	145,172
Maintenance - vehicles	15,000	15,231	(231)
Maintenance - equipment	5,000	50	4,950
Maintenance - grounds	500	-	500
Maintenance - utility system	28,000	26,487	1,513
Other maintenance	2,000	-	2,000
Telephone	3,000	109	2,891
Rentals	5,000	-	5,000
Medical service	400	-	400
Travel and training	2,600	1,740	860
Landfill and garbage	30,000	-	30,000
Engineering services	11,000	12,893	(1,893)
Other professional services	302,000	174,432	127,568
Dues and memberships	1,150	-	1,150
Total contractual services	<u>568,150</u>	<u>248,270</u>	<u>319,880</u>

(Continued)

# City of North Chicago, Illinois

## Sewer Fund

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

For the Year Ended April 30, 2015

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	Original and Final Budget	Actual	Variance from Final Budget
Operating expenses (continued)			
Commodities			
Office supplies	\$ 500	\$ 158	\$ 342
Maintenance supplies	85,000	91,235	(6,235)
Operating supplies	3,500	1,468	2,032
Uniforms	4,100	4,331	(231)
Vehicles	30,000	-	30,000
Miscellaneous	1,000	238	762
Total commodities	<u>124,100</u>	<u>97,430</u>	<u>26,670</u>
Bad debt expense	<u>-</u>	<u>2,204</u>	<u>(2,204)</u>
Capital outlay			
Equipment	<u>50,000</u>	<u>44,689</u>	<u>5,311</u>
Total capital outlay	<u>50,000</u>	<u>44,689</u>	<u>5,311</u>
Depreciation	<u>-</u>	<u>123,744</u>	<u>(123,744)</u>
Total operating expenses	<u>\$ 1,074,421</u>	<u>\$ 926,626</u>	<u>\$ 147,795</u>

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(Concluded)

**INTERNAL SERVICE FUNDS**

# City of North Chicago, Illinois

## Internal Service Funds

### Combining Schedule of Net Position

April 30, 2015

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	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal Service Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 188,271	\$ 151,758	\$ 340,029
Other receivables	<u>21,572</u>	<u>-</u>	<u>21,572</u>
Total assets	<u>209,843</u>	<u>151,758</u>	<u>361,601</u>
<b>LIABILITIES</b>			
Accounts payable	11,172	34,839	46,011
Due to General Fund	-	116,919	116,919
Claims payable	<u>12,803</u>	<u>-</u>	<u>12,803</u>
Total liabilities	<u>23,975</u>	<u>151,758</u>	<u>175,733</u>
<b>NET POSITION</b>			
Unrestricted	<u>\$ 185,868</u>	<u>\$ -</u>	<u>\$ 185,868</u>

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# City of North Chicago, Illinois

## Internal Service Funds

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

For the Year Ended April 30, 2015

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	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal Service Funds</u>
Operating revenues			
Charges for sales and services	\$ 151,182	\$ 170,434	\$ 321,616
Total operating revenues	<u>151,182</u>	<u>170,434</u>	<u>321,616</u>
Operating expenses			
Premiums / claim payments	<u>122,955</u>	<u>170,487</u>	<u>293,442</u>
Operating income	<u>28,227</u>	<u>(53)</u>	<u>28,174</u>
Nonoperating revenues			
Interest income	<u>79</u>	<u>53</u>	<u>132</u>
Change in net position	28,306	-	28,306
Net position, beginning of year	<u>157,562</u>	<u>-</u>	<u>157,562</u>
Net position, end of year	<u>\$ 185,868</u>	<u>\$ -</u>	<u>\$ 185,868</u>

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# City of North Chicago, Illinois

