

City of North Chicago, Illinois

Annual Financial Report

Year Ended April 30, 2018

City of North Chicago, Illinois

Annual Financial Report

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INDEPENDENT AUDITORS' REPORT

MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of 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, 2018, 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. Those statements were audited by an other auditor whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Police Pension Fund and Firefighters' Pension Fund, is based solely on the reports of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

(Continued)

Auditors' Responsibility (Continued)

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

Opinions

In our opinion, 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, 2018, 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.

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, Police and Firefighters' pension data on pages 90 - 99, the other postemployment benefits data on page 100 and budgetary comparison schedules and notes to the required supplementary information on pages 101 through 105 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.

(Continued)

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, 2018 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, 2018 is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended April 30, 2018.

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.

MILLER, COOPER & CO., LTD.



Certified Public Accountants

Deerfield, Illinois
November 30, 2018

Management's Discussion and Analysis (Unaudited)

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, 2018.

Financial Highlights

- The assets and deferred outflows of the City of North Chicago (the City) net of its liabilities and deferred inflows at the close of the most recent fiscal year resulted in a net deficit of \$49,876,116.
- The financial position of the Water and Sewer Fund decreased slightly at April 30, 2018. Net position equal to \$20,706,970, due to capital project improvements.
- As of April 30, 2018, the City's governmental funds reported combined ending fund balances of \$27,108,553. Of this amount, \$10,604,429 of total general fund balance was unassigned, or 32.12 percent of combined fund balance, and available for spending at the City's discretion (unassigned fund balance).
- At April 30, 2018, the City's outstanding General Obligation Bond principal was \$19,275,000 which is a decrease of \$1,570,000 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 (deficit) presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position (deficit). Over time, increases or decreases in net position (deficit) 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 (deficit) changed during the most recent fiscal year. All changes in net position (deficit) 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 Sheridan Crossing Tax Increment Financing Redevelopment Project Area Fund, which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension in June 2015, which will be effective for the City beginning with its year ending April 30, 2019. The primary objective of this Statement is to improve accounting and financial reporting by state and local government for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of statement No. 45, Accounting and Financial Reporting by Employers for Postemployment benefit other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

While the City is still evaluating the full effects of this statements, the City anticipates additional long-term liabilities associated with other postemployment benefit to be similar to the current unfunded actuarial accrued liability (UAAL). For the fiscal year ended April 30, 2018, the UAAL was \$4,076,432 (Note J).

The basic governmental fund financial statements can be found on pages 17-20 of this report.

Overview of the Financial Statements (Continued)

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

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and wastewater (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, 2018 amounted to \$8,194,285 and those of the internal service funds amounted to \$135,414.

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 31-89 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 90-105 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 128-135 and 140-142 of this report, respectively.

Government-Wide Financial Analysis

As noted earlier, net position (deficit) may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows exceeded assets and deferred outflows by \$49,876,116 (net deficit) at the close of FY 2017-2018.

Government-Wide Financial Analysis (Continued)

The largest portion of the City's net deficit reflects its investment in capital assets (i.e., land, buildings, machinery, and equipment) less any related outstanding debt used to acquire those assets and pension liabilities. 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 (deficit):

**CITY OF NORTH CHICAGO
Net Position (Deficit)**

	Governmental Activities		Business type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$34,179,049	\$32,574,274	\$9,241,137	\$9,913,475	\$43,420,186	\$42,487,749
Noncurrent assets	<u>20,705,273</u>	<u>20,601,340</u>	<u>15,613,228</u>	<u>15,189,940</u>	<u>36,318,501</u>	<u>35,791,280</u>
Total assets	54,884,322	53,175,614	24,854,365	25,103,415	79,738,687	78,279,029
Deferred outflows related to pensions	12,860,357	16,154,183	351,523	359,479	13,211,880	16,513,662
Loss on refunding of bonds	<u>149,659</u>	<u>168,367</u>	<u>76,489</u>	<u>86,050</u>	<u>226,148</u>	<u>254,417</u>
Total deferred outflows	13,010,016	16,322,550	428,012	445,529	13,438,028	16,768,079
Current liabilities	2,578,998	1,901,629	660,850	558,010	3,239,848	2,459,639
Noncurrent liabilities	<u>119,348,487</u>	<u>120,141,056</u>	<u>3,028,421</u>	<u>3,757,715</u>	<u>122,376,908</u>	<u>123,898,771</u>
Total liabilities	121,927,485	122,042,685	3,689,271	4,315,725	125,616,756	126,358,410
Property taxes levied for a future period	4,356,084	4,382,894	138,090	140,577	4,494,174	4,523,471
Deferred inflows related to pensions	<u>12,193,855</u>	<u>10,750,234</u>	<u>748,046</u>	<u>52,558</u>	<u>12,941,901</u>	<u>10,802,792</u>
Total deferred inflows	16,549,939	15,133,128	886,136	193,135	17,436,075	15,326,263
<u>Net position (deficit):</u>						
Net investment in capital assets	8,727,281	8,380,602	12,512,685	12,131,783	21,239,966	20,512,385
Restricted by enabling legislation	6,207,192	5,050,363	-	-	6,207,192	5,050,363
Restricted for sales tax refund	771,690	982,890	-	-	771,690	982,890
Unrestricted	<u>(86,289,249)</u>	<u>(82,091,504)</u>	<u>8,194,285</u>	<u>8,908,301</u>	<u>(78,094,964)</u>	<u>(73,183,203)</u>
Total net position (deficit)	<u>(\$70,583,086)</u>	<u>(\$67,677,649)</u>	<u>\$20,706,970</u>	<u>\$21,040,084</u>	<u>(\$49,876,116)</u>	<u>(\$46,637,565)</u>

At April 30, 2018, the City's net deficit within Governmental Activities is primarily due to the pension liabilities in accordance with GASB 68/71. Partially offsetting that net deficit is the positive net position within the Business-Type Activities.

Government-Wide Financial Analysis (Continued)

Governmental Activities: The City's changes in net position (deficit) 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 (Deficit)

	Governmental Activities		Business-type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$3,061,433	\$3,403,200	\$7,496,557	\$7,924,602	\$10,557,990	\$11,327,802
Operating grants	1,462,570	1,615,366	-	-	1,462,570	1,615,366
General revenues:						
Property taxes	10,539,522	10,335,395	281,751	232,498	10,821,273	10,567,893
Other taxes	5,070,710	4,959,572	-	-	5,070,710	4,959,572
Intergovernmental	6,842,086	5,628,698	-	-	6,842,086	5,628,698
Other	<u>728,114</u>	<u>508,265</u>	<u>71,156</u>	<u>83,722</u>	<u>799,270</u>	<u>591,987</u>
Total revenues	27,704,435	26,450,496	7,849,464	8,240,822	35,553,899	34,691,318
Expenses:						
Admin and general govt.	6,539,676	7,087,758	-	-	6,539,676	7,087,758
Police	13,434,513	14,246,000	-	-	13,434,513	14,246,000
Fire	6,152,061	5,937,200	-	-	6,152,061	5,937,200
Public works	2,744,238	2,524,547	-	-	2,744,238	2,524,547
Library	621,262	639,295	-	-	621,262	639,295
Economic development	3,099,813	2,160,588	-	-	3,099,813	2,160,588
Engineering	382	-	-	-	382	-
Impairment loss on land held for sale	-	2,693,946	-	-	2,693,946	-
Interest and other	655,927	609,911	-	-	655,927	609,911
Water	<u>-</u>	<u>-</u>	<u>5,544,578</u>	<u>7,539,392</u>	<u>5,544,578</u>	<u>7,539,392</u>
Total expenses	33,247,872	35,899,245	5,544,578	7,539,392	38,792,450	43,438,637
Change in net position (deficit) before transfers	<u>(5,543,437)</u>	<u>(9,448,749)</u>	<u>2,304,886</u>	<u>701,430</u>	<u>(3,238,551)</u>	<u>(8,747,319)</u>
Transfers	<u>2,638,000</u>	<u>2,175,000</u>	<u>(2,638,000)</u>	<u>(2,175,000)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position (deficit)	<u>(2,905,437)</u>	<u>(7,273,749)</u>	<u>(333,114)</u>	<u>(1,473,570)</u>	<u>(3,238,551)</u>	<u>(8,747,319)</u>
Net position (deficit) – beginning of year	(67,677,649)	(60,403,900)	21,040,084	22,513,654	(46,637,565)	(37,890,246)
Net position (deficit) – end of year	<u>(\$70,583,086)</u>	<u>(\$67,677,649)</u>	<u>\$20,706,970</u>	<u>\$21,040,084</u>	<u>(\$49,876,116)</u>	<u>(\$46,637,565)</u>

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, 2018, the combined ending fund balances of the City's governmental funds were \$27,108,553, an increase of \$981,936 in comparison with the prior year. Approximately 37.9% or \$10.3 million constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is classified as nonspendable/restricted to indicate that it is not available for spending because it has already been designated for 1) nonspendable for inventory-\$4,000; 2) nonspendable for prepaid items-\$560,777; 3) nonspendable for property held for resale-\$4,803,440; 4) restricted for special revenue funds-\$5,339,361; 5) restricted for debt service-\$3,571,235 6) restricted for capital projects-\$1,400,383 6) restricted for notes payable to Illinois Department of Revenue-\$771,690 for sales tax reimbursements. 7) assigned for accounts payable clearing-\$390,748.

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 \$10,604,429. 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 42.8% of total General Fund expenditures.

The City's General Fund fund balance decreased by \$120,447 during the current fiscal year. Factors related to this change are primarily due to a decrease in grant revenues and miscellaneous fees offset by taxes not related to real estate property taxes.

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 \$20,706,970, as compared to \$21,040,084 for the prior year, a decrease of \$333,114 or 4.1 percent of the unrestricted balance at year end which totaled \$8,194,285. This is attributed to a decrease in revenues from last year in the amount of \$478,164 plus an increase in expenses related to salaries and other personal expenses as commodities.

General Fund Budgetary Highlights

Realized revenues and other financing sources were \$24,663,716 compared to the budget of \$24,319,395 a positive variance against budget of \$344,321. The difference between the budget and the amount realized was spread across the entire revenue profile of the General Fund. Total expenditures were \$24,784,163, compared to the budget of \$24,560,167. General Fund expenses exceeded budget by \$223,996.

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, 2018, amounts to \$35,091,610 (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. 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 activities		Business-type activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$2,853,106	\$2,853,106	\$2,435	\$2,435	\$2,855,541	\$2,855,541
Assets not yet placed in service	-	241,168	-	-	-	241,168
Land improvements	261,900	279,737	97,565	100,477	-	380,214
Buildings and improvements	2,321,490	2,442,222	4,245,703	3,911,832	6,567,193	6,354,054
Infrastructure	12,118,001	12,464,399	-	-	12,118,001	12,464,399
Library collections	159,639	151,131	-	-	159,639	151,131
Machinery and equipment	<u>2,132,313</u>	<u>2,169,577</u>	<u>10,899,458</u>	<u>11,175,196</u>	<u>13,031,771</u>	<u>13,344,412</u>
Total	<u>\$19,846,449</u>	<u>\$20,601,340</u>	<u>\$15,245,161</u>	<u>\$15,189,940</u>	<u>\$35,091,610</u>	<u>\$35,791,280</u>

Additional information on the City's capital assets can be found in Note E on pages 54-56 of this report.

Capital Asset and Debt Administration (Continued)

Long-Term Debt: At April 30, 2018, the City had outstanding general obligation debt of \$19,275,000 backed by the full faith and credit of the City.

CITY OF NORTH CHICAGO
Long Term Debt

	Governmental activities		Business-type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>GO Bonds:</u>						
Series 2007A	\$1,275,000	\$1,485,000	\$ -	\$ -	\$1,275,000	\$1,485,000
Series 2007B	4,740,000	4,740,000	-	-	4,740,000	4,740,000
Series 2007C	6,820,000	7,225,000	-	-	6,820,000	7,225,000
Series 2014A Refunding	4,560,000	5,315,000	-	-	4,560,000	5,315,000
Series 2014B Refunding	-	-	-	2,080,000	1,880,000	2,080,000
Total Bonds	<u>17,395,000</u>	<u>18,765,000</u>	<u>1,880,000</u>	<u>2,080,000</u>	<u>19,275,000</u>	<u>20,845,000</u>
<u>Other:</u>						
Bond issuance premium	257,120	335,785	135,980	158,643	393,100	494,428
Compensated Absences	2,029,994	1,989,695	159,966	200,476	2,189,960	2,190,171
Other post-employment benefits	151,937	132,532	-	-	151,937	132,532
Lawsuit settlement liability	66,200	44,800	-	-	66,200	44,800
Note payable to Lake Forest Bank	157,447	232,735	-	-	157,447	232,735
Note Payable to IFA	80,000	100,000	-	-	80,000	100,000
Library/Water note payable to First Midwest Bank	306,721	348,003	-	17,613	306,721	365,616
Note payable to IL Department of Revenue	771,690	982,890	-	-	771,690	982,890
Net Firefighter, Police and IMRF Pension liability	98,132,378	97,209,616	-	340,439	98,132,378	97,550,055
Note payable to Abbott Laboratories	-	-	129,034	179,228	129,034	179,228
Note payable to IL Environmental Protection Agency	-	-	<u>723,441</u>	<u>781,316</u>	<u>723,441</u>	<u>781,316</u>
Total Other	<u>101,953,487</u>	<u>101,376,056</u>	<u>1,148,421</u>	<u>1,677,715</u>	<u>103,101,908</u>	<u>103,053,771</u>
Total	<u>\$119,348,487</u>	<u>\$120,141,056</u>	<u>\$3,028,421</u>	<u>\$3,757,715</u>	<u>\$122,376,908</u>	<u>\$123,898,771</u>

Additional information on the City's long-term debt can be found in Note F on pages 57-63 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 fiscal year 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, with an emphasis formulating a plan to fund Police/Fire pension while continuing to provide the best service to the City's residents.

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

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.

BASIC FINANCIAL STATEMENTS

City of North Chicago, Illinois
Statement of Net Position (Deficit)
April 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 16,639,074	\$ 7,835,365	\$ 24,474,439
Property taxes receivable	9,872,933	280,932	10,153,865
Other taxes receivable	494,097	-	494,097
Intergovernmental receivable	74,571	-	74,571
Other receivables, net	2,212,338	620,855	2,833,193
Internal balances	(494,330)	494,330	-
Prepaid expenses	572,926	9,655	582,581
Inventory	4,000	-	4,000
Property held for resale	4,803,440	-	4,803,440
Total current assets	34,179,049	9,241,137	43,420,186
Noncurrent assets			
Net pension asset	858,824	368,068	1,226,892
Land and other capital assets not being depreciated	2,853,106	2,435	2,855,541
Capital assets, net of accumulated depreciation	16,993,343	15,242,725	32,236,068
Total noncurrent assets	20,705,273	15,613,228	36,318,501
Total assets	54,884,322	24,854,365	79,738,687
DEFERRED OUTFLOWS			
Deferred outflows related to pensions	12,860,357	351,523	13,211,880
Loss on refunding of bonds	149,659	76,489	226,148
Total deferred outflows	13,010,016	428,012	13,438,028

(Continued)

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois
Statement of Net Position (Deficit)
April 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable	\$ 863,874	\$ 605,323	\$ 1,469,197
Accrued payroll	590,529	55,527	646,056
Unearned revenue	164,808	-	164,808
Claims payable	10,993	-	10,993
Other liabilities	798,794	-	798,794
Due to fiduciary - firefighters' pension	150,000	-	150,000
Long-term liabilities			
Due within one year	1,913,037	335,539	2,248,576
Due in more than one year	117,435,450	2,692,882	120,128,332
Total liabilities	<u>121,927,485</u>	<u>3,689,271</u>	<u>125,616,756</u>
DEFERRED INFLOWS			
Property taxes levied for a future period	4,356,084	138,090	4,494,174
Deferred inflows related to pensions	12,193,855	748,046	12,941,901
Total deferred inflows	<u>16,549,939</u>	<u>886,136</u>	<u>17,436,075</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	8,727,281	12,512,685	21,239,966
Restricted by enabling legislation	6,207,192	-	6,207,192
Restricted for sales tax refund	771,690	-	771,690
Unrestricted	<u>(86,289,249)</u>	<u>8,194,285</u>	<u>(78,094,964)</u>
Total net position (deficit)	<u>\$ (70,583,086)</u>	<u>\$ 20,706,970</u>	<u>\$ (49,876,116)</u>

(Concluded)

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Statement of Activities

For the Year Ended April 30, 2018

<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	\$ 6,539,676	\$ 42,173	\$ 2,000
Police	13,434,513	1,735,941	-
Fire	6,152,061	358,188	88,601
Public works	2,744,238	911,408	831,870
Library	621,262	13,723	99,232
Economic development	3,099,813	-	440,867
Engineering	382	-	-
Interest and other	655,927	-	-
Total governmental activities	<u>33,247,872</u>	<u>3,061,433</u>	<u>1,462,570</u>
Business-type activities			
Water, sewer and refuse	<u>5,544,578</u>	<u>7,496,557</u>	<u>-</u>
Total business-type activities	<u>5,544,578</u>	<u>7,496,557</u>	<u>-</u>
Total primary government	<u>\$ 38,792,450</u>	<u>\$ 10,557,990</u>	<u>\$ 1,462,570</u>
		General revenues (expenses)	
		Property taxes	
		Other taxes	
		Intergovernmental	
		Miscellaneous	
		Interest income	
		Transfers	
		Total general revenues, transfers, and other	
		Change in net position	
		Net position (deficit), beginning of year,	
		Net position (deficit), 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
\$ (6,495,503)	\$ -	\$ (6,495,503)
(11,698,572)	-	(11,698,572)
(5,705,272)	-	(5,705,272)
(1,000,960)	-	(1,000,960)
(508,307)	-	(508,307)
(2,658,946)	-	(2,658,946)
(382)	-	(382)
(655,927)	-	(655,927)
(28,723,869)	-	(28,723,869)
-	1,951,979	1,951,979
-	1,951,979	1,951,979
(28,723,869)	1,951,979	(26,771,890)
10,539,522	281,751	10,821,273
5,070,710	-	5,070,710
6,842,086	-	6,842,086
698,364	6,298	704,662
29,750	64,858	94,608
2,638,000	(2,638,000)	-
25,818,432	(2,285,093)	23,533,339
(2,905,437)	(333,114)	(3,238,551)
(67,677,649)	21,040,084	(46,637,565)
\$ (70,583,086)	\$ 20,706,970	\$ (49,876,116)