## Internal Service Funds

### Combining Schedule of Cash Flows

For the year ended April 30, 2015

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	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities			
Cash received from other funds	\$ 129,610	\$ 170,434	\$ 300,044
Cash payments for claims and services	<u>(125,640)</u>	<u>(148,337)</u>	<u>(273,977)</u>
Net cash provided by operating activities	<u>3,970</u>	<u>22,097</u>	<u>26,067</u>
Cash flows from noncapital financing activities			
Interfund borrowing	<u>-</u>	<u>40,864</u>	<u>40,864</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>40,864</u>	<u>40,864</u>
Cash flows from investing activities			
Interest received	<u>79</u>	<u>53</u>	<u>132</u>
Net cash provided by investing activities	<u>79</u>	<u>53</u>	<u>132</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,049	63,014	67,063
Cash and cash equivalents, beginning of year	<u>184,222</u>	<u>88,744</u>	<u>272,966</u>
Cash and cash equivalents, end of year	<u>\$ 188,271</u>	<u>\$ 151,758</u>	<u>\$ 340,029</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 28,227	\$ (53)	\$ 28,174
Adjustments to reconcile operating income to net cash provided by operating activities			
Increase in other receivables	(21,572)	-	(21,572)
Decrease in estimated claims liability	(1,856)	-	(1,856)
Decrease (increase) in accounts payable	<u>(829)</u>	<u>22,150</u>	<u>21,321</u>
Net cash provided by operating activities	<u>\$ 3,970</u>	<u>\$ 22,097</u>	<u>\$ 26,067</u>

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**OTHER SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2005A  
 Schedule of Annual Debt Service Requirements  
April 30, 2015

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
2016	5.00%	\$ 640,000	\$ 170,500	\$ 810,500

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2005B  
 Schedule of Annual Debt Service Requirements  
April 30, 2015

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
2016	4.00%	\$ <u>175,000</u>	\$ <u>61,750</u>	\$ <u>236,750</u>

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2007A  
 Schedule of Annual Debt Service Requirements  
April 30, 2015

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
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>\$ 1,860,000</u>	<u>\$ 360,800</u>	<u>\$ 2,220,800</u>

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2007B  
 Schedule of Annual Debt Service Requirements  
April 30, 2015

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
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
2033	4.30	490,000	128,950	618,950

(Continued)

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2007B (Continued)  
 Schedule of Annual Debt Service Requirements  
April 30, 2015

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

Fiscal Year Ended April 30,	Interest Rate	Principal	Interest	Annual Debt Service
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>\$ 3,805,478</u>	<u>\$ 8,545,478</u>

(Concluded)

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2007C  
 Schedule of Annual Debt Service Requirements  
April 30, 2015

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
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>\$ 7,895,000</u>	<u>\$ 3,602,965</u>	<u>\$ 11,497,965</u>

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2014A Refunding  
 Schedule of Annual Debt Service Requirements  
April 30, 2015

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General Obligation Bonds  
 Series 2014A Refunding  
 General Governmental Obligation

Date February 4, 2015  
 Issuance \$6,010,000  
 Due November 1, as set forth below  
 Registration Fully registered  
 Paying Agent Amalgamated Bank of Chicago  
 Chicago, Illinois  
 Interest Date: May 1 and November 1

Fiscal Year Ended April 30,	Interest Rate	Principal	Interest	Annual Debt Service
2016	3.00%	\$ -	\$ 217,850	\$ 217,850
2017	3.00	695,000	207,425	902,425
2018	3.00	755,000	185,675	940,675
2019	4.00	805,000	162,275	967,275
2020	4.00	845,000	133,300	978,300
2021	4.00	905,000	98,300	1,003,300
2022	4.00	970,000	60,800	1,030,800
2023	4.00	1,035,000	20,700	1,055,700
		<u>\$ 6,010,000</u>	<u>\$ 1,086,325</u>	<u>\$ 7,096,325</u>

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2014B Refunding  
 Schedule of Annual Debt Service Requirements  
April 30, 2015

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General Obligation Bonds  
 Series 2014B Refunding  
 Enterprise Obligation

Date February 4, 2015  
 Issuance \$2,275,000  
 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
2016	3.00%	\$ -	\$ 85,000	\$ 85,000
2017	3.00	195,000	82,075	277,075
2018	3.00	200,000	76,150	276,150
2019	4.00	205,000	70,075	275,075
2020	4.00	215,000	62,700	277,700
2021	4.00	220,000	54,000	274,000
2022	4.00	230,000	45,000	275,000
2023	4.00	240,000	35,600	275,600
2024	4.00	245,000	25,900	270,900
2025	4.00	260,000	15,800	275,800
		<u>265,000</u>	<u>5,300</u>	<u>270,300</u>
		<u>\$ 2,275,000</u>	<u>\$ 557,600</u>	<u>\$ 2,832,600</u>

# City of North Chicago, Illinois

Legal Debt Margin

April 30, 2015

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

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

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