City of North Chicago, Illinois

Governmental Funds

Balance Sheet

April 30, 2018

ASSETS	Sheridan Crossing Tax			Total Governmental Funds
	General	Increment Financing Redevelopment Project Area	Nonmajor Governmental Funds	
	General	Project Area	Funds	
Cash and cash equivalents	\$ 8,240,712	\$ -	\$ 8,239,223	\$ 16,479,935
Property taxes receivable	6,734,011	-	3,138,922	9,872,933
Other taxes receivable	494,097	-	-	494,097
Intergovernmental receivable	-	-	74,571	74,571
Other receivables	2,115,785	-	85,795	2,201,580
Prepaid expense	551,774	-	9,003	560,777
Due from other funds	426,035	-	946,790	1,372,825
Inventory	4,000	-	-	4,000
Property held for resale	152,000	3,300,000	1,351,440	4,803,440
Total assets	<u>\$ 18,718,414</u>	<u>\$ 3,300,000</u>	<u>\$ 13,845,744</u>	<u>\$ 35,864,158</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 727,051	\$ -	\$ 110,234	\$ 837,285
Accrued payroll	573,376	-	17,153	590,529
Other liabilities	796,949	-	1,845	798,794
Unearned fees	139,808	-	25,000	164,808
Due to fiduciary fund	150,000	-	-	150,000
Due to other funds	555,691	305,883	996,531	1,858,105
Total liabilities	<u>2,942,875</u>	<u>305,883</u>	<u>1,150,763</u>	<u>4,399,521</u>
Deferred inflows				
Property taxes levied for a future period	3,300,898	-	1,055,186	4,356,084
Total deferred inflows	<u>3,300,898</u>	<u>-</u>	<u>1,055,186</u>	<u>4,356,084</u>
Fund balances				
Nonspendable for inventory	4,000	-	-	4,000
Nonspendable for prepaid items	551,774	-	9,003	560,777
Nonspendable for property held for resale	152,000	3,300,000	1,351,440	4,803,440
Restricted for special revenue funds	-	-	5,339,361	5,339,361
Restricted for debt service	-	-	3,571,235	3,571,235
Restricted for capital projects	-	-	1,400,383	1,400,383
Restricted for sales tax refund	771,690	-	-	771,690
Assigned for accounts payable clearing	390,748	-	-	390,748
Unassigned	10,604,429	(305,883)	(31,627)	10,266,919
Total fund balances	<u>12,474,641</u>	<u>2,994,117</u>	<u>11,639,795</u>	<u>27,108,553</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 18,718,414</u>	<u>\$ 3,300,000</u>	<u>\$ 13,845,744</u>	<u>\$ 35,864,158</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 (Deficit)

April 30, 2018

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

Total fund balances - governmental funds \$ 27,108,553

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 19,846,449

The net pension asset resulting from the IMRF plan fiduciary net position exceeding the total pension liability is not a financial resource and therefore is not reported in the governmental funds balance sheet. 858,824

Deferred charges included in the statement of net position (deficit) are not available to pay for current period expenditures and, accordingly, are not included in the governmental funds balance sheet. 149,659

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds:

Deferred outflows related to IMRF pension fund	\$ 717,524	
Deferred outflows of 2018 employer IMRF contributions related to pensions	102,700	
Deferred inflows related to IMRF pension fund	(1,745,442)	
Deferred outflows related to firefighters' pension fund	2,911,998	
Deferred inflows related to firefighters' pension fund	(3,209,847)	
Deferred outflows related to police pension fund	9,128,135	
Deferred inflows related to police pension fund	<u>(7,238,566)</u>	666,502

Long-term liabilities 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. (119,348,487)

The net position of the internal service funds are included in the governmental activities in the statement of net position. 135,414

Net deficit of governmental activities \$ (70,583,086)

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, 2018

	Sheridan Crossing			Total Governmental Funds
	General	Tax Increment Financing Redevelopment Project Area	Nonmajor Governmental Funds	
Revenues				
Property taxes	\$ 6,647,279	\$ -	\$ 3,892,243	\$ 10,539,522
Taxes - other	4,921,326	-	149,384	5,070,710
Licenses and permits	674,048	-	-	674,048
Intergovernmental	6,815,224	-	858,732	7,673,956
Grants	82,562	-	548,138	630,700
Fines and fees	2,401,433	-	13,723	2,415,156
Interest	5,188	-	24,511	29,699
Miscellaneous	478,656	-	219,708	698,364
Total revenues	<u>22,025,716</u>	<u>-</u>	<u>5,706,439</u>	<u>27,732,155</u>
Expenditures				
Current				
General government	2,376,780	59,599	-	2,436,379
Administration services	4,050,612	-	-	4,050,612
Highway and streets	1,530,864	-	536,380	2,067,244
Public safety	14,245,496	-	36,592	14,282,088
Culture and recreation	-	-	592,842	592,842
Engineering	382	-	-	382
Economic development	2,316,885	-	785,472	3,102,357
Debt service				
Principal retirement	95,288	-	1,370,000	1,465,288
Interest and other	7,856	-	865,222	873,078
Capital outlay	160,000	-	357,949	517,949
Total expenditures	<u>24,784,163</u>	<u>59,599</u>	<u>4,544,457</u>	<u>29,388,219</u>
Excess (deficiency) of revenues over expenditures	<u>(2,758,447)</u>	<u>(59,599)</u>	<u>1,161,982</u>	<u>(1,656,064)</u>
Other financing sources				
Transfers in	2,638,000	-	-	2,638,000
Total other financing sources	<u>2,638,000</u>	<u>-</u>	<u>-</u>	<u>2,638,000</u>
Net change in fund balance	(120,447)	(59,599)	1,161,982	981,936
Fund balances, beginning of year	<u>12,595,088</u>	<u>3,053,716</u>	<u>10,477,813</u>	<u>26,126,617</u>
Fund balances, end of year	<u>\$ 12,474,641</u>	<u>\$ 2,994,117</u>	<u>\$ 11,639,795</u>	<u>\$ 27,108,553</u>

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended April 30, 2018

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

Net change in fund balances - total governmental funds	\$ 981,936
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlay and gain on disposals in the current period.	(754,891)
The net pension asset resulting from the IMRF plan fiduciary net position exceeding the total pension liability is not a financial resource and therefore not reported in the governmental funds.	858,824
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.	(18,708)
Changes in deferred outflows and inflows of resources related to pensions are reported only in the statement of activities:	
Deferred outflow and inflows of resources related to IMRF pension fund	(1,641,369)
Deferred outflow and inflows of resources related to firefighters' pension fund	(283,410)
Deferred outflow and inflows of resources related to police pension fund	(2,812,668)
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.	1,796,435
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.	(1,003,866)
Internal service funds are reported with governmental activities. The net revenues of certain activities of internal service funds are reported with governmental activities.	<u>(27,720)</u>
Change in net deficit - governmental activities	<u>\$ (2,905,437)</u>

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Proprietary Funds
Statement of Net Position
April 30, 2018

	<u>Business-Type Activities - Enterprise Fund</u>	<u>Governmental Activities</u>
	<u>Major Fund</u>	
	<u>Water, Sewer and Refuse</u>	<u>Internal Service Funds</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,835,365	\$ 159,139
Due from other funds	581,020	10,950
Property tax receivable	280,932	12,149
Other receivables, net	620,855	10,758
Prepaid expenses	9,655	-
Total current assets	<u>9,327,827</u>	<u>192,996</u>
Noncurrent assets		
Net pension asset	368,068	-
Land and other capital assets not being depreciated	2,435	-
Capital assets, net of accumulated depreciation	<u>15,242,725</u>	<u>-</u>
Total noncurrent assets	<u>15,613,228</u>	<u>-</u>
Total assets	<u>24,941,055</u>	<u>192,996</u>
DEFERRED OUTFLOWS		
Deferred outflows related to pensions	351,523	-
Loss on refunding of bonds	<u>76,489</u>	<u>-</u>
Total deferred outflows	<u>428,012</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, 2018

	Business-Type Activities - Enterprise Fund	Governmental Activities
	Major Fund	
	Water, Sewer and Refuse	Internal Service Funds
LIABILITIES		
Current liabilities		
Accounts payable	\$ 605,323	\$ 26,589
Accrued payroll	55,527	-
Due to other funds	86,690	20,000
Claims payable	-	10,993
Long-term liabilities		
Due within one year	335,539	-
Due after one year	2,692,882	-
Total liabilities	3,775,961	57,582
DEFERRED INFLOWS		
Property taxes levied for a future period	138,090	-
Deferred inflows related to pensions	748,046	-
Total deferred inflows	886,136	-
NET POSITION		
Net investment in capital assets	12,512,685	-
Unrestricted	8,194,285	135,414
Total net position	\$ 20,706,970	\$ 135,414

(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, 2018

	<u>Business-Type Activities - Enterprise Fund</u>	<u>Governmental Activities</u>
	<u>Major Fund</u>	
	<u>Water, Sewer and Refuse</u>	<u>Internal Service Funds</u>
Operating revenues		
Charges for sales and services	\$ 7,496,557	\$ 274,224
Miscellaneous	6,298	-
	<u>7,502,855</u>	<u>274,224</u>
Total operating revenues		
Operating expenses		
Operations	4,731,377	301,995
Depreciation	749,428	-
	<u>5,480,805</u>	<u>301,995</u>
Total operating expenses		
Operating income (loss)	<u>2,022,050</u>	<u>(27,771)</u>
Nonoperating revenues (expenses)		
Property taxes	281,751	-
Interest income	64,858	51
Interest expense and fiscal charges	(63,773)	-
	<u>282,836</u>	<u>51</u>
Total nonoperating revenues		
Income (loss) before transfers	<u>2,304,886</u>	<u>(27,720)</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, 2018

	<u>Business-Type Activities - Enterprise Fund</u>	<u>Governmental Activities</u>
	<u>Major Fund</u>	
	<u>Water, Sewer and Refuse</u>	<u>Internal Service Funds</u>
Transfers out	\$ <u>(2,638,000)</u>	\$ <u>-</u>
Change in net position	(333,114)	(27,720)
Net position, beginning of year	<u>21,040,084</u>	<u>163,134</u>
Net position, end of year	\$ <u><u>20,706,970</u></u>	\$ <u><u>135,414</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Proprietary Funds

Statement of Cash Flows

For the Year Ended April 30, 2018

	<u>Business-Type Activities - Water, Sewer and Refuse Fund</u>	<u>Governmental Activities - Internal Service Funds</u>
Cash flows from operating activities		
Cash received from customers	\$ 7,590,393	\$ 307,241
Cash payments for goods and services	(2,876,371)	(311,434)
Cash payments to employees	(1,739,393)	-
Net cash provided by (used in) operating activities	<u>2,974,629</u>	<u>(4,193)</u>
Cash flows from noncapital financing activities		
Property tax revenues	281,751	-
Interfund advances	(553,529)	-
Interfund borrowing	(8,801)	357
Operating transfers out	(2,638,000)	-
Net cash provided by (used in) noncapital financing activities	<u>(2,918,579)</u>	<u>357</u>
Cash flows from capital and related financing activities		
Purchase of equipment and infrastructure	(804,648)	-
Payment of note payables	(67,807)	-
Payment of bond principal	(200,000)	-
Payments of IEPA loan	(57,875)	-
Interest, loss on refunding of bonds, and premium on bonds sold	(76,876)	-
Net cash used in capital and related financing activities	<u>(1,207,206)</u>	<u>-</u>
Cash flows from investing activities		
Interest received	64,858	51
Net cash provided by investing activities	<u>64,858</u>	<u>51</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,086,298)	(3,785)
Cash and cash equivalents, beginning of year	<u>8,921,663</u>	<u>162,924</u>
Cash and cash equivalents, end of year	<u>\$ 7,835,365</u>	<u>\$ 159,139</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, 2018

	Business-Type Activities - Water, Sewer and Refuse Fund	Governmental Activities - Internal Service Funds
	<u>Fund</u>	<u>Service Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 2,022,050	\$ (27,771)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	749,428	-
Decrease in property tax receivables	1,010	-
Decrease in other receivables	89,015	33,017
Increase in prepaid expenses	(9,655)	(12,149)
Decrease in deferred outflows related to pensions	7,956	10,257
Increase in accounts payable	170,903	-
Decrease in estimated claims liability	-	(7,547)
Decrease in accrued payroll	(63)	-
Decrease in property taxes levied for a future period	(2,487)	-
Increase in deferred inflows related to pensions	695,488	-
Decrease in compensated absences payable	(40,509)	-
Decrease in net pension liability	(708,507)	-
Net cash provided by (used in) operating activities	<u>\$ 2,974,629</u>	<u>\$ (4,193)</u>

(Concluded)

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois

Fiduciary Funds

Statement of Fiduciary Net Position

April 30, 2018

	Pension Trust Funds		
	Police Pension	Firefighters' Pension	Total
ASSETS			
Cash and cash equivalents	\$ 256,671	\$ 1,799,624	\$ 2,056,295
Investments	14,818,413	7,622,418	22,440,831
Due from the City	-	150,000	150,000
Prepaid items	530	180	710
Interest receivable	48,332	338	48,670
	<hr/>	<hr/>	<hr/>
Total assets	15,123,946	9,572,560	24,696,506
LIABILITIES			
Accounts payable	905	5,778	6,683
	<hr/>	<hr/>	<hr/>
Total liabilities	905	5,778	6,683
PLAN NET POSITION			
Plan net position held in trust for pension benefits	15,123,041	9,566,782	24,689,823
	<hr/>	<hr/>	<hr/>
Total net position	\$ 15,123,041	\$ 9,566,782	\$ 24,689,823
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2018

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
Additions			
Contributions			
Employer	\$ 1,340,164	\$ 998,114	\$ 2,338,278
Plan members	<u>391,043</u>	<u>261,902</u>	<u>652,945</u>
Total contributions	<u>1,731,207</u>	<u>1,260,016</u>	<u>2,991,223</u>
Investment earnings			
Interest and dividends	457,972	99,118	557,090
Net change in fair value of investments	<u>696,417</u>	<u>437,139</u>	<u>1,133,556</u>
Total investment earnings	1,154,389	536,257	1,690,646
Less investment expenses	<u>110,197</u>	<u>32,044</u>	<u>142,241</u>
Net investment income	<u>1,044,192</u>	<u>504,213</u>	<u>1,548,405</u>
Total additions	<u>2,775,399</u>	<u>1,764,229</u>	<u>4,539,628</u>
Deductions			
Administration	50,720	56,079	106,799
Benefits and refunds of contributions	<u>2,750,999</u>	<u>1,423,522</u>	<u>4,174,521</u>
Total deductions	<u>2,801,719</u>	<u>1,479,601</u>	<u>4,281,320</u>
Change in net position	(26,320)	284,628	258,308
Net position held in trust for pension benefits			
Beginning of year	<u>15,149,361</u>	<u>9,282,154</u>	<u>24,431,515</u>
End of year	<u>\$ 15,123,041</u>	<u>\$ 9,566,782</u>	<u>\$ 24,689,823</u>

The accompanying notes are an integral part of this statement.

City of North Chicago, Illinois
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April 30, 2018

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City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Chicago, Illinois, (the City) is incorporated in Lake County in the State of Illinois. The City is a home rule unit and operates under the City Council form of government. The City Council is composed of the Mayor and seven Alderman. The City provides services to the community that include: fire, police, water, wastewater, refuse disposal, community development, public works, street maintenance, and other general services.

The financial statements of 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, and is not included as a component unit in any other governmental reporting entity.

2. 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.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 as they are not available to address activities or obligations of the City. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated in the fund financial statements and are reported separately in the supplementary information.

3. Basis of Presentation - Fund Accounting

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

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

Governmental Funds - Governmental funds are used to account for all or most of a City's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the servicing of general long-term debt (debt service funds), and the acquisition or construction of capital assets (capital projects funds). The General Fund is used to account for all activities of the general government not accounted for in another fund.

Proprietary Funds - Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the City (internal service funds).

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).

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. 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, inventories and property held for resale.
- 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, as are debt service and capital projects funds.
- 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, 2018.
- 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 \$390,748 in assigned fund balances related to account payable clearing at April 30, 2018 as the amounts are to be used to fulfill current obligations (payables).
- e. *Unassigned* - refers to all spendable amounts not contained in the other four classifications described above. In funds other than the general fund, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

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

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Property taxes are recognized as revenue in the year for which they are intended to finance. 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.

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 *Sheridan Crossing 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 its enterprise fund as a major fund, as detailed below:

The *Water, Sewer and Refuse Fund* accounts for the provision of water, sewer and refuse 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.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 which are based upon actuarial studies and funded through an annual property tax levy.

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 fund and of the City's internal service funds are charges to customers for sales and services. Operating expenses for the enterprise fund 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 future periods. At April 30, 2018, the City has deferred outflows of resources related to pensions and 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 future reporting periods. At April 30, 2018, the City had deferred inflows related to property taxes levied for a future period and pensions.

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.

The annual appropriation exceeded the annual budget by 0.35%. Budget information is used for comparison to operations in various schedules as it reflects the operational plans set forth by the City.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Changes in fair value are included in investment income. Securities traded on a national exchange are valued at the last reported sales price.

10. Fair Value Measurements

Current accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2: Inputs to the valuation methodology include the following:

- * Quoted prices for similar assets or liabilities in active markets;
- * Quoted prices for identical or similar assets or liabilities in inactive markets;
- * Inputs other than quoted prices that are observable for the asset or liability;
- * Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for the City's investments measured at fair value. There have been no changes in the methodologies used at April 30, 2018.

U.S. Agency Securities: Valued at closing price of similar instruments with comparable durations reported on the active market on which the individual securities are traded.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Fair Value Measurements (Continued)

U.S. Treasury Securities: Valued at closing price of similar instruments reported on the active market on which the individual securities are traded.

Common Stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate and Municipal/Government Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Pension Trust Funds are open-end mutual funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Pension Trust Funds are deemed to be actively traded.

Insurance Contracts: Valued by insurance companies using pricing models maximizing the use of observable inputs for underlying mutual funds. The underlying investments held by the insurance companies could include adjustments for certain risks that may not be observable, such as credit and liquidity risks, which may differ from available quoted prices of the underlying mutual funds.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

11. 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.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Receivables (Continued)

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. At April 30, 2018, the utility receivable allowance for doubtful accounts approximated \$161,000.

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 reported in other receivables, net of an allowance of \$419,656, was \$0 at April 30, 2018. Lake County, Illinois personnel assume 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, \$223,656 of loans, net of existing allowances, were forgiven or written off in fiscal 2018. These balances are reported as other receivables in the nonmajor governmental funds on the governmental funds balance sheet.

The City did not fully remit all funds levied for the fire fighters' pension plan. As a result, the State withheld sales taxes of \$150,000. At April 30, 2018, the City has recorded a receivable from the State and a related payable to the pension plan for \$150,000. The City made the \$150,000 contribution to the Plan subsequent to year-end.

12. 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.

13. Prepaid Items

Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both the government-wide and the fund financial statements. The costs of prepaid items is recorded as expenditures when consumed rather than when purchased. Reported prepaid expenditures are equally offset by fund balance reserves, which indicate that they do not constitute "available spendable resources" even though they are a component of current assets. The cost of prepaid items is recorded as expenditures when consumed rather than when purchased.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Inventory

Inventory is 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.

15. 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 column 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 acquisition value at the date of donation.

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

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

Land improvements	20 years
Buildings and improvements	45 - 50 years
Infrastructure	15 - 80 years
Library collections	3 - 7 years
Machinery and equipment	5 - 15 years
Underground equipment	45 years

16. Property Held for Resale

The City values its property held for resale, which it intends to sell in the future to residential and commercial developers, at cost, adjusted for impairment. In the prior year, the City received a valuation appraisal and recognized impairment loss on certain property held for resale within the Sheridan Crossing Tax Increment Financing Redevelopment Project Areas Fund and the Downtown Tax Increment Financing Redevelopment Project Area Fund. The City determined that there were no significant changes in the local property values, so a new valuation was not necessary and no impairment was recognized in the current year. Future valuations are subject to market conditions and could significantly differ from current carrying value.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

17. 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 shall be paid at one-half the employee's hourly salary, if the City budget allows, at the beginning of each fiscal year. At April 30, 2018, the City has \$2,029,994 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, 2018 the City has \$159,967 in accumulated unpaid vacation, sick pay, and other employee benefits at the year-end for proprietary fund employees.

18. 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, and losses on refunding of bonds, 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, losses on refunding, and 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 and losses on refunding are reported as debt service expenditures.

19. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

20. 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 2017 levy year are payable in two installments on or about June 1, 2018 and September 1, 2018.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

20. Property Tax Revenue (Continued)

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 property taxes levied for a future period. Based on the City's collection experience, it has been determined that no allowance for uncollectible property taxes is necessary.

21. Postemployment Healthcare Benefits

Retirees are eligible to continue their current level of healthcare benefit coverage if they have at least eight years of service. Individuals who participate in IMRF are allowed to receive health care benefit coverage regardless of the number of 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.

22. Use of Estimates

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

23. Significant Accounting Standards Applicable in Future Years

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* in June 2015, which will be effective for the City beginning with its year ending April 30, 2019. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

While the City is still evaluating the full effects of this statements, the City anticipates additional long-term liabilities associated with other postemployment benefit to be similar to the current unfunded actuarial accrued liability (UAAL). For the fiscal year ended April 30, 2018, the UAAL was \$4,076,432 (Note J).

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

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 (Deficit)

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 (deficit).

One element of that reconciliation explains that “Long-term liabilities are not due and payable in the current period. Therefore, these liabilities are not reported in the current period and, consequently, are not reported in the governmental funds.” The details of this difference are as follows:

General obligation bonds payable	\$ (17,395,000)
Bond issuance premium	(257,120)
Lawsuit settlement liability	(66,200)
Note payable to Lake Forest Bank and Trust	(157,447)
Note payable to Illinois Finance Authority	(80,000)
Note payable to Illinois Department of Revenue	(771,690)
Library note payable to First Midwest Bank	(306,721)
Compensated absences payable	(2,029,994)
Other postemployment benefits obligation	(151,937)
Police net pension liability	(67,506,691)
Firefighters' net pension liability	<u>(30,625,687)</u>
 Net adjustment to reduce total fund balances - governmental funds to net deficit of governmental activities	 <u>\$ (119,348,487)</u>

City of North Chicago, Illinois
 NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

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

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

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

Depreciation expense	\$ (1,416,352)
Capital outlay	661,461
Proceeds received from disposals	(4,491)
Gain on disposals	<u>4,491</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position (deficit) - governmental activities	 <u>\$ (754,891)</u>

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

Principal retirement of long-term debt	\$ 1,717,770
Amortization of bond issuance premium	<u>78,665</u>
Net long-term debt adjustment to increase net change in fund balances - funds to arrive at change in net position (deficit) - governmental	 <u>\$ 1,796,435</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:

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

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)

Compensated absences (net change)	\$	(40,299)
Other postemployment benefits obligation (net change)		(19,405)
Lawsuit settlement liability (net change)		(21,400)
Police pension liability (net change)		(915,072)
Firefighters' pension liability (net change)		(802,047)
IMRF pension liability (net change)		<u>794,357</u>
Net current adjustment to decrease net change in fund balances - total funds to arrive at change in net position (deficit) - governmental	\$	<u><u>(1,003,866)</u></u>

NOTE C - DEPOSITS AND INVESTMENTS

1. City Deposits and Investments

As of April 30, 2018, the City's cash, cash equivalents, and investments consisted of the following:

	<u>Government-</u> <u>wide</u>	<u>Fiduciary</u>	<u>Total</u>
Cash, cash equivalents, and investments	\$ <u>24,474,439</u>	\$ <u>24,497,126</u>	\$ <u>48,971,565</u>
City			
Cash on hand		\$ 7,894	
Deposits with financial institutions*		21,707,810	
The Illinois Funds		<u>2,758,735</u>	
Cash, cash equivalents, and investments - Government-wide		<u>24,474,439</u>	
Police and Firefighters' Pension Trust Funds			
Deposits with financial institutions*		2,056,295	
Other investments		<u>22,440,831</u>	
Cash, cash equivalents, and investments - Fiduciary		<u>24,497,126</u>	
Total		\$ <u><u>48,971,565</u></u>	

* Includes non-negotiable certificates of deposit and money market savings accounts, but primarily consists of accounts held in demand and savings accounts, which are valued at cost.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

1. City Deposits and Investments (Continued)

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.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company. Investments in Illinois Funds are rated AAAM and are valued at Illinois Funds' share price, which is the price for which the investment could be sold. There are no unfunded commitments, the redemption in frequency is daily, and the redemption notice period is one day.

Custodial Credit Risk (Deposits) - With respect to deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's investment policy states that deposits should have a collateralization ratio of 110% of the fair market value of funds secured, with collateral held by a third-party custodian designated by the Investment Officer and evidenced by safekeeping receipts. As of fiscal year-end, the City did not have any uninsured or uncollateralized deposits and investments. At April 30, 2018, the bank balance of the City's deposits was \$24,418,271.

Investment Policy - It is the policy of the City to invest its funds in a manner which will provide the highest investment return with the maximum security, while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds. The primary objectives of the policy are, in order of priority, safety of principal, liquidity, and rate of return.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

1. City Deposits and Investments (Continued)

Interest Rate Risk - The City's investment policy limits investment maturities to no more than three 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 three-year range.

Credit Risk - Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. 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.

Custodial Credit Risk (Investments) - With respect to investments, 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.

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.

2. Police and Firefighters' Pension Deposits, Investments, and Concentrations

The deposits and investments of the police and firefighters' pension trust funds (collectively, the "Pension Trust Funds") are held separately from those of other City funds. Statutes and the Pension Trust Funds' investment policies authorize the Pension Trust 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.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

2. Police and Firefighters' Pension Deposits, Investments, and Concentrations (Continued)

Also authorized are deposits or investments in 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 the portfolio is limited to specified restrictions; general accounts of life insurance companies; and separate accounts of life insurance companies and mutual funds, the mutual funds must meet specific restrictions, provided the investment in separate accounts and mutual funds does not exceed ten percent of the Pension Trust Funds' plan net position; and corporate bonds managed through an investment advisor, rated as investment grade by one of the two largest rating services at the time of purchase. Pension funds with plan net position of \$2.5 million or more may invest up to forty-five percent of plan net position in separate accounts of life insurance companies and mutual funds. Pension funds with plan net position of at least \$5 million and that have appointed an investment advisor, may, through that investment advisor, invest up to forty-five percent of the plan's net assets in common and preferred stocks that meet specific restrictions. In addition, pension funds with plan net position of at least \$10 million that have appointed an investment advisor, may invest up to fifty-five percent of its net plan position in common and preferred stocks and mutual funds that meet specific restrictions effective July 1, 2012.

a. Credit Risk, Custodial Risk, and Concentration Risk

Deposits - At year-end, the carrying amount of the Pension Trust Funds' deposits totaled \$2,056,295, and the related bank balances totaled \$2,056,475.

Investments - The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Pension Trust Funds have the following recurring fair value measurements as of April 30, 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Total
Debt Securities				
U.S. Treasuries	\$ 1,973,120	\$ 187,985	\$ -	\$ 2,161,105
Corporate Bonds	-	3,860,054	-	3,860,054
Equity Securities				
Equity Securities	5,231,346	-	-	5,231,346
Mutual Funds	8,470,456	-	-	8,470,456
Insurance Contracts	-	2,717,870	-	2,717,870
Total investments by fair value level	<u>\$ 15,674,922</u>	<u>\$ 6,765,909</u>	<u>\$ -</u>	<u>\$ 22,440,831</u>

City of North Chicago, Illinois
 NOTES TO THE FINANCIAL STATEMENTS
 April 30, 2018

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

2. Police and Firefighters' Pension Deposits, Investments, and Concentrations (Continued)

a. Credit Risk, Custodial Risk, and Concentration Risk (Continued)

Investments (Continued)

As of April 30, 2018, the Pension Trust 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
Corporate bonds	\$ 3,860,054	\$ -	\$ 3,860,054	\$ -	\$ -
U.S. Government and Agency Obligations	187,985	-	-	-	187,985
U.S. Treasury Bonds	1,973,120	401,120	1,444,945	127,055	-
	6,021,159	\$ 401,120	\$ 5,304,999	\$ 127,055	\$ 187,985
Equity Securities	13,701,802				
	\$ 19,722,961				

The Pension Trust Funds assume that any callable securities will not be called.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Pension Trust Funds' 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."

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Pensions Trust Funds help 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 Trust 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 and Corporate Bonds are rated BBB or better by Standard & Poor's or by Moody's Investors Services. Pension Trust Funds' investment policies prescribe to the "prudent person" rule, which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the primary objective of safety as well as the secondary objective of the attainment of market rates of return."

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

2. Police and Firefighters' Pension Deposits, Investments, and Concentrations (Continued)

a. Credit Risk, Custodial Risk, and Concentration Risk (Continued)

Custodial Credit Risk (Deposits) - In the case of deposits, this is the risk that, in the event of a bank failure, the Pension Trust Funds' deposits may not be returned.

The Police Pension Trust Fund does not have a formal written policy with regards to custodial credit risk for deposits. The Police Pension Trust 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 Trust Fund's deposits with financial institutions. At April 30, 2018, the entire amount of the bank balance of the deposits was insured by federal depository insurance and collateralized.

The Firefighters' Pension Trust Fund's investment policy requires pledging of collateral with a fair value of not less than 100% of all bank balances in excess of federal depository insurance. At April 30, 2018, \$1,258,120 of the bank balance of the deposits was uninsured by federal depository insurance and uncollateralized.

Custodial Credit Risk (Investments) - The Pension Trust Funds limit exposure to custodial credit risk related to investments by utilizing an independent third party institution, selected by the Pension Trust Funds, to act as custodian for its securities and collateral.

Concentration of Credit Risk - The risk of loss attributed to the magnitude of the Pension Trust Funds' investment in a single issuer.

The Pension Trust Funds' investment policy in accordance with Illinois Compiled Statutes (ILCS), establishes the following target allocation across asset classes:

Police Pension Trust Fund		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	3.00%	0.00%
Fixed income	40.00%	0.10% - 4.50%
Equities	57.00%	5.00% - 7.00%

ILCS limit the Pension Trust Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% to the total fund.

City of North Chicago, Illinois
 NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

2. Police and Firefighters' Pension Deposits, Investments, and Concentrations (Continued)

a. Credit Risk, Custodial Risk, and Concentration Risk (Continued)

Concentration of Credit Risk (Continued)

Firefighters' Pension Trust Fund		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	0% - 100%	1.50%
Equities	0% - 55%	3.00%

ILCS limit the Pension Trust Fund's investments in equities, mutual funds and variable annuities to 45%. Securities in any one company should not exceed 5% to the total fund.

The long-term expected rate of return on the Pension Trust Funds' investments were determined using an asset allocation study conducted by the Pension Trust Funds' investment management consultant in April 2016 and 2018 for the Police Pension Trust Fund and Firefighters' Pension Trust Fund, respectively, in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Pension Trust Funds' target asset allocation as of April 30, 2018 are listed in the tables above.

Police Pension Fund

The Police Pension Fund does not have a formal written policy with regards to concentration of credit risk. At April 30, 2018, the Fund does not have any investments over 5% of fiduciary net position. Agency investments represent a large 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, 2018

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

2. Police and Firefighters' Pension Deposits, Investments, and Concentrations (Continued)

a. Credit Risk, Custodial Risk, and Concentration Risk (Continued)

Concentration of Credit Risk (Continued)

Police Pension Fund (Continued)

The Police Pension Fund has diversified holdings as follows:

<u>Insurance Contracts, Equity Mutual Funds and Equity Securities</u>	<u>Fair Value</u>
AXA Equitable Insurance Contracts	\$ 1,915,809
Jackson National Life Insurance Contract	465,511
VOYA Insurance Contract	<u>336,550</u>
Total Insurance Contracts	<u>\$ 2,717,870</u>
Vanguard ETF Funds	\$ 1,325,570
Vanguard Mutual Funds	533,789
Janus Flexible Bond Funds	489,361
First Trust Exchange Traded Fund	335,820
BlackRock Mutual Funds	246,217
American Funds Global Balanced Fund	234,093
Putnam Absolute Return Fund	230,485
AllianzGI Short Duration High Income Fund	227,668
JP Morgan Income Fund	220,028
Eaton Vance Global Macro Absolute Return Fund	220,011
Technology Select Sector SPDR ETF Fund	211,894
Consumer Discretionary SPDR ETF Fund	210,304
Industrial Select Sector SPDR ETF Fund	207,705
Franklin Mutual Quest Fund	202,319
Financial Select Sector SPDR ETF Fund	184,711
PIMCO Enhanced Short Maturity Active ETF Fund	174,244
Guggenheim Enhanced Short Duration ETF Fund	152,016
iShares Edge MSCI ETF Fund	145,348
Wisdom Tree Mid-Cap Dividend Fund	140,580
T. Rowe Price Personal Strategy Growth Fund	137,750
American Funds Capital World Growth & Income Fund	136,568
SPDR S&P Dividend ETF Fund	132,594
Dodge & Cox Income Bond Fund	117,636
Putnam Absolute Return Fund	116,351

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

2. Police and Firefighters' Pension Deposits, Investments, and Concentrations (Continued)

a. Credit Risk, Custodial Risk, and Concentration Risk (Continued)

Concentration of Credit Risk (Continued)

Police Pension Fund (Continued)

<u>Insurance Contracts, Equity Mutual Funds and Equity Securities</u>	<u>Fair Value</u>
Lord Abbett Short Duration Income Bond Fund	\$ 116,338
BlackRock Strategic Bond Fund	<u>109,993</u>
Total Equity Mutual Funds	<u>\$ 6,559,393</u>
Total Equity Securities	<u>\$ 1,663,316</u>

Firefighters' Pension Fund

The Firefighters' Pension Fund 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, 2018, the Fund does not have any investments over 5% of fiduciary net position. Agency investments represent a large portion of the portfolio; however the investments are diversified by maturity date and are backed by the issuing organization.

The Firefighters' Pension Fund has diversified holdings as follows:

<u>Insurance Contracts, Equity Mutual Funds and Equity Securities</u>	<u>Fair Value</u>
iShares U.S. Financials ETF Fund	\$ 353,040
SPDR S&P Dividend ETF Fund	318,080
First Trust NASDAQ-100 Equal Weighted Index Fund	292,400
Consumer Staples Select Sector SPDR ETF Fund	252,250
Technology Select Sector SPDR ETF Fund	229,110
Industrial Select Sector SPDR ETF Fund	216,660
Vanguard Total Stock Market Index ETF Fund	136,330
Guggenheim S&P 500 Equal Weight ETF Fund	49,925
SPDR Dow Jones Industrial Average ETF Fund	48,308
Fidelity Dividend ETF Fund	<u>14,960</u>
Total Equity Mutual Funds	<u>\$ 1,911,063</u>
Total Equity Securities	<u>\$ 3,568,030</u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

2. Police and Firefighters' Pension Deposits, Investments, and Concentrations (Continued)

b. Rate of Return

For the year ended April 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.47% and 4.72% for the Police and Firefighters' pension plans, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2018 are shown as follows:

	Due From	Due To
Major Governmental Funds		
General Fund	\$ 426,035	\$ 555,691
Sheridan Crossing Tax Increment Financing Redevelopment Project Area	-	305,883
Nonmajor Governmental Funds (including Internal Service Funds)	957,740	1,016,531
Major Proprietary Funds		
Water, Sewer, and Refuse Fund	581,020	86,690
	1,964,795	1,964,795
Less amounts eliminated during GASB 34 adjustments and net adjustments to interfund balances	1,470,465	1,470,465
Total internal balances as shown on the statement of net position	\$ 494,330	\$ 494,330

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2018, was as follows:

1. **Governmental Activities**

	<u>Balance</u> <u>May 1, 2017</u>	<u>Increases /</u> <u>Transfers</u>	<u>Decreases /</u> <u>Transfers</u>	<u>Balance</u> <u>April 30, 2018</u>
Capital assets not being depreciated				
Land	\$ 2,853,106	\$ -	\$ -	\$ 2,853,106
Assets not yet placed in service	<u>241,168</u>	<u>-</u>	<u>241,168</u>	<u>-</u>
 Total capital assets not being depreciated	 <u>3,094,274</u>	 <u>-</u>	 <u>241,168</u>	 <u>2,853,106</u>
 Capital assets being depreciated				
Land improvements	502,648	-	-	502,648
Buildings and improvements	5,720,345	-	-	5,720,345
Infrastructure	23,846,825	334,146	32,194	24,148,777
Library collections	578,048	58,563	20,562	616,049
Machinery and equipment	<u>7,941,139</u>	<u>509,920</u>	<u>260,646</u>	<u>8,190,413</u>
 Total capital assets being depreciated	 <u>38,589,005</u>	 <u>902,629</u>	 <u>313,402</u>	 <u>39,178,232</u>
	<u>Balance</u> <u>May 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>April 30, 2018</u>
Less accumulated depreciation for				
Land improvements	\$ 222,911	\$ 17,837	\$ -	\$ 240,748
Buildings and improvements	3,278,123	120,732	-	3,398,855
Infrastructure	11,382,426	680,544	32,194	12,030,776
Library collections	426,917	50,055	20,562	456,410
Machinery and equipment	<u>5,771,562</u>	<u>547,184</u>	<u>260,646</u>	<u>6,058,100</u>
 Total accumulated depreciation	 <u>21,081,939</u>	 <u>1,416,352</u>	 <u>313,402</u>	 <u>22,184,889</u>
 Total capital assets being depreciated, net	 <u>17,507,066</u>	 <u>(513,723)</u>	 <u>-</u>	 <u>16,993,343</u>
 Governmental activities capital assets, net	 <u>\$ 20,601,340</u>	 <u>\$ (513,723)</u>	 <u>\$ 241,168</u>	 <u>\$ 19,846,449</u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE E - CAPITAL ASSETS (Continued)

2. Business-type Activities

	<u>Balance</u> <u>May 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>April 30, 2018</u>
Capital assets not being depreciated				
Land	\$ 2,435	\$ -	\$ -	\$ 2,435
Total capital assets not being depreciated	<u>2,435</u>	<u>-</u>	<u>-</u>	<u>2,435</u>
Capital assets being depreciated				
Land improvements	209,813	-	-	209,813
Buildings	8,341,725	522,725	-	8,864,450
Machinery and equipment	5,021,387	53,315	-	5,074,702
Underground equipment	28,864,221	228,607	-	29,092,828
Total capital assets being depreciated	\$ 42,437,146	\$ 804,647	\$ -	\$ 43,241,793
	<u>Balance</u> <u>May 1, 2017</u>	<u>Increases /</u> <u>Transfer</u>	<u>Decreases /</u> <u>Transfers</u>	<u>Balance</u> <u>April 30, 2018</u>
Less accumulated depreciation for				
Land improvements	\$ 109,336	\$ 2,912	\$ -	\$ 112,248
Buildings	4,429,893	188,854	-	4,618,747
Machinery and equipment	3,719,555	215,105	-	3,934,660
Underground equipment	18,990,857	342,556	-	19,333,413
Total accumulated depreciation	<u>27,249,641</u>	<u>749,427</u>	<u>-</u>	<u>27,999,068</u>
Total capital assets being depreciated, net	<u>15,187,505</u>	<u>55,220</u>	<u>-</u>	<u>15,242,725</u>
Business-type activities capital assets, net	<u>\$ 15,189,940</u>	<u>\$ 55,220</u>	<u>\$ -</u>	<u>\$ 15,245,160</u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

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	\$ 214,961
Police	235,201
Fire	256,088
Public works	680,544
Library	<u>29,558</u>

Total depreciation expense - governmental activities \$ 1,416,352

Business-type activities

Water / Sewer	\$ <u>749,427</u>
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Total depreciation expense - business-type activities \$ 749,427

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE F - LONG-TERM LIABILITIES

1. Changes in Long-Term Liabilities

The following is a summary of the City's long-term debt balances and transactions for the year ended April 30, 2018:

	<u>Balance</u> <u>May 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities					
General obligation bonds					
Series 2007A	\$ 1,485,000	-	\$ 210,000	\$ 1,275,000	\$ 220,000
Series 2007B	4,740,000	-	-	4,740,000	-
Series 2007C	7,225,000	-	405,000	6,820,000	450,000
Series 2014A Refunding	5,315,000	-	755,000	4,560,000	805,000
Bond issuance					
premium	335,785	-	78,665	257,120	78,665
Lawsuit settlement					
liability	44,800	29,200	7,800	66,200	7,800
Note payable to Lake					
Forest Bank and Trust	232,735	-	75,288	157,447	77,557
Note payable to Illinois					
Finance Authority	100,000	-	20,000	80,000	20,000
Note payable to Illinois					
Department of Revenue	982,890	-	211,200	771,690	211,200
Library note payable					
to First Midwest Bank	348,003	-	41,282	306,721	42,815
Compensated absences	1,989,695	858,375	818,076	2,029,994	-
Other postemploy-					
ment benefits	132,532	175,296	155,891	151,937	-
IMRF net pension					
liability*	794,357	2,183,940	2,978,297	-	-
Police net pension					
liability	66,591,619	5,549,165	4,634,093	67,506,691	-
Firefighters' net pension					
liability	<u>29,823,640</u>	<u>2,881,223</u>	<u>2,079,176</u>	<u>30,625,687</u>	<u>-</u>
Governmental					
activity long-term					
liabilities	<u>\$ 120,141,056</u>	<u>\$ 11,677,199</u>	<u>\$ 12,469,768</u>	<u>\$ 119,348,487</u>	<u>\$ 1,913,037</u>

* In 2018, the IMRF plan fiduciary net position exceeded the total pension liability resulting in a net pension asset of \$1,226,892, which is presented as an asset on the statement of net position (deficit). The portion of the net pension asset allocated to governmental activities amounted to \$858,824 at April 30, 2018.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE F - LONG-TERM LIABILITIES (Continued)

1. **Changes in Long-Term Liabilities** (Continued)

	<u>Balance</u> <u>May 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>April 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Business-type activities					
General obligation bonds					
Series 2014B Refunding \$	2,080,000	-	\$ 200,000	\$ 1,880,000	\$ 205,000
Bond issuance premium	158,643	-	22,663	135,980	22,664
Enterprise note payable to First Midwest Bank	17,613	-	17,613	-	-
Note payable to Abbott Laboratories	179,228	-	50,194	129,034	50,000
Note payable to Illinois Environmental Protection Agency	781,316	-	57,875	723,441	57,875
Compensated absences	200,476	52,319	92,829	159,966	-
IMRF net pension liability*	<u>340,439</u>	<u>935,974</u>	<u>1,276,413</u>	<u>-</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 3,757,715</u>	<u>\$ 988,293</u>	<u>\$ 1,717,587</u>	<u>\$ 3,028,421</u>	<u>\$ 335,539</u>

* In 2018, the IMRF plan fiduciary net position exceeded the total pension liability resulting in a net pension asset of \$1,226,892, which is presented as an asset on the statement of net position (deficit). The portion of the net pension asset allocated to business-type activities amounted to \$368,068 at April 30, 2018.

City of North Chicago, Illinois
 NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE F - LONG-TERM LIABILITIES (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

\$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%.	\$ 1,275,000
\$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 5.81 to 6.01%.	6,820,000
\$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>4,560,000</u>
Total governmental activities general obligation bonds outstanding	\$ <u>17,395,000</u>

Business-type activities

\$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%.	\$ <u>1,880,000</u>
Total business-type general obligation bonds outstanding	<u>1,880,000</u>
Total general obligation bonds outstanding	\$ <u><u>19,275,000</u></u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE F - LONG-TERM LIABILITIES (Continued)

2. General Obligation Bonds (Continued)

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

<u>Year Ending</u> <u>April 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,475,000	\$ 809,635	\$ 205,000	\$ 70,075
2020	1,580,000	744,407	215,000	62,700
2021	1,710,000	669,450	220,000	54,000
2022	1,840,000	588,343	230,000	45,000
2023	5,140,000	500,840	240,000	35,600
2024-2028	2,680,000	1,664,615	770,000	47,000
2029-2033	2,670,000	838,895	-	-
2034-2038	300,000	300,803	-	-
Total	\$ 17,395,000	\$ 6,116,988	\$ 1,880,000	\$ 314,375

3. 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 \$66,200 has been recorded as a liability, at April 30, 2018.

4. Note Payable to Lake Forest Bank and Trust

In April 2017, the City entered into an agreement with Lake Forest Bank and Trust, in the total amount of \$232,735 to be used for financing the purchase of new pursuit vehicles for the police department. Principal and interest payments amounting to \$6,774 are due monthly based on a 3 year amortization schedule for the loan. Interest is charged at 3.05%. The balance at April 30, 2018 is \$157,447.

At April 30, 2018, the City is obligated for future payments under the loan payable as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 77,557	\$ 3,727	\$ 81,284
2020	79,890	1,329	81,219
Total	\$ 157,447	\$ 5,056	\$ 162,503

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE F - LONG-TERM LIABILITIES (Continued)

5. Note Payable to Illinois Finance Authority

In October 2017, the City entered into an agreement with the Illinois Finance Authority, in the total amount of \$100,000 to be used for financing the purchase of a new ambulance. Principal and interest payments ranging from \$20,372 to \$21,860 are due annually based on a 5 year amortization schedule for the loan. Interest is charged at 1.86%. The balance at April 30, 2018 is \$80,000.

At April 30, 2018, the City is obligated for future payments under the loan payable as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 20,000	\$ 1,488	\$ 21,488
2020	20,000	1,116	21,116
2021	20,000	744	20,744
2022	20,000	372	20,372
Total	<u>\$ 80,000</u>	<u>\$ 3,720</u>	<u>\$ 83,720</u>

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 agreed upon between the City and the State of Illinois. Monthly payments commenced in January 2012, with \$17,600 being deducted from the City's regular monthly sales tax distribution for a period of 120 months. Further, under the Economic Development Agreement between Abbott Laboratories Purchasing Company ("ALPC") and the City, the City paid ALPC 50%, or \$1,054,645, of the local sales tax refund originally received. In 2013, ALPC repaid their refund liabilities portion to the City in full. The note is non-interest bearing. The balance at April 30, 2018 is \$771,690.

At April 30, 2018, the City is obligated for future payments under the loan payable as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Principal</u>
2019	\$ 211,200
2020	211,200
2021	211,200
2022	138,090
Total	<u>\$ 771,690</u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE F - LONG-TERM LIABILITIES (Continued)

7. Library Note Payable to First Midwest Bank

In October 2014, the City entered into an agreement with First Midwest Bank, in the total amount of \$446,860 to be used for financing building improvements on the City Library. Principal and interest payments amounting to \$4,442 are due monthly based on a 10 year amortization schedule for the loan. Interest is charged at 3.65%. The balance at April 30, 2018 is \$306,721 and is set to mature in October 2024.

At April 30, 2018, the City is obligated for future payments under the loan payable as follows:

Year Ending April 30,	Principal	Interest	Total
2019	\$ 42,815	\$ 10,484	\$ 53,299
2020	44,404	8,895	53,299
2021	46,052	7,246	53,298
2022	47,761	5,537	53,298
2023	49,534	3,764	53,298
2024 - 2025	76,155	2,179	78,334
Total	\$ 306,721	\$ 38,105	\$ 344,826

8. Enterprise Fund Note Payable to First Midwest Bank

In October 2014, the City entered into an agreement with First Midwest Bank, in the total amount of \$100,772 for the purchase of four service trucks to be used by the water department. Principal and interest payments amounted to \$2,971 and were due monthly based on a three year amortization schedule for the loan. Interest was charged at 3.85%. The note matured in October 2017.

9. 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, 2018, is \$129,034. The City estimated the current portion of this enterprise liability to be approximately \$50,000 based on prior history of credits issued.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE F - LONG-TERM LIABILITIES (Continued)

10. 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, aggregating to \$57,875 annually, through October 2030. The note is non-interest bearing. The balance due to IEPA, at April 30, 2018, is \$723,441, which is recorded in the enterprise fund.

<u>Year Ending</u> <u>April 30,</u>	<u>Principal</u>
2019	\$ 57,875
2020	57,875
2021	57,875
2022	57,875
2023	57,875
2024-2028	289,375
2029-2031	<u>144,691</u>
Total	<u>\$ 723,441</u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

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. Aggregated, individual interfund transfers, during the fiscal year ended April 30, 2018, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds		
General Fund		
Water, Sewer, and Refuse Fund	\$ 2,638,000	\$ -
Total governmental funds	<u>2,638,000</u>	<u>-</u>
Enterprise fund		
Water, Sewer, and Refuse Fund		
General Fund	-	2,638,000
Total enterprise fund	<u>-</u>	<u>2,638,000</u>
Total all funds	<u>\$ 2,638,000</u>	<u>\$ 2,638,000</u>
Less amounts eliminated during GASB 34 adjustments	\$ -	\$ -
Total transfers	<u>\$ 2,638,000</u>	<u>\$ 2,638,000</u>

NOTE H - CONCENTRATION OF RISK - REVENUE SOURCE

The City has one resident business from which it generates a significant amount of property tax and water and sewer revenue. Without this commercial entity, the City would be forced to obtain new revenue sources to continue to provide its current level of services.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES

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

1. **Illinois Municipal Retirement Fund**

Plan Description

The City's defined benefit pension plan for regular employees provides retirement and disability benefits, postretirement increases, and death benefits to plan members and beneficiaries. The City's plan is managed with the Illinois Municipal Retirement Fund (IMRF), the administrator of an agent multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the Benefits Provided section below. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. That report is available for download at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

City of North Chicago, Illinois
 NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES (Continued)

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

Benefits Provided (Continued)

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of 3% of the original pension amount, or 1/2 of the increase in the Consumer Price Index of the original pension amount.

Plan Membership

As of December 31, 2017, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	99
Inactive plan members entitled to but not yet receiving benefits	53
Active plan members	86
Total	238

Contributions

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 City's annual contribution rate for calendar year 2017 was 9.02%. For the fiscal year ended April 30, 2018 the City contributed \$474,297 to the plan. 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Asset

The City's IMRF net pension asset was measured as of December 31, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES (Continued)

1. Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2017:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Price Inflation	2.50%
Salary Increases	3.39% to 14.25%
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates, specific to the type of eligibility condition, last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.

Mortality	For non-disabled retirees, the IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projections scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
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City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES (Continued)

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

Actuarial Assumptions (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic equity	37%	6.85%
International equity	18%	6.75%
Fixed income	28%	3.00%
Real estate	9%	5.75%
Alternative investments	7%	2.65% - 7.35%
Cash equivalents	1%	2.25%
Total	<u>100%</u>	

Single Discount Rate

A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

- a. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
- b. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.31%, and the resulting single discount rate is 7.50%.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES (Continued)

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

Changes in Net Pension Liability (Asset)

The following table shows the components of the change in the City's net pension liability (asset) for the calendar year ended December 31, 2017:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset) (A) - (B)
	<u> </u>	<u> </u>	<u> </u>
Balances at December 31, 2016	\$ 23,665,892	\$ 22,531,096	\$ 1,134,796
Changes for the year:			
Service cost	527,252	-	527,252
Interest on the total pension liability	1,754,501	-	1,754,501
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total pension liability	496,693	-	496,693
Changes of assumptions	(821,061)	-	(821,061)
Contributions - employer	-	463,986	(463,986)
Contributions - employees	-	231,479	(231,479)
Net investment income	-	3,965,076	(3,965,076)
Benefit payments, including refunds of employee contributions	(1,072,356)	(1,072,356)	-
Other (net transfer)	-	(341,468)	341,468
Net changes	<u>885,029</u>	<u>3,246,717</u>	<u>(2,361,688)</u>
Balances at December 31, 2017	<u>\$ 24,550,921</u>	<u>\$ 25,777,813</u>	<u>\$ (1,226,892)</u>

The net pension asset is allocated between the Governmental and Business-Type activities based upon covered payroll within the respective activities, as presented on the Statement of Net Position (Deficit).

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES (Continued)

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

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the plan's net pension liability (asset), calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability (asset) would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher than the current rate:

	<u>1% Lower</u> <u>(6.50%)</u>	<u>Current</u> <u>Discount</u> <u>Rate (7.50%)</u>	<u>1% Higher</u> <u>(8.50%)</u>
Net pension liability (asset)	\$ <u>1,819,062</u>	\$ <u>(1,226,892)</u>	\$ <u>(3,726,926)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2018, the City recognized pension expense of \$457,417. At April 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual experience	\$ 347,556	\$ 78,444
Change of assumptions	1,278	573,298
Net difference between projected and actual earnings on pension plan investments	<u>676,200</u>	<u>1,841,746</u>
Total deferred amounts to be recognized in pension expense in the future periods	<u>1,025,034</u>	<u>2,493,488</u>
Pension contributions made subsequent to the measurement date	<u>146,714</u>	<u>-</u>
Total deferred amounts related to pensions *	<u>\$ 1,171,748</u>	<u>\$ 2,493,488</u>

* The deferred amounts related to pensions are allocated between the Governmental and Business Type activities based upon covered payroll within the respective activities.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES (Continued)

1. Illinois Municipal Retirement Fund (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The City reported \$146,714 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the reporting year ended April 30, 2019. Other amounts reported as net deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended April 30,	Net Deferred Inflows of Resources
2019	\$ 315,376
2020	235,904
2021	456,736
2022	460,438
2023	-
Thereafter	-
Total	<u>\$ 1,468,454</u>

2. Police Pension Plan

Plan Description

The Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the Fund as a pension trust fund. The Fund is governed by a five-member Board of Trustees. Two members of the Board are appointed by the City’s Mayor, one member is elected by pension beneficiaries and two members are elected by active police employees.

The Plan is not included in the report of a public retirement system or another entity. Separate reports are issued for the Police Pension Plan and may be obtained by writing to the City of North Chicago at 1850 Lewis Avenue, North Chicago, Illinois 60064.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES (Continued)

2. **Police Pension Plan** (Continued)

Basis of Accounting

The accrual basis of accounting is utilized by a pension trust fund. Under this method, additions to net position are recorded when earned and deductions from net position are recorded when the time related liabilities/deferred inflows 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.

Benefits Provided

The following is a summary of the Police Pension Plan as provided for in Illinois State Statutes.

The Police Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit of ½ of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent 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 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 percent of the original pension and 3 percent compounded annually thereafter.

Covered employees hired on or after January 1, 2011 (Tier 2), 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 police officer 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. Police officer salary for the pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a salary for each additional year of service over 20 years up to 30 years to a maximum of 75 percent of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., ½ percent for each month under 55).

The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Non-compounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES (Continued)

2. **Police Pension Plan** (Continued)

Plan Membership

As of April 30, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	46
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	50
Total	97

Contributions

Covered employees are required to contribute 9.91% of their base salary to the Police 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 plan and the administrative costs 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 has chosen to use the following parameters to fund its pension plan above and beyond the state minimum. For the year ended April 30, 2018, the City's contribution was 30.80% of covered payroll.

Net Pension Liability

The City's police fund net pension liability was measured as of April 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation performed as of May 1, 2017, using the following actuarial methods and assumptions.

Actuarial valuation date	May 1, 2017
Measurement date	April 30, 2018
Actuarial cost method	Entry age normal; Level % of pay
Asset valuation method	Market value

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES (Continued)

2. Police Pension Plan (Continued)

Single Discount Rate

Assumptions	
Interest rate	7.00%
Discount rate	4.26%
Salary increases	3.18% - 11.70%
Cost of living adjustments	3.50%
Inflation	2.50%
Percent married	80.00%

Mortality rates were based on an independent actuary assumption study for Illinois Police 2016.

A Single Discount Rate of 4.26% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

- a. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
- b. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.00%, the municipal bond rate is 3.97%, and the resulting single discount rate is 4.26%.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES (Continued)

2. **Police Pension Plan** (Continued)

Changes in Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at April 30, 2017	\$ 81,740,980	\$ 15,149,361	\$ 66,591,619
Changes for the year:			
Service cost	2,162,639	-	2,162,639
Interest on the total pension liability	3,311,058	-	3,311,058
Difference between expected and actual experience of the total pension liability	24,748	-	24,748
Changes of assumptions*	(1,858,694)	-	(1,858,694)
Contributions - employer	-	1,340,164	(1,340,164)
Contributions - employees	-	391,043	(391,043)
Net investment income (loss)	-	1,044,192	(1,044,192)
Benefit payment, including refunds of employee contributions	(2,750,999)	(2,750,999)	-
Administrative expense	-	(50,720)	50,720
Net changes	<u>888,752</u>	<u>(26,320)</u>	<u>915,072</u>
Balances at April 30, 2018	<u>\$ 82,629,732</u>	<u>\$ 15,123,041</u>	<u>\$ 67,506,691</u>

* Certain assumptions were changed from the prior year. The assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed from 3.82% to 3.97% for the current year. The discount rate used in the determination of the total pension liability was changed from 4.12% to 4.26%. Any change in the underlying High Quality 20 Year Tax Exempt G.O. Bond Rate will impact the blended discount rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate.

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 4.26%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher than the current rate:

	1% Lower (3.26%)	Current Discount Rate (4.26%)	1% Higher (5.26%)
Net pension liability	<u>\$ 82,380,257</u>	<u>\$ 67,506,691</u>	<u>\$ 55,843,550</u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES (Continued)

2. Police Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2018 the City recognized pension expense of \$5,067,903. At April 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual experience	\$ 1,141,688	\$ -
Change of assumptions	7,155,432	7,088,535
Net difference between projected and actual earnings on pension plan investments	<u>831,015</u>	<u>150,031</u>
Total deferred amounts related to pensions	<u>\$ 9,128,135</u>	<u>\$ 7,238,566</u>

Amounts reported as net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended April 30,</u>	<u>Net Deferred Outflows / (Inflows) of Resources</u>
2019	\$ 957,517
2020	957,514
2021	542,009
2022	(266,925)
2023	(300,546)
Thereafter	<u>-</u>
Total	<u>\$ 1,889,569</u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES (Continued)

3. Firefighters' Pension Plan

Plan Description

The Firefighters' Pension Plan is a single-employer defined benefit pension plan that covers all sworn firefighter personnel. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the Fund as a pension trust fund. The Fund is governed by a five-member Board of Trustees. Two members of the Board are appointed by the City's Mayor, one member is elected by pension beneficiaries and two members are elected by active firefighter employees.

The Plan is not included in the report of a public retirement system or another entity. Separate reports are issued for the Firefighters' Pension Plan and may be obtained by writing to the City of North Chicago at 1850 Lewis Avenue, North Chicago, Illinois 60064.

Basis of Accounting

The accrual basis of accounting is utilized by a pension trust fund. Under this method, additions to net position are recorded when earned and deductions from net position are recorded when the time related liabilities/deferred inflows 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.

Benefits Provided

The following is a summary of the Firefighters' Pension Plan as provided for in Illinois State Statutes.

The Firefighters' Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit of ½ of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent 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 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 percent of the original pension and 3% compounded annually thereafter.

City of North Chicago, Illinois
 NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES (Continued)

3. **Firefighters' Pension Plan** (Continued)

Benefits Provided (Continued)

Covered employees hired on or after January 1, 2011 (Tier 2), 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 the pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a salary for each additional year of service over 20 years up to 30 years to a maximum of 75 percent of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., ½ percent 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 firefighter retires, or the first anniversary of the pension starting date, whichever is later. Non-compounding increases occur annually, each January thereafter. The increase is the lesser of 3 percent or ½ of the change in the Consumer Price Index for the proceeding calendar year.

Plan Membership

As of April 30, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	29
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	32
Total	66

Contributions

Covered employees are required to contribute 9.455% of their base 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 plan and the administrative costs 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 has chosen to use the following parameters to fund its pension plan above and beyond the state minimum. For the year-ended April 30, 2018, the City's contribution was 40.40% of covered payroll.

City of North Chicago, Illinois
 NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES (Continued)

3. Firefighters' Pension Plan (Continued)

Net Pension Liability

The City's firefighters' fund net pension liability was measured as of April 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation performed as of May 1, 2017, using the following actuarial methods and assumptions.

Actuarial valuation date	May 1, 2017
Measurement date	April 30, 2018
Actuarial cost method	Entry age normal; Level % of pay
Asset valuation method	Market value
Assumptions	
Interest rate	6.50%
Discount rate	4.67%
Salary increases	2.89% - 11.13%
Cost of living adjustments	3.50%
Inflation	2.50%
Percent married	80.00%

Mortality rates were based on an independent actuary assumption study for Illinois Firefighters 2016.

Single Discount Rate

A Single Discount Rate of 4.67% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

- a. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
- b. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 6.50%, the municipal bond rate is 3.97%, and the resulting single discount rate is 4.67%.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES (Continued)

3. **Firefighters' Pension Plan** (Continued)

Changes in Net Pension Liability

	Total Pension Liability (A)	Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
	<u>(A)</u>	<u>(B)</u>	<u>(A) - (B)</u>
Balances at April 30, 2017	\$ 39,105,794	\$ 9,282,154	\$ 29,823,640
Changes for the year:			
Service cost	1,032,949	-	1,032,949
Interest on the total pension liability	1,773,804	-	1,773,804
Difference between expected and actual experience of the total pension liability	18,391	-	18,391
Changes of assumptions*	(314,947)	-	(314,947)
Contributions - employer	-	998,114	(998,114)
Contributions - employees	-	245,118	(245,118)
Contributions - other	-	16,784	(16,784)
Net investment income (loss)	-	504,213	(504,213)
Benefit payment, including refunds of employee contributions	(1,423,522)	(1,423,522)	-
Administrative expense	-	(56,079)	56,079
Net changes	<u>1,086,675</u>	<u>284,628</u>	<u>802,047</u>
Balances at April 30, 2018	<u>\$ 40,192,469</u>	<u>\$ 9,566,782</u>	<u>\$ 30,625,687</u>

* Certain assumptions were changed from the prior year. The assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed from 3.82% to 3.97% for the current year. The discount rate used in the determination of the total pension liability was changed from 4.62% to 4.67%. Any change in the underlying High Quality 20 Year Tax Exempt G.O. Bond Rate will impact the blended discount rate. In the current valuation, the Long-Term Expected Rate of return on plan assets was reduced from 7.00% to 6.50%.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES (Continued)

3. Firefighters' Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 4.67%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher than the current rate:

	<u>1% Lower (3.67%)</u>	<u>Current Discount Rate (4.67%)</u>	<u>1% Higher (5.67%)</u>
Net pension liability	\$ 37,711,138	\$ 30,625,687	\$ 25,040,540

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2018 the City recognized pension expense of \$2,083,571. At April 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual experience	\$ 961,969	\$ -
Change of assumptions	1,527,545	3,029,774
Net difference between projected and actual earnings on pension plan investments	<u>422,484</u>	<u>180,073</u>
Total deferred amounts related to pensions	<u>\$ 2,911,998</u>	<u>\$ 3,209,847</u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES (Continued)

3. Firefighters' Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Amounts reported as net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended April 30,	Net Deferred (Outflows) / Inflows of Resources
2019	\$ (78,845)
2020	(78,841)
2021	95,601
2022	35,582
2023	155,098
Thereafter	169,254
Total	\$ 297,849

4. Summary of Pension Items

Below is a summary of the various pension items for governmental and business-type activities:

	IMRF	Police	Firefighters'	Total
Deferred outflows of resources:				
Employer contributions	\$ 146,714	\$ -	\$ -	\$ 146,714
Experience	347,556	1,141,688	961,969	2,451,213
Assumptions	1,278	7,155,432	1,527,545	8,684,255
Investments	676,200	831,015	422,484	1,929,699
	\$ 1,171,748	\$ 9,128,135	\$ 2,911,998	\$ 13,211,881
Net pension liability (asset)	\$ (1,226,892)	\$ 67,506,691	\$ 30,625,687	\$ 96,905,486
Pension expense	\$ 457,417	\$ 5,067,903	\$ 2,083,571	\$ 7,608,891
Deferred inflows of resources:				
Experience	\$ 78,444	\$ -	\$ -	\$ 78,444
Assumptions	573,298	7,088,535	3,029,774	10,691,607
Investments	1,841,746	150,031	180,073	2,171,850
	\$ 2,493,488	\$ 7,238,566	\$ 3,209,847	\$ 12,941,901

City of North Chicago, Illinois
 NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE I - PENSION LIABILITIES (Continued)

5. Social Security/Medicare

Employees not qualifying for coverage under the Illinois Municipal Retirement Fund, Police Pension Fund, and Firefighters' Pension Fund are considered "nonparticipating employees." These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security/Medicare. The City paid the total required contribution for the current fiscal year.

NOTE J - OTHER POSTEMPLOYMENT BENEFITS

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.

As of July 2018, membership in the Plan consisted of the following:

Retirees	28
Actives fully eligible to retire	21
Actives not fully eligible to retire	141
 Total membership	 190

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, 2018, estimated employer contributions are \$155,891. Active employees do not contribute to the plan until retirement.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE J - OTHER POSTEMPLOYMENT BENEFITS (Continued)

3. Annual OPEB Cost and Net OPEB Obligation

The City had an actuarial valuation performed for the plan as of April 30, 2018. 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, 2018.

	Amount
Annual Required Contribution (ARC)	\$ 174,413
Interest on net OPEB obligation	5,301
Adjustment to Annual Required Contribution	(4,418)
Annual OPEB cost	175,296
Contributions made	(155,891)
Increase in OPEB obligation	19,405
Net OPEB obligation at May 1, 2017	132,532
Net OPEB obligation at April 30, 2018	\$ 151,937

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 2018 are as follows:

Trend Information - Other Postemployment Benefits

Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation
04/30/18	\$ 175,296	88.93%	\$ 151,937
04/30/17*	96,971	91.89%	132,532
04/30/16*	96,901	89.09%	124,671

* Annual OPEB cost estimated using ARC from most recent valuation information.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE J - OTHER POSTEMPLOYMENT BENEFITS (Continued)

5. Funding Status and Funding Progress

As of April 30, 2018, the actuarial accrued liability for benefits was \$4,076,432, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) and the ratio of the unfunded actuarial accrued liability to the covered payroll were \$11,437,944 and 36%, respectively.

The projection of future benefit payments for an ongoing plan involved 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.

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.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

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

6. 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, 2017
Data collection date	July 1, 2018
Actuarial cost method	Entry age normal
Amortization period	Level dollar-open
Remaining amortization period	30 years
Asset valuation method	Not applicable
Actuarial assumptions:	
Discount rate	4.00%
Salary rate increase	4.00%
Healthcare inflation rate	5.50% initial; 4.50% ultimate
Mortality, turnover, disability, retirement ages	Similar rates utilized for IMRF, Police and Fire Pension Funds
Percentage of active employees assumed to elect benefit	15%
Marital status	30% of active employees electing retiree coverage are assumed to be married and elect spousal coverage with males three years older than females. Actual spouse data was used for current retirees.

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE K - OPERATING LEASE

The City entered into a vehicle lease agreement during 2017 with a term of 3 years requiring payment of approximately \$480 per month through February 2020. Total costs for these lease was approximately \$5,800 for the year ended April 30, 2018. Future lease payment is as follows:

Year Ended		Total
<u>April 30,</u>		
2019	\$	5,767
2020		<u>4,325</u>
Total	\$	<u><u>10,092</u></u>

NOTE L - RESTRICTIONS BY ENABLING LEGISLATION

The government-wide statement of net position reports \$6,207,192 of net position restricted by enabling legislation which consists of the following:

Road maintenance (Motor Fuel Tax)	\$ 2,065,526
Drug law enforcement	141,047
Emergency phone	429,384
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2014A	2,659,706
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2007A	156,986
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2007B	127,349
Grant Place Retail Center Debt Service 2007C	<u>627,194</u>
Total government-wide net position restricted by enabling legislation	<u><u>\$ 6,207,192</u></u>

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

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

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

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 \$10,993 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:

	2018	2017
Unpaid claims, beginning of fiscal year	\$ 18,540	\$ 15,251
Incurred claims including claims incurred but not yet reported (IBNRs)	169,315	176,345
Claim payments	(176,862)	(173,056)
Unpaid claims, end of fiscal year	\$ 10,993	\$ 18,540

NOTE N - OTHER COMMITMENTS AND CONTINGENCIES

1. Litigation

There are several lawsuits that the City settled after April 30, 2018. The City has accrued \$250,000 (the liability insurance deductible) in the General Fund related to these settlements. The amount is included in other liabilities in the statement of net position (deficit) and the governmental funds balance sheet. Additionally, there are several pending lawsuits in which the City is involved. Management estimates that the potential unsettled claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City although the outcome of these matters is currently unknown.

2. Grants

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

City of North Chicago, Illinois
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2018

NOTE N - OTHER COMMITMENTS AND CONTINGENCIES (Continued)

3. Commitment

The City has entered into an agreement with a non-for-profit in which the City provides \$7,500 quarterly through September 2020 for the maintenance of certain property. The City's expense related to this agreement was \$37,500 for the year ended April 30, 2018.

Future commitments for the years ended April 30 are as follows:

	<u>Amount</u>
2019	\$ 30,000
2020	<u>7,500</u>
	<u>\$ 37,500</u>

NOTE O - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2018, the date these financial statements were available to be issued. Management has determined that no events or transactions have occurred subsequent to the statement of net position/balance sheet date that require disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

City of North Chicago, Illinois

Multiyear Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Most Recent Calendar Year

Illinois Municipal Retirement Fund

April 30, 2018

Illinois Municipal Retirement Fund

Calendar year ended December 31,	2017	2016	2015
Total pension liability			
Service cost	\$ 527,252	\$ 477,467	496,614
Interest on the total pension liability	1,754,501	1,686,673	1,595,969
Difference between expected and actual experience	496,693	(234,768)	135,340
Assumption changes	(821,061)	(27,863)	27,111
Benefit payments and refunds	(1,072,356)	(1,031,753)	(980,356)
Net change in total pension liability	885,029	869,756	1,274,678
Total pension liability, beginning	23,665,892	22,796,136	21,521,458
Total pension liability, ending	\$ 24,550,921	\$ 23,665,892	22,796,136
Plan fiduciary net position			
Contributions, employer	\$ 463,986	\$ 421,048	421,862
Contributions, employee	231,479	210,159	266,754
Net investment income	3,965,076	1,474,443	109,525
Benefit payments, including refunds of employee contributions	(1,072,356)	(1,031,753)	(980,356)
Other (net transfer)	(341,468)	76,347	(487,761)
Net change in plan fiduciary net position	3,246,717	1,150,244	(669,976)
Plan fiduciary net position, beginning	22,531,096	21,380,852	22,050,828
Plan fiduciary net position, ending	\$ 25,777,813	\$ 22,531,096	21,380,852
Net pension liability (asset)	\$ (1,226,892)	\$ 1,134,796	1,415,284
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.00 %	95.20 %	93.79 %
Covered Valuation Payroll	\$ 5,143,963	\$ 4,669,874	4,627,821
Net pension liability (asset) as a percentage of covered valuation payroll	(23.85) %	24.30 %	30.58 %

Note: The City implemented GASB 68 for the Illinois Municipal Retirement Fund beginning with its fiscal year ended April 30, 2016; therefore 10 years of information is not available.

City of North Chicago, Illinois

Multiyear Schedule of Contributions

Illinois Municipal Retirement Fund

April 30, 2018

Illinois Municipal Retirement Fund

<u>Fiscal Year</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Valuation</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a % of</u> <u>Covered Valuation Payroll</u>
2017	\$ 463,985 *	\$ 463,986	(1)	\$ 5,143,963	9.02 %
2016	411,883	421,048	(9,165)	4,669,874	9.02
2015	424,834	421,862	2,972	4,627,821	9.12

* Estimated based on contribution rate of 9.02% and covered valuation payroll of \$5,143,963 (most recent information available).

Note: The City implemented GASB 68 for the Illinois Municipal Retirement Fund beginning with its fiscal year ended April 30, 2016; therefore 10 years of information is not available.

City of North Chicago, Illinois

Multiyear Schedule of Contributions

Illinois Municipal Retirement Fund

April 30, 2018

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2017 Contribution Rates:

Actuarial Cost Method

Aggregate Entry Age Normal

Amortization Method

Level Percentage of Payroll, Closed

Remaining Amortization Period

Non-Taxing bodies: 10-year rolling period

Taxing bodies: 26-year closed period

Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.

SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 21 years for most employers (two employers were financed over 30 years).

Asset Valuation Method

5-Year Smoothed Market Value; 20% corridor

Wage growth

3.50%

Price Inflation

2.75% - approximate; no explicit price inflation assumption used in this valuation

Salary Increases

3.75% to 14.50%, including inflation

Investment Rate of Return

7.50%

Retirement Age

Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011 - 2013.

Mortality

For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information

Notes

There were no benefit changes during the year.

City of North Chicago, Illinois

Multiyear Schedule of Changes in Net Pension Liability and Related Ratios

Police Pension Fund

April 30, 2018

Police Pension Fund

	2018	2017	2016
Total pension liability			
Service cost	\$ 2,162,639	\$ 2,077,062	\$ 2,102,749
Interest on the total pension liability	3,311,058	3,495,011	2,486,868
Differences between expected and actual experience	24,748	882,242	980,066
Changes in assumptions	(1,858,694)	(8,324,912)	13,134,903
Benefit payments and refunds	(2,750,999)	(2,437,557)	(2,328,436)
Net change in total pension liability	888,752	(4,308,154)	16,376,150
Total pension liability, beginning	81,740,980	86,049,134	69,672,984
Total pension liability, ending	\$ 82,629,732	\$ 81,740,980	\$ 86,049,134
Plan fiduciary net position			
Contributions, employer	\$ 1,340,164	\$ 1,245,337	\$ 1,119,364
Contributions, other	-	4,502	-
Contributions, employee	391,043	422,719	474,366
Net investment income (loss)	1,044,192	1,225,102	(951,250)
Benefit payments and refunds	(2,750,999)	(2,437,558)	(2,328,436)
Administrative expense	(50,720)	(52,857)	(58,333)
Net change in plan fiduciary net position	(26,320)	407,245	(1,744,289)
Plan fiduciary net position, beginning	15,149,361	14,742,116	16,486,405
Plan fiduciary net position, ending	\$ 15,123,041	\$ 15,149,361	\$ 14,742,116
Net pension liability	\$ 67,506,691	\$ 66,591,619	\$ 71,307,018
Plan fiduciary net position as a percentage of the total pension liability	18.30 %	18.53 %	17.13 %
Covered employee payroll*	\$ 4,351,811	\$ 4,204,648	\$ 4,313,455
Net pension liability as a percentage of covered valuation payroll	1,551.23 %	1,583.76 %	1,653.13 %

* Covered employee payroll shown is the pensionable pay for the fiscal year for all fund members

Note: The Police Pension Fund implemented GASB 67 beginning with its fiscal year ended April 30, 2015 and the City implemented GASB 68 beginning with its fiscal year ended April 30, 2016; therefore, 10 years of information is not available.

2015

\$ 1,964,836
2,616,283
-
-
(2,286,321)
2,294,798
67,378,186
\$ 69,672,984

\$ 871,239
-
449,402
854,259
(2,286,321)
(54,681)
(166,102)
16,652,507
\$ 16,486,405

\$ 53,186,579

23.66 %

\$ 4,321,523

1,230.74 %

City of North Chicago, Illinois

Multiyear Schedule of Contributions

Police Pension Fund

April 30, 2018

Police Pension Fund

Fiscal Year <u>April 30,</u>	Actuarially Determined <u>Contribution</u>	Actual <u>Contribution</u>	Contribution Deficiency	Covered Valuation <u>Payroll</u>	Actual Contribution as a % of <u>Covered Valuation Payroll</u>
2018	\$ 2,998,758	\$ 1,340,164	\$ 1,658,594	\$ 4,351,811	30.80 %
2017	2,610,816	1,245,337	1,365,479	4,204,648	29.62
2016	2,350,293	1,119,364	1,230,929	4,313,455	25.95
2015	2,252,422	871,239	1,381,183	4,321,523	20.16

Note: The Police Pension Fund implemented GASB 67 beginning with its fiscal year ended April 30, 2015 and the City implemented GASB 68 beginning with its fiscal year ended April 30, 2016; therefore, 10 years of information is not available.

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % of Pay (Closed)
Remaining Amortization Period	100% funded over 20 years
Asset Valuation Method	5-Year Smoothed Market Value
Inflation	2.50%
Salary Increases	3.18% - 11.70%
Cost of Living Adjustments	3.50%
Percent Married	80.00%
Investment Rate of Return	7.00%
Retirement Age	See the Notes to the Financial Statements
Mortality	Mortality rates are based on an independent actuary assumption study for Illinois Police 2016.

City of North Chicago, Illinois

Multiyear Schedule of Changes in Net Pension Liability and Related Ratios

Firefighters' Pension Fund

April 30, 2018

Firefighters' Pension Fund

	2018	2017	2016
Total pension liability			
Service cost	\$ 1,032,949	\$ 987,334	\$ 986,970
Interest on the total pension liability	1,773,804	1,834,010	1,529,797
Differences between expected actual experience	18,391	1,058,782	289,492
Changes in assumptions	(314,947)	(3,796,674)	2,498,444
Benefit payments and refunds	(1,423,522)	(1,349,682)	(1,351,222)
Net change in total pension liability	1,086,675	(1,266,230)	3,953,481
Total pension liability, beginning	39,105,794	40,372,024	36,418,543
Total pension liability, ending	\$ 40,192,469	\$ 39,105,794	\$ 40,372,024
Plan fiduciary net position			
Contributions, employer	\$ 998,114	\$ 788,096	\$ 702,086
Contributions, employee	245,118	21,325	-
Contributions, employee	16,784	227,874	238,849
Net investment income (loss)	504,213	899,899	(227,014)
Benefit payments and refunds	(1,423,522)	(1,349,682)	(1,351,222)
Administrative expense	(56,079)	(59,542)	(62,227)
Net change in plan fiduciary net position	284,628	527,970	(699,528)
Plan fiduciary net position, beginning	9,282,154	8,754,184	9,453,712
Plan fiduciary net position, ending	\$ 9,566,782	\$ 9,282,154	\$ 8,754,184
Net pension liability	\$ 30,625,687	\$ 29,823,640	\$ 31,617,840
Plan fiduciary net position as a percentage of the total pension liability	23.80 %	23.74 %	21.68 %
Covered employee payroll*	\$ 2,470,813	\$ 2,387,259	\$ 2,356,214
Net pension liability as a percentage of covered valuation payroll	1,239.50 %	1,249.28 %	1,341.89 %

* Covered employee payroll shown is the pensionable pay for the fiscal year for all fund members

Note: The Firefighters' Pension Fund implemented GASB 67 beginning with its fiscal year ended April 30, 2015 and the City implemented GASB 68 beginning with its fiscal year ended April 30, 2016; therefore, 10 years of information is not available.

2015

\$ 1,075,887
1,454,398
-
-
(1,316,005)
1,214,280
35,204,263
\$ 36,418,543

\$ 612,133
-
221,905
580,526
(1,316,005)
(47,171)
51,388
9,402,324
\$ 9,453,712

\$ 26,964,831

25.96 %

\$ 2,267,983

1,188.93 %

City of North Chicago, Illinois

Multiyear Schedule of Contributions

Firefighters' Pension Fund

April 30, 2018

Firefighters' Pension Fund

Fiscal Year April 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2018	\$ 1,372,921	\$ 998,114	\$ 374,807	\$ 2,470,813	40.40 %
2017	1,179,755	788,096	391,659	2,387,259	33.01
2016	1,174,104	702,086	472,018	2,356,214	29.80
2015	1,024,176	612,133	412,043	2,267,983	26.99

Note: The Firefighters' Pension Fund implemented GASB 67 beginning with its fiscal year ended April 30, 2015 and the City implemented GASB 68 beginning with its fiscal year ended April 30, 2016; therefore, 10 years of information is not available.

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % of Pay (Closed)
Remaining Amortization Period	100% Funded over 24 years
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.50%
Salary Increases	2.89% - 11.13%
Cost of Living Adjustments	3.50%
Percent Married	80.00%
Investment Rate of Return	6.50%
Retirement Age	See the Notes to the Financial Statements
Mortality	Mortality rates are based on an independent actuary assumption study for Illinois Firefighters 2016.

City of North Chicago, Illinois
 Multiyear Schedule of Investment Returns
 Police Pension Fund and Firefighters' Pension Fund
April 30, 2018

<u>Fiscal Year</u>	<u>Annual Money- Weighted Rate of Return, Net of Investment Expense</u>
<i><u>Police Pension Fund</u></i>	
2018	7.47 %
2017	8.53
2016	(6.79)
2015	4.78
<i><u>Firefighters' Pension Fund</u></i>	
2018	4.72 %
2017	7.96
2016	(6.07)
2015	6.05

Note: The Police and Firefighters' Pension Funds implemented GASB 67 beginning with its fiscal year ended April 30, 2015 and the City implemented GASB 68 beginning with its fiscal year ended April 30, 2016; 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, 2018

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
04/30/2018	\$ -	\$ 4,076,432	\$ 4,076,432	0.00 %
04/30/2017 ¹	-	1,354,848	1,354,848	0.00
04/30/2016 ¹	-	1,354,848	1,354,848	0.00

No valuation was performed for fiscal years ended April 30, 2017 or April 30, 2016.

¹ Results from last available actuarial study.

City of North Chicago, Illinois

General Fund - Budgetary Basis

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
Revenues			
Property taxes	\$ 6,567,393	\$ 6,647,279	\$ 79,886
Taxes - other	4,508,000	4,921,326	413,326
Licenses and permits	688,200	674,048	(14,152)
Intergovernmental	7,003,000	6,815,224	(187,776)
Grants	173,118	82,562	(90,556)
Fines and fees	2,353,000	2,401,433	48,433
Interest	2,250	5,188	2,938
Miscellaneous	153,700	478,656	324,956
	<u>21,448,661</u>	<u>22,025,716</u>	<u>577,055</u>
Total revenues			
Expenditures			
General government			
Mayor's office	492,415	492,754	(339)
City Clerk's office	196,007	191,471	4,536
Legislative	212,424	274,482	(62,058)
City Treasurer	42,044	36,453	5,591
Comptroller	797,158	838,684	(41,526)
Information technology	377,500	301,666	75,834
Human resources	243,481	241,270	2,211
	<u>2,361,029</u>	<u>2,376,780</u>	<u>(15,751)</u>
Total general government			
Administration services	3,523,700	4,050,612	(526,912)
	<u>1,668,860</u>	<u>1,530,864</u>	<u>137,996</u>
Highway and streets			

(Continued)

City of North Chicago, Illinois

General Fund - Budgetary Basis

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)

For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
Expenditures (continued)			
Public safety			
Police department	\$ 10,534,494	\$ 9,698,506	\$ 835,988
Fire department	4,590,698	4,810,134	(219,436)
Total public safety	<u>15,125,192</u>	<u>14,508,640</u>	<u>616,552</u>
Economic development	<u>1,774,386</u>	<u>2,316,885</u>	<u>(542,499)</u>
Engineering	<u>107,000</u>	<u>382</u>	<u>106,618</u>
Total expenditures	<u>24,560,167</u>	<u>24,784,163</u>	<u>(223,996)</u>
Deficiency of revenues over expenditures	<u>(3,111,506)</u>	<u>(2,758,447)</u>	<u>353,059</u>
Other financing sources			
Proceeds from long-term debt	232,734	-	232,734
Transfers in	<u>2,638,000</u>	<u>2,638,000</u>	<u>-</u>
Total other financing sources	<u>2,870,734</u>	<u>2,638,000</u>	<u>232,734</u>
Net change in fund balance	\$ <u>(240,772)</u>	(120,447)	\$ <u>120,325</u>
Fund balance, beginning of year		<u>12,595,088</u>	
Fund balance, end of year		\$ <u>12,474,641</u>	

(Concluded)

City of North Chicago, Illinois

Sheridan Crossing Tax Increment Financing Redevelopment Project Area
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Total revenues	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
Expenditures			
General government			
Other professional services	\$ <u> -</u>	\$ <u> 59,599</u>	\$ <u> (59,599)</u>
Total expenditures	<u> -</u>	<u> 59,599</u>	<u> (59,599)</u>
Deficiency of revenues over expenditures	<u> -</u>	<u> (59,599)</u>	<u> (59,599)</u>
Net change in fund balance	\$ <u> -</u>	<u> (59,599)</u>	\$ <u> (59,599)</u>
Fund balance, beginning of year		<u> 3,053,716</u>	
Fund balance, end of year		\$ <u> 2,994,117</u>	

City of North Chicago, Illinois
Notes to the Required Supplementary Information
April 30, 2018

NOTE A - GENERAL FUND - BUDGETARY BASIS PRESENTATION

The General Fund presentation of expenditures is presented on a budgetary basis where certain debt service and capital outlay expenditures are included in the department in which the expenditures are budgeted. The Statement of Activities presents expenses in accordance with accounting principles generally accepted in the United States of America.

NOTE B - 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.

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 appropriation ordinance and budget was approved on June 5, 2017.

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.

City of North Chicago, Illinois
Notes to the Required Supplementary Information
April 30, 2018

NOTE B - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

Expenditures (including transfers out) exceeded budgets in the following funds for the year ended April 30, 2018:

Fund	Original and Final Budget	Actual	Excess of Expenditures Over Budget
General Fund	\$ 24,560,167	\$ 24,784,163	\$ 223,996
Sheridan Crossing Tax Increment Financing			
Redevelopment Project Area	-	59,599	59,599
Library	786,237	800,578	14,341
Community Development Grant	395,000	610,874	215,874
Federal Forfeited Property (DEA)	53,000	96,294	43,294
Grant Place Operating	163,509	172,691	9,182
Downtown Tax Increment Financing			
Redevelopment Project Area			
Debt Series 2007B	205,560	205,702	142
Downtown Tax Increment Financing			
Redevelopment Project Area	-	1,100	1,100
Skokie Highway TIF III	-	807	807
Dental and Vision	148,000	158,322	10,322

SUPPLEMENTARY FINANCIAL INFORMATION

GENERAL FUND

City of North Chicago, Illinois

General Fund - Budgetary Basis

Schedule of Revenues and Other Financing Sources - Budget and Actual

For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
Property taxes			
Real estate taxes	\$ 4,409,543	\$ 4,459,001	\$ 49,458
Real estate taxes - Firefighters' and Police pensions	2,157,850	2,188,278	30,428
Total property taxes	6,567,393	6,647,279	79,886
Taxes - other			
Hotel/motel tax	165,000	228,559	63,559
Real estate transfer tax	125,000	287,676	162,676
Food and beverage tax	270,000	287,361	17,361
Municipal motor fuel tax	815,000	793,926	(21,074)
Self storage facility tax	43,000	34,339	(8,661)
Utility tax	1,525,000	1,484,594	(40,406)
Simplified telecommunications tax	650,000	641,739	(8,261)
Automobile Rental	10,000	10,323	323
Local use tax	725,000	924,065	199,065
Road and bridge tax	50,000	31,330	(18,670)
State video gaming tax	130,000	197,414	67,414
Total taxes - other	4,508,000	4,921,326	413,326
Total property taxes and taxes - other	11,075,393	11,568,605	493,212
Licenses and permits			
Contractors license	18,000	20,684	2,684
Pet tag license	700	560	(140)
Liquor license	40,000	13,600	(26,400)
Taxi class B license	20,000	23,186	3,186
Video gaming terminal	60,000	69,000	9,000
Business license	90,000	32,711	(57,289)
Landlord license	35,000	45,178	10,178
Prop. Vacancies registration	50,000	82,150	32,150

(Continued)

City of North Chicago, Illinois

General Fund - Budgetary Basis

Schedule of Revenues and Other Financing Sources - Budget and Actual (Continued)

For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
Licenses and permits (continued)			
Building permits	\$ 205,000	\$ 228,433	\$ 23,433
Rezoning variance permits	5,000	2,800	(2,200)
Miscellaneous permits	10,000	1,600	(8,400)
Vehicle stickers			
Truck	8,000	9,820	1,820
Occupancy permits	83,000	104,359	21,359
Hazardous materials permits	48,500	19,550	(28,950)
Taxi A drivers license	15,000	20,417	5,417
	<u>688,200</u>	<u>674,048</u>	<u>(14,152)</u>
Intergovernmental			
State income tax	2,800,000	3,440,493	640,493
Sales tax	3,900,000	3,111,712	(788,288)
Replacement tax - state	300,000	261,675	(38,325)
North Chicago Housing Authority	3,000	1,344	(1,656)
	<u>7,003,000</u>	<u>6,815,224</u>	<u>(187,776)</u>
Grant proceeds	<u>173,118</u>	<u>82,562</u>	<u>(90,556)</u>
Fines and fees			
Lien fees	42,000	63,318	21,318
Animal fines and fees	2,500	2,226	(274)
Photocopies	3,000	4,365	1,365
Code books and maps	500	-	(500)
Fire service charges			
Ambulance fees	410,000	377,738	(32,262)

(Continued)

City of North Chicago, Illinois

General Fund - Budgetary Basis

Schedule of Revenues and Other Financing Sources - Budget and Actual (Continued)

For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
Fines and fees (continued)			
Policing charges			
Police fines	\$ -	\$ 200	\$ 200
Parking fines	21,000	27,585	6,585
Redflex fines	300,000	373,394	73,394
Adjudication fines	160,000	130,988	(29,012)
Adjudication court costs	4,000	7,120	3,120
Police services fees	1,112,000	1,070,261	(41,739)
Alarm service fees	18,000	14,564	(3,436)
Lake County Circuit fees and fines	100,000	111,829	11,829
Building fines and penalties	-	35	35
Cable franchise fees	120,000	144,546	24,546
Railroad parking lot pass fees	10,000	13,874	3,874
Community day fees	50,000	59,390	9,390
	<u>2,353,000</u>	<u>2,401,433</u>	<u>48,433</u>
Total fines and fees			
Interest	<u>2,250</u>	<u>5,188</u>	<u>2,938</u>
Miscellaneous			
Cable land use lease	90,000	97,531	7,531
Miscellaneous	45,000	166,704	121,704
NSF check fee	-	615	615
Reimbursements	-	196,580	196,580
Train station lease	2,700	-	(2,700)
Rental income	16,000	12,735	(3,265)
Sale of city property	-	4,491	4,491
	<u>153,700</u>	<u>478,656</u>	<u>324,956</u>
Total miscellaneous			
Total revenues	<u>21,448,661</u>	<u>22,025,716</u>	<u>577,055</u>

(Continued)

City of North Chicago, Illinois

General Fund - Budgetary Basis

Schedule of Revenues and Other Financing Sources - Budget and Actual (Continued)

For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
	<u> </u>	<u> </u>	<u> </u>
Other financing sources			
Proceeds from long-term debt	\$ 232,734	\$ -	\$ (232,734)
Transfer in from Water Fund	<u>2,638,000</u>	<u>2,638,000</u>	<u>-</u>
Total other financing sources	<u>2,870,734</u>	<u>2,638,000</u>	<u>(232,734)</u>
 Total revenues and other financing sources	 <u>\$ 24,319,395</u>	 <u>\$ 24,663,716</u>	 <u>\$ 344,321</u>

(Concluded)

City of North Chicago, Illinois
 General Fund - Budgetary Basis
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
General government			
Mayor's office			
Salaries and wages			
Full-time salaries and wages	\$ 321,173	\$ 321,707	\$ (534)
Part-time salaries and wages	-	5,033	(5,033)
Overtime allowances	4,000	1,706	2,294
Comptime used	2,500	1,745	755
Total salaries and wages	<u>327,673</u>	<u>330,191</u>	<u>(2,518)</u>
Fringe benefits			
IMRF match	29,420	29,249	171
Employer's health insurance	26,800	19,313	7,487
Employer's dental and vision insurance	1,000	1,333	(333)
Social security match	20,222	19,840	382
Medicare match	4,729	4,640	89
Life insurance premiums	1,200	390	810
Total fringe benefits	<u>83,371</u>	<u>74,765</u>	<u>8,606</u>
Contractual services			
Maintenance - vehicles	1,000	280	720
Telephone	1,000	912	88
Travel and training	20,000	19,405	595
Public relations	5,000	96	4,904
Postage	500	-	500
Printing and publishing	500	77	423
Other professional services	7,500	7,852	(352)
Dues and memberships	12,500	21,195	(8,695)
Total contractual services	<u>48,000</u>	<u>49,817</u>	<u>(1,817)</u>

(Continued)

City of North Chicago, Illinois
 General Fund - Budgetary Basis
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Mayor's office (continued)			
Commodities			
Office supplies	\$ 2,000	\$ 2,321	\$ (321)
Gasoline and oil	2,000	2,369	(369)
Publications	1,600	300	1,300
Miscellaneous expenses	22,000	27,704	(5,704)
Total commodities	<u>27,600</u>	<u>32,694</u>	<u>(5,094)</u>
Debt service			
Loan principal and interest	<u>5,771</u>	<u>5,287</u>	<u>484</u>
Total debt service	<u>5,771</u>	<u>5,287</u>	<u>484</u>
Total Mayor's office	<u>492,415</u>	<u>492,754</u>	<u>(339)</u>
City Clerk's office			
Salaries and wages			
Full-time salaries and wages	142,178	142,745	(567)
Gas allowance	-	116	(116)
Total salaries and wages	<u>142,178</u>	<u>142,861</u>	<u>(683)</u>
Fringe benefits			
IMRF match	12,824	12,805	19
Sick leave sell back	-	1,770	(1,770)
Employer's health insurance	9,401	11,711	(2,310)
Employer's dental and vision insurance	1,400	1,296	104
Social security match	8,815	8,589	226
Medicare match	2,061	2,009	52
Life insurance premiums	225	187	38
Total fringe benefits	<u>34,726</u>	<u>38,367</u>	<u>(3,641)</u>

(Continued)

City of North Chicago, Illinois
 General Fund - Budgetary Basis
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
City Clerk's office (continued)			
Contractual services			
Maintenance - equipment	\$ 1,000	\$ 858	\$ 142
Travel and training	3,000	-	3,000
Printing and publishing	3,000	4,195	(1,195)
Dues and memberships	1,200	1,471	(271)
Other professional service	2,000	-	2,000
Equipment	3,000	-	3,000
Total contractual services	<u>13,200</u>	<u>6,524</u>	<u>6,676</u>
Commodities			
Office supplies	2,000	1,279	721
Gasoline and oil	1,400	1,738	(338)
Publications	1,000	468	532
Miscellaneous expenses	1,503	234	1,269
Total commodities	<u>5,903</u>	<u>3,719</u>	<u>2,184</u>
Total City Clerk's office	<u>196,007</u>	<u>191,471</u>	<u>4,536</u>
Legislative			
Salaries and wages			
Part-time salaries and wages	<u>77,000</u>	<u>91,667</u>	<u>(14,667)</u>
Total salaries and wages	<u>77,000</u>	<u>91,667</u>	<u>(14,667)</u>
Fringe benefits			
IMRF match	2,976	3,653	(677)
Employer's health insurance	49,907	35,662	14,245
Employer's dental and vision insurance	2,000	2,814	(814)
Social security match	4,774	5,141	(367)
Medicare match	1,116	1,203	(87)
Life insurance premiums	800	524	276
Total fringe benefits	<u>61,573</u>	<u>48,997</u>	<u>12,576</u>

(Continued)

City of North Chicago, Illinois
 General Fund - Budgetary Basis
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Legislative (continued)			
Contractual services			
Travel and training	\$ 22,000	\$ 39,374	\$ (17,374)
Postage	1,000	-	1,000
Printing and publishing	500	1,542	(1,042)
Dues and memberships	4,350	4,520	(170)
Boards and commissions	15,000	65,428	(50,428)
Other professional service	10,000	10,280	(280)
Total contractual services	<u>52,850</u>	<u>121,144</u>	<u>(68,294)</u>
Commodities			
Office supplies	2,500	249	2,251
Gasoline and oil	1,000	-	1,000
Miscellaneous expenses	17,501	12,425	5,076
Total commodities	<u>21,001</u>	<u>12,674</u>	<u>8,327</u>
Total legislative	<u>212,424</u>	<u>274,482</u>	<u>(62,058)</u>
City Treasurer			
Salaries and wages			
Part-time salaries and wages	23,000	23,000	-
Gas allowance	-	95	(95)
	<u>23,000</u>	<u>23,095</u>	<u>(95)</u>
Fringe benefits			
IMRF match	2,074	2,039	35
Employer's dental and vision insurance	900	851	49
Social security match	1,426	1,432	(6)
Medicare match	333	335	(2)
Life insurance premiums	110	82	28
Total fringe benefits	<u>4,843</u>	<u>4,739</u>	<u>104</u>

(Continued)

City of North Chicago, Illinois
 General Fund - Budgetary Basis
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
City Treasurer (continued)			
Contractual services			
Travel and training	\$ 6,200	\$ 5,117	\$ 1,083
Printing and publishing	2,000	1,882	118
Dues and memberships	1,500	417	1,083
Total contractual services	<u>9,700</u>	<u>7,416</u>	<u>2,284</u>
Commodities			
Office supplies	1,500	329	1,171
Gasoline and oil	1,500	824	676
Miscellaneous expenses	1,501	50	1,451
Total commodities	<u>4,501</u>	<u>1,203</u>	<u>3,298</u>
Total City Treasurer	<u>42,044</u>	<u>36,453</u>	<u>5,591</u>
Comptroller			
Salaries and wages			
Full-time salaries and wages	560,762	437,630	123,132
Holiday taken	-	12,134	(12,134)
Comptime used	-	4,953	(4,953)
Overtime allowances	10,000	19,447	(9,447)
Total salaries and wages	<u>570,762</u>	<u>474,164</u>	<u>96,598</u>
Fringe benefits			
IMRF match	53,351	42,028	11,323
Employer's health insurance	102,396	66,388	36,008
Employer's dental and vision insurance	5,000	5,618	(618)
Social security match	36,671	27,450	9,221
Medicare match	8,576	6,420	2,156
Life insurance premiums	4,600	1,625	2,975
Total fringe benefits	<u>210,594</u>	<u>149,529</u>	<u>61,065</u>

(Continued)

City of North Chicago, Illinois
 General Fund - Budgetary Basis
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Comptroller (continued)			
Contractual services			
Maintenance - equipment	\$ 1,000	\$ 1,115	\$ (115)
Travel and training	3,000	2,326	674
Postage	500	101	399
Printing and publishing	4,000	6,564	(2,564)
Bank service charges	-	5,748	(5,748)
Other professional services	-	153,122	(153,122)
Dues and memberships	-	588	(588)
Total contractual services	<u>8,500</u>	<u>169,564</u>	<u>(161,064)</u>
Commodities			
Office supplies	6,000	6,138	(138)
Miscellaneous expenses	1,302	39,289	(37,987)
Total commodities	<u>7,302</u>	<u>45,427</u>	<u>(38,125)</u>
Total Comptroller	<u>797,158</u>	<u>838,684</u>	<u>(41,526)</u>
Information technology			
Contractual services			
Dues and memberships	-	499	(499)
Maintenance - equipment	80,000	79,597	403
Telephone	6,000	5,180	820
Postage	-	-	-
Travel and training	3,000	288	2,712
Other professional services	247,900	189,895	58,005
Total contractual services	<u>336,900</u>	<u>275,459</u>	<u>61,441</u>

(Continued)

City of North Chicago, Illinois
 General Fund - Budgetary Basis
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Information technology (continued)			
Commodities			
Operating supplies	\$ 7,800	\$ 6,787	\$ 1,013
Total commodities	<u>7,800</u>	<u>6,787</u>	<u>1,013</u>
Capital Outlay			
Equipment	<u>32,800</u>	<u>19,420</u>	<u>13,380</u>
Total capital outlay	<u>32,800</u>	<u>19,420</u>	<u>13,380</u>
Total information technology	<u>377,500</u>	<u>301,666</u>	<u>75,834</u>
Human resources			
Salaries and wages			
Full-time salaries and wages	<u>143,130</u>	<u>153,916</u>	<u>(10,786)</u>
Total salaries and wages	<u>143,130</u>	<u>153,916</u>	<u>(10,786)</u>
Fringe benefits			
IMRF match	12,910	13,632	(722)
Employer's health insurance	28,088	21,652	6,436
Employer's dental and vision insurance	1,368	1,375	(7)
Social security match	8,874	9,155	(281)
Medicare match	2,075	2,141	(66)
Life insurance premiums	<u>240</u>	<u>201</u>	<u>39</u>
Total fringe benefits	<u>53,555</u>	<u>48,156</u>	<u>5,399</u>

(Continued)

City of North Chicago, Illinois
 General Fund - Budgetary Basis
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Human resources (continued)			
Contractual services			
Telephone	\$ 1,100	\$ 756	\$ 344
Travel and training	5,000	1,180	3,820
In-house training	12,000	3,301	8,699
Postage	800	185	615
Printing and publishing	2,500	24	2,476
Other professional services	1,195	2,584	(1,389)
Dues and memberships	600	2,665	(2,065)
Total contractual services	<u>23,195</u>	<u>10,695</u>	<u>12,500</u>
Commodities			
Office supplies	3,500	2,677	823
Publications	600	-	600
Advertising-all departments	5,000	20,931	(15,931)
Employee recognition	4,500	4,246	254
Public relations	500	-	500
Miscellaneous expenses	9,501	649	8,852
Total commodities	<u>23,601</u>	<u>28,503</u>	<u>(4,902)</u>
Total human resources	<u>243,481</u>	<u>241,270</u>	<u>2,211</u>
Total general government	<u>2,361,029</u>	<u>2,376,780</u>	<u>(15,751)</u>

(Continued)

City of North Chicago, Illinois
 General Fund - Budgetary Basis
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
Administration services			
Contractual services			
Unemployment insurance	\$ 25,000	\$ 8,882	\$ 16,118
Maintenance of equipment	60,000	70,788	(10,788)
Workers' compensation	60,000	-	60,000
Workers' compensation deductible	200,000	632,988	(432,988)
Liability insurance	644,500	735,156	(90,656)
Liability deductibility	200,000	191,180	8,820
Telephone	200,000	276,987	(76,987)
Utilities	200,000	4,343	195,657
Postage	12,000	16,474	(4,474)
Printing and publishing	13,000	6,886	6,114
Auditing services	68,000	117,901	(49,901)
Payroll service	30,000	39,045	(9,045)
Engineering services	50,000	5,173	44,827
Retainer fees	26,000	24,000	2,000
Medical services	30,000	7,990	22,010
Other professional services	24,000	9,624	14,376
Redflex traffic systems fees	160,000	159,577	423
Dues and membership	-	288	(288)
Lawsuits and attorney fees	340,000	538,466	(198,466)
Public relations	20,000	36,429	(16,429)
Public relations - community day	100,000	54,647	45,353
Illinois department of revenue	211,200	211,200	-
Reimbursements	30,000	37,500	(7,500)
Total contractual services	<u>2,703,700</u>	<u>3,185,524</u>	<u>(481,824)</u>
Commodities			
Miscellaneous expense	10,000	10,468	(468)
Total commodities	<u>10,000</u>	<u>10,468</u>	<u>(468)</u>

(Continued)

City of North Chicago, Illinois
 General Fund - Budgetary Basis
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
Administration services (Continued)			
Economic development incentive	\$ 810,000	\$ 854,620	\$ (44,620)
Total administration services	<u>3,523,700</u>	<u>4,050,612</u>	<u>(526,912)</u>
Highway and streets			
Street department			
Salaries and wages			
Full-time salaries and wages	904,755	783,084	121,671
Part-time salaries and wages	44,000	31,349	12,651
Sick leave sell back	-	109	(109)
Overtime allowances	40,000	62,306	(22,306)
Total salaries and wages	<u>988,755</u>	<u>876,848</u>	<u>111,907</u>
Fringe benefits			
IMRF match	87,208	74,602	12,606
Employer's health insurance	123,284	118,883	4,401
Employer's dental and vision insurance	10,000	13,176	(3,176)
Social security match	59,944	52,234	7,710
Medicare match	14,019	12,216	1,803
Life insurance premiums	-	1,767	(1,767)
Total fringe benefits	<u>294,455</u>	<u>272,878</u>	<u>21,577</u>
Contractual services			
Maintenance - building	22,000	42,374	(20,374)
Maintenance - vehicles	61,000	63,094	(2,094)
Maintenance - equipment	28,500	15,189	13,311
Maintenance - streets	60,000	26,195	33,805
Maintenance - grounds	6,000	3,563	2,437

(Continued)

City of North Chicago, Illinois
 General Fund - Budgetary Basis
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
Highway and streets (continued)			
Street department (continued)			
Contractual services (continued)			
Other maintenance	\$ 1,000	\$ -	\$ 1,000
Telephone	4,000	4,349	(349)
Street lighting	15,000	-	15,000
Rentals	5,000	1,473	3,527
Travel and training	4,500	4,624	(124)
Postage	250	95	155
Printing and publishing	1,000	420	580
Memberships and dues	-	1,340	(1,340)
Medical services	400	-	400
Engineering services	-	39,679	(39,679)
Other professional services	-	4,554	(4,554)
Contractual Services	20,000	-	20,000
Total contractual services	<u>228,650</u>	<u>206,949</u>	<u>21,701</u>
Commodities			
Office supplies	2,000	898	1,102
Gasoline and oil	30,000	95,112	(65,112)
Maintenance and supplies	14,000	12,874	1,126
Operating supplies	8,000	16,877	(8,877)
Uniforms	20,000	19,544	456
Miscellaneous expenses	1,000	915	85
Total commodities	<u>75,000</u>	<u>146,220</u>	<u>(71,220)</u>
Capital outlay			
Vehicles	62,000	17,355	44,645
Equipment	20,000	10,614	9,386
Total capital outlay	<u>82,000</u>	<u>27,969</u>	<u>54,031</u>
Total highway and streets	<u>1,668,860</u>	<u>1,530,864</u>	<u>137,996</u>

(Continued)

City of North Chicago, Illinois
 General Fund - Budgetary Basis
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
Public safety			
Police department			
Salaries and wages			
Full-time salaries and wages	\$ 5,575,014	\$ 4,923,497	\$ 651,517
Part-time salaries and wages	252,200	170,483	81,717
Voluntary separation plan	20,000	12,711	7,289
Holiday taken	130,000	124,242	5,758
Police special detail	35,000	50,517	(15,517)
Overtime allowances	100,000	109,090	(9,090)
Police overtime	1,003,751	997,910	5,841
Comp time accrued	50,000	51,377	(1,377)
Sick leave sell back	15,000	14,050	950
Workers' compensation	65,000	110,439	(45,439)
Total salaries and wages	<u>7,245,965</u>	<u>6,564,316</u>	<u>681,649</u>
Fringe benefits			
IMRF match	75,264	64,937	10,327
Employer pension contribution	1,321,530	1,340,164	(18,634)
Employer's health insurance	987,916	801,965	185,951
Employer's dental and vision insurance	40,000	49,491	(9,491)
Social security match	49,421	70,118	(20,697)
Medicare match	99,322	86,141	13,181
Life insurance premiums	17,985	8,102	9,883
Total fringe benefits	<u>2,591,438</u>	<u>2,420,918</u>	<u>170,520</u>

(Continued)

City of North Chicago, Illinois
 General Fund - Budgetary Basis
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Police department (continued)			
Contractual services			
Uniform allowance	\$ 10,000	\$ 9,042	\$ 958
Maintenance - building	1,000	7,074	(6,074)
Maintenance - vehicle	65,000	50,135	14,865
Maintenance - equipment	35,000	10,838	24,162
Other maintenance	-	5,235	(5,235)
Telephone	15,000	20,233	(5,233)
Rentals	-	1,102	(1,102)
Travel and training	70,000	18,905	51,095
Postage	400	588	(188)
Printing and publishing	13,500	7,359	6,141
Software and program fees	-	65,664	(65,664)
Other professional services	89,800	59,510	30,290
Dues and memberships	12,000	10,110	1,890
Animal control	17,000	13,159	3,841
Other communication service	23,800	18,879	4,921
Total contractual services	<u>352,500</u>	<u>297,833</u>	<u>54,667</u>
Commodities			
Office supplies	15,000	12,099	2,901
Gasoline and oil	65,000	85,919	(20,919)
Operating supplies	30,000	29,647	353
Uniforms	50,000	63,646	(13,646)
Prisoner meals	1,500	1,381	119
Reimbursements	-	133	(133)
Investigative expenses	6,000	20,920	(14,920)
Crime prevention	26,000	3,476	22,524
Miscellaneous	3,400	20,146	(16,746)
Total commodities	<u>196,900</u>	<u>237,367</u>	<u>(40,467)</u>

(Continued)

City of North Chicago, Illinois
 General Fund - Budgetary Basis
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Police department (continued)			
Debt service			
Capital lease	\$ 81,291	\$ 81,284	\$ 7
Total debt service	<u>81,291</u>	<u>81,284</u>	<u>7</u>
Capital outlay			
Vehicles	-	62,637	(62,637)
Equipment	66,400	34,151	32,249
Total capital outlay	<u>66,400</u>	<u>96,788</u>	<u>(30,388)</u>
Total police department	<u>10,534,494</u>	<u>9,698,506</u>	<u>835,988</u>
Fire department			
Salaries and wages			
Full-time salaries and wages	2,702,104	2,713,429	(11,325)
Part-time salaries and wages	14,000	1,749	12,251
Fire overtime	68,415	44,497	23,918
Holiday taken	80,000	51,550	28,450
Fire lieutenant pay	-	5,411	(5,411)
Overtime allowances	-	36	(36)
Sick leave buy back	31,000	14,047	16,953
Worker's compensation	20,000	16,487	3,513
Good attendance	-	21,055	(21,055)
Total salaries and wages	<u>2,915,519</u>	<u>2,868,261</u>	<u>47,258</u>

(Continued)

City of North Chicago, Illinois
 General Fund - Budgetary Basis
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Fire department (continued)			
Fringe benefits			
IMRF match	\$ 14,677	\$ 14,573	\$ 104
Employer pension contribution	836,320	998,114	(161,794)
Employer's health insurance	505,939	452,474	53,465
Employer's dental and vision insurance	29,100	33,337	(4,237)
Social security match	10,086	9,391	695
Medicare match	40,172	39,549	623
Life insurance premiums	9,000	4,341	4,659
Total fringe benefits	<u>1,445,294</u>	<u>1,551,779</u>	<u>(106,485)</u>
Contractual services			
Maintenance - vehicles	34,000	40,765	(6,765)
Maintenance - equipment	15,100	12,422	2,678
Telephone	4,700	4,549	151
Rentals	2,500	1,422	1,078
Travel and training	35,000	36,026	(1,026)
Postage	300	239	61
Printing and publishing	5,000	4,892	108
Medical services	11,500	11,575	(75)
Other professional service	10,000	9,396	604
Dues and memberships	9,425	7,959	1,466
Total contractual services	<u>127,525</u>	<u>129,245</u>	<u>(1,720)</u>

(Continued)

City of North Chicago, Illinois
 General Fund - Budgetary Basis
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Fire department (continued)			
Commodities			
Office supplies	\$ 3,500	\$ 2,422	\$ 1,078
Gasoline and oil	23,000	22,013	987
Maintenance supplies	4,000	3,780	220
Operating supplies	9,500	10,934	(1,434)
Ambulance operating supplies	9,000	7,871	1,129
Uniforms	25,000	26,196	(1,196)
Hazardous material enforcement	3,000	2,871	129
Reimbursements	1,000	497	503
Miscellaneous	2,500	2,405	95
Total commodities	<u>80,500</u>	<u>78,989</u>	<u>1,511</u>
Debt service			
Loan principal and interest	<u>21,860</u>	<u>21,860</u>	<u>-</u>
Total debt service	<u>21,860</u>	<u>21,860</u>	<u>-</u>
Capital outlay			
Vehicles	<u>-</u>	<u>160,000</u>	<u>(160,000)</u>
Total capital outlay	<u>-</u>	<u>160,000</u>	<u>(160,000)</u>
Total fire department	<u>4,590,698</u>	<u>4,810,134</u>	<u>(219,436)</u>
Total public safety	<u>15,125,192</u>	<u>14,508,640</u>	<u>616,552</u>

(Continued)

City of North Chicago, Illinois
 General Fund - Budgetary Basis
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
Economic development department			
Salaries and wages			
Full-time salaries and wages	\$ 648,367	\$ 573,370	\$ 74,997
Comp time	-	4,286	(4,286)
Overtime allowances	11,500	25,939	(14,439)
Total salaries and wages	<u>659,867</u>	<u>603,595</u>	<u>56,272</u>
Fringe benefits			
IMRF match	59,386	53,400	5,986
Employer's health insurance	119,469	61,550	57,919
Employer's dental and vision insurance	6,000	6,858	(858)
Social security match	40,818	35,687	5,131
Medicare match	9,546	8,346	1,200
Life insurance premiums	2,000	821	1,179
Total fringe benefits	<u>237,219</u>	<u>166,662</u>	<u>70,557</u>
Contractual services			
Telephone	4,300	3,978	322
Travel and training	5,000	5,017	(17)
Postage	500	839	(339)
Maintenance - vehicle	1,500	718	782
Maintenance - building	75,000	97,336	(22,336)
Maintenance - Equipment	2,000	-	2,000
Printing and publishing	4,500	7,413	(2,913)
Other professional services	350,000	802,087	(452,087)
Operating supplies	2,000	340	1,660
Uniforms	500	(38)	538
Miscellaneous expenses	-	650	(650)
Building Improvements	-	106,147	(106,147)

(Continued)

City of North Chicago, Illinois
 General Fund - Budgetary Basis
 Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
Economic development department (continued)			
Contractual services (continued)			
Dues and memberships	\$ 3,000	\$ 7,679	\$ (4,679)
Demolition	40,000	467,487	(427,487)
Pest Control	50,000	36,334	13,666
Principal and interest	250,000	-	250,000
Non-bonded debt service	75,000	-	75,000
Total contractual services	<u>863,300</u>	<u>1,535,987</u>	<u>(672,687)</u>
Commodities			
Office supplies	10,000	4,609	5,391
Gasoline and oil	3,500	6,032	(2,532)
Publications	500	-	500
Total commodities	<u>14,000</u>	<u>10,641</u>	<u>3,359</u>
Total economic development department	<u>1,774,386</u>	<u>2,316,885</u>	<u>(542,499)</u>
Engineering			
Contractual services			
Professional services	107,000	382	106,618
Total contractual services	<u>107,000</u>	<u>382</u>	<u>106,618</u>
Total engineering	<u>107,000</u>	<u>382</u>	<u>106,618</u>
Total expenditures	<u>\$ 24,560,167</u>	<u>\$ 24,784,163</u>	<u>\$ (223,996)</u>

(Concluded)

NONMAJOR GOVERNMENTAL FUNDS

City of North Chicago, Illinois

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2018

	Special Revenue Funds				
	Library	Motor Fuel Tax	Community Development Block Grant	Federal Forfeited Property (DEA)	E911 Emergency
ASSETS					
Cash and cash equivalents	\$ 1,490,980	\$ 2,101,385	\$ 714,829	\$ 95,139	\$ 343,677
Property tax receivable	764,392	-	-	-	-
Intergovernmental receivable	-	74,571	-	-	-
Other receivables	-	-	-	-	85,795
Prepaid expenses	9,003	-	-	-	-
Due from other funds	-	767	-	5,180	8,893
Property held for resale	-	-	20,072	-	-
	-	-	-	-	-
Total assets	\$ 2,264,375	\$ 2,176,723	\$ 734,901	\$ 100,319	\$ 438,365
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 29,392	\$ 70,697	\$ -	\$ -	\$ 2,050
Accrued payroll	17,153	-	-	-	-
Other liabilities	-	-	-	-	-
Unearned fees	-	-	-	-	-
Due to other funds	9,612	40,500	386,942	-	6,931
Total liabilities	56,157	111,197	386,942	-	8,981
Deferred inflows					
Property taxes levied for a future period	375,730	-	-	-	-
Total deferred inflows	375,730	-	-	-	-
Fund balances (deficits)					
Nonspendable for prepaid items	9,003	-	-	-	-
Nonspendable for property held for resale	-	-	20,072	-	-
Restricted for special revenue funds	1,823,485	2,065,526	327,887	100,319	429,384
Restricted for debt service	-	-	-	-	-
Restricted for capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	1,832,488	2,065,526	347,959	100,319	429,384
Total liabilities, deferred inflows, and fund balances	\$ 2,264,375	\$ 2,176,723	\$ 734,901	\$ 100,319	\$ 438,365

Delta Institute Emerald Ash Borer Grant	Seized Drug Money (State)	DCEO Infrastructure	Grant Place	Grant Place Operating	Total Nonmajor Special Revenue Funds
\$ 228	\$ 40,728	\$ 25,035	\$ 514,703	\$ 15,404	\$ 5,342,108
-	-	-	-	-	764,392
-	-	-	-	-	74,571
-	-	-	-	-	85,795
-	-	-	-	-	9,003
-	-	-	37,066	-	51,906
-	-	-	1,200,000	-	1,220,072
<u>\$ 228</u>	<u>\$ 40,728</u>	<u>\$ 25,035</u>	<u>\$ 1,751,769</u>	<u>\$ 15,404</u>	<u>\$ 7,547,847</u>
\$ -	\$ -	\$ -	\$ -	\$ 8,095	\$ 110,234
-	-	-	-	-	17,153
-	-	-	-	1,845	1,845
-	-	25,000	-	-	25,000
-	-	-	-	37,091	481,076
-	-	25,000	-	47,031	635,308
-	-	-	-	-	375,730
-	-	-	-	-	375,730
-	-	-	-	-	9,003
-	-	-	1,200,000	-	1,220,072
228	40,728	35	551,769	-	5,339,361
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(31,627)	(31,627)
<u>228</u>	<u>40,728</u>	<u>35</u>	<u>1,751,769</u>	<u>(31,627)</u>	<u>6,536,809</u>
<u>\$ 228</u>	<u>\$ 40,728</u>	<u>\$ 25,035</u>	<u>\$ 1,751,769</u>	<u>\$ 15,404</u>	<u>\$ 7,547,847</u>

(Continued)

City of North Chicago, Illinois

Nonmajor Governmental Funds

Combining Balance Sheet (Continued)

Year Ended April 30, 2018

	Debt Service Funds		
	Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2014A	Downtown Tax Increment Financing Redevelopment Project Area Debt Service 2007A	Downtown Tax Increment Financing Redevelopment Project Area Debt Service 2007B
ASSETS			
Cash and cash equivalents	\$ 2,092,065	\$ 21,389	\$ 17,517
Property tax receivable	989,144	273,710	207,111
Intergovernmental receivable	-	-	-
Other receivables	-	-	-
Prepaid expenses	-	-	-
Due from other funds	97,449	-	4,525
Property held for resale	-	-	-
Total assets	\$ 3,178,658	\$ 295,099	\$ 229,153
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Other liabilities	-	-	-
Unearned fees	-	-	-
Due to other funds	500,000	3,573	-
Total liabilities	500,000	3,573	-
Deferred inflows			
Property taxes levied for a future period	18,952	134,540	101,804
Total deferred inflows	18,952	134,540	101,804
Fund balances (deficits)			
Nonspendable for prepaid items	-	-	-
Nonspendable for property held for resale	-	-	-
Restricted for special revenue funds	-	-	-
Restricted for debt service	2,659,706	156,986	127,349
Restricted for capital projects	-	-	-
Unassigned	-	-	-
Total fund balances (deficits)	2,659,706	156,986	127,349
Total liabilities, deferred inflows, and fund balances	\$ 3,178,658	\$ 295,099	\$ 229,153

		Capital Project Funds				Total	
Grant Place Retail Center Debt Service 2007C	Total Nonmajor Debt Service Funds	Capital Improvement	Downtown Tax Increment Financing Redevelopment Project Area	Skokie Highway TIF III Fund	Total Nonmajor Capital Project Funds	Nonmajor Governmental Funds	
\$ 196,110	\$ 2,327,081	\$ 45,210	\$ 524,824	\$ -	\$ 570,034	\$ 8,239,223	
862,916	2,332,881	-	-	41,649	41,649	3,138,922	
-	-	-	-	-	-	74,571	
-	-	-	-	-	-	85,795	
-	-	-	-	-	-	9,003	
-	101,974	-	760,798	32,112	792,910	946,790	
-	-	-	131,368	-	131,368	1,351,440	
<u>\$ 1,059,026</u>	<u>\$ 4,761,936</u>	<u>\$ 45,210</u>	<u>\$ 1,416,990</u>	<u>\$ 73,761</u>	<u>\$ 1,535,961</u>	<u>\$ 13,845,744</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,234	
-	-	-	-	-	-	17,153	
-	-	-	-	-	-	1,845	
-	-	-	-	-	-	25,000	
7,672	511,245	-	-	4,210	4,210	996,531	
<u>7,672</u>	<u>511,245</u>	<u>-</u>	<u>-</u>	<u>4,210</u>	<u>4,210</u>	<u>1,150,763</u>	
424,160	679,456	-	-	-	-	1,055,186	
<u>424,160</u>	<u>679,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,055,186</u>	
-	-	-	-	-	-	9,003	
-	-	-	131,368	-	131,368	1,351,440	
-	-	-	-	-	-	5,339,361	
627,194	3,571,235	-	-	-	-	3,571,235	
-	-	45,210	1,285,622	69,551	1,400,383	1,400,383	
-	-	-	-	-	-	(31,627)	
<u>627,194</u>	<u>3,571,235</u>	<u>45,210</u>	<u>1,416,990</u>	<u>69,551</u>	<u>1,531,751</u>	<u>11,639,795</u>	
<u>\$ 1,059,026</u>	<u>\$ 4,761,936</u>	<u>\$ 45,210</u>	<u>\$ 1,416,990</u>	<u>\$ 73,761</u>	<u>\$ 1,535,961</u>	<u>\$ 13,845,744</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, 2018

	Special Revenue Funds				
	Library	Motor Fuel Tax	Community Development Block Grant	Federal Forfeited Property (DEA)	E911 Emergency
Revenues					
Property taxes	\$ 764,568	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-	149,384
Intergovernmental	-	831,870	-	-	-
Grants	107,271	-	440,867	-	-
Fines and fees	13,723	-	-	-	-
Interest	342	1,604	77	2	102
Miscellaneous	20,842	8,610	-	32,437	-
Total revenues	906,746	842,084	440,944	32,439	149,486
Expenditures					
Current					
Highway and streets	-	536,380	-	-	-
Public safety	-	-	-	-	24,181
Culture and recreation	592,842	-	-	-	-
Economic development	-	-	610,874	-	-
Debt service					
Principal retirement	-	-	-	-	-
Interest and other	-	-	-	-	-
Capital outlay	207,736	-	-	96,294	53,919
Total expenditures	800,578	536,380	610,874	96,294	78,100
Net change in fund balance	106,168	305,704	(169,930)	(63,855)	71,386
Fund balance (deficit), beginning of year	1,726,320	1,759,822	517,889	164,174	357,998
Fund balance (deficit), end of year	\$ 1,832,488	\$ 2,065,526	\$ 347,959	\$ 100,319	\$ 429,384

Delta Institute Emerald Ash Borer Grant	Seized Drug Money (State)	DCEO Infrastructure	Grant Place	Grant Place Operating	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 764,568
-	-	-	-	-	149,384
-	26,862	-	-	-	858,732
-	-	-	-	-	548,138
-	-	-	-	-	13,723
-	128	-	3,231	2,463	7,949
-	-	-	1,670	156,149	219,708
-	26,990	-	4,901	158,612	2,562,202
-	-	-	-	-	536,380
-	12,411	-	-	-	36,592
-	-	-	-	-	592,842
-	-	-	-	172,691	783,565
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	357,949
-	12,411	-	-	172,691	2,307,328
-	14,579	-	4,901	(14,079)	254,874
228	26,149	35	1,746,868	(17,548)	6,281,935
\$ 228	\$ 40,728	\$ 35	\$ 1,751,769	\$ (31,627)	\$ 6,536,809

(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, 2018

	Debt Service Funds		
	Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2014A	Downtown Tax Increment Financing Redevelopment Project Area Debt Service 2007A	Downtown Tax Increment Financing Redevelopment Project Area Debt Service 2007B
Revenues			
Property taxes	\$ 1,713,670	\$ 272,369	\$ 213,937
Taxes - other	-	-	-
Intergovernmental	-	-	-
Grants	-	-	-
Fines and fees	-	-	-
Interest	2,371	1,058	1,365
Miscellaneous	-	-	-
Total revenues	1,716,041	273,427	215,302
Expenditures			
Current			
Highway and streets	-	-	-
Public safety	-	-	-
Culture and recreation	-	-	-
Economic development	-	-	-
Debt service			
Principal retirement	755,000	210,000	-
Interest and other	186,900	55,841	205,702
Capital outlay	-	-	-
Total expenditures	941,900	265,841	205,702
Net change in fund balance	774,141	7,586	9,600
Fund balance (deficit), beginning of year	1,885,565	149,400	117,749
Fund balance (deficit), end of year	\$ 2,659,706	\$ 156,986	\$ 127,349

		Capital Project Funds				Total	
Grant Place Retail Center Debt Service 2007C	Total Nonmajor Debt Service Funds	Capital Improvement	Downtown Tax Increment Financing Redevelopment Project Area	Skokie Highway TIF III Fund	Total Nonmajor Capital Project Funds	Nonmajor Governmental Funds	
\$ 853,938	\$ 3,053,914	\$ -	\$ -	\$ 73,761	\$ 73,761	\$ 3,892,243	
-	-	-	-	-	-	149,384	
-	-	-	-	-	-	858,732	
-	-	-	-	-	-	548,138	
-	-	-	-	-	-	13,723	
5,529	10,323	-	6,239	-	6,239	24,511	
-	-	-	-	-	-	219,708	
<u>859,467</u>	<u>3,064,237</u>	<u>-</u>	<u>6,239</u>	<u>73,761</u>	<u>80,000</u>	<u>5,706,439</u>	
-	-	-	-	-	-	536,380	
-	-	-	-	-	-	36,592	
-	-	-	-	-	-	592,842	
-	-	-	1,100	807	1,907	785,472	
405,000	1,370,000	-	-	-	-	1,370,000	
416,779	865,222	-	-	-	-	865,222	
-	-	-	-	-	-	357,949	
<u>821,779</u>	<u>2,235,222</u>	<u>-</u>	<u>1,100</u>	<u>807</u>	<u>1,907</u>	<u>4,544,457</u>	
37,688	829,015	-	5,139	72,954	78,093	1,161,982	
<u>589,506</u>	<u>2,742,220</u>	<u>45,210</u>	<u>1,411,851</u>	<u>(3,403)</u>	<u>1,453,658</u>	<u>10,477,813</u>	
<u>\$ 627,194</u>	<u>\$ 3,571,235</u>	<u>\$ 45,210</u>	<u>\$ 1,416,990</u>	<u>\$ 69,551</u>	<u>\$ 1,531,751</u>	<u>\$ 11,639,795</u>	

(Concluded)

ENTERPRISE FUNDS

City of North Chicago, Illinois

Water, Sewer and Refuse Fund

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

For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
Operating revenues			
Charges for sales and services	\$ 8,161,000	\$ 7,496,557	\$ (664,443)
Miscellaneous	<u>137,000</u>	<u>6,298</u>	<u>(130,702)</u>
Total operating revenues	<u>8,298,000</u>	<u>7,502,855</u>	<u>(795,145)</u>
Operating expenses			
Operations	8,720,678	4,731,377	3,989,301
Depreciation	<u>-</u>	<u>749,428</u>	<u>(749,428)</u>
Total operating expenses	<u>8,720,678</u>	<u>5,480,805</u>	<u>3,239,873</u>
Operating income (loss)	<u>(422,678)</u>	<u>2,022,050</u>	<u>2,444,728</u>
Nonoperating revenues (expenses)			
Property taxes	237,000	281,751	44,751
Interest income	12,000	64,858	52,858
Principal retirement	(73,150)	-	73,150
Interest expense and fiscal charges	<u>(205,000)</u>	<u>(63,773)</u>	<u>141,227</u>
Total nonoperating revenues (expenses)	<u>(29,150)</u>	<u>282,836</u>	<u>311,986</u>
Income (loss) before transfers	<u>(451,828)</u>	<u>2,304,886</u>	<u>2,756,714</u>
Transfers out	<u>(2,638,000)</u>	<u>(2,638,000)</u>	<u>-</u>
Change in net position	<u>\$ (3,089,828)</u>	<u>(333,114)</u>	<u>\$ 2,756,714</u>
Net position, beginning of year		<u>21,040,084</u>	
Net position, end of year		<u>\$ 20,706,970</u>	

City of North Chicago, Illinois
 Water, Sewer and Refuse Fund
 Schedule of Operating Revenues - Budget and Actual
For the Year Ended April 30, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Operating revenues			
Charges for sales and services			
Industrial water	\$ 1,850,000	\$ 1,638,840	\$ (211,160)
Abbott park water	755,000	740,621	(14,379)
Abbott raw water	810,000	613,530	(196,470)
Residential water	1,310,000	1,378,716	68,716
Commercial water	400,000	297,111	(102,889)
Water resumption	19,000	17,400	(1,600)
Meter sales	21,000	12,613	(8,387)
Tie-in fees	45,000	12,225	(32,775)
Water base fees	733,000	637,987	(95,013)
Water penalty and late fees	45,000	56,218	11,218
Raw water equipment	23,000	70,631	47,631
Sewer usage - residential	525,000	467,132	(57,868)
Sewer usage - industrial	639,000	587,825	(51,175)
Sewer usage - commercial	108,000	93,765	(14,235)
Sewer base fees	110,000	89,454	(20,546)
Sewer penalty and late fees	13,000	16,960	3,960
Refuse hauling	<u>755,000</u>	<u>765,529</u>	<u>10,529</u>
Total charges for sales and services	<u>8,161,000</u>	<u>7,496,557</u>	<u>(664,443)</u>
Miscellaneous	<u>137,000</u>	<u>6,298</u>	<u>(130,702)</u>
Total operating revenues	<u>\$ 8,298,000</u>	<u>\$ 7,502,855</u>	<u>\$ (795,145)</u>

City of North Chicago, Illinois

Water, Sewer and Refuse Fund

Schedule of Operating Expenses - Budget and Actual (Continued)

For the Year Ended April 30, 2018

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance from <u>Final Budget</u>
Operating expenses			
Salaries and wages			
Full-time salaries and wages	\$ 977,277	\$ 1,102,783	\$ (125,506)
Overtime allowances	189,007	217,045	(28,038)
Compensated absences	-	12,264	(12,264)
Workers' compensation	-	109	(109)
Total salaries and wages	<u>1,166,284</u>	<u>1,332,201</u>	<u>(165,917)</u>
Fringe benefits			
IMRF match	105,198	116,548	(11,350)
IMRF net pension liability adjustment	-	(5,063)	5,063
Employer's health insurance	168,123	137,763	30,360
Employer's dental and vision insurance	9,100	12,139	(3,039)
Social security match	70,813	78,999	(8,186)
Medicare match	16,910	18,475	(1,565)
Life insurance premiums	14,000	2,696	11,304
Total fringe benefits	<u>384,144</u>	<u>361,557</u>	<u>22,587</u>
Contractual services			
Maintenance - buildings	150,000	100,433	49,567
Maintenance - vehicles	18,000	22,510	(4,510)
Maintenance - equipment	223,500	266,677	(43,177)
Maintenance - utility system	328,000	106,476	221,524
Other maintenance	9,500	-	9,500
Telephone	3,500	9,248	(5,748)
Utilities	685,000	593,673	91,327
Rentals	6,000	348	5,652
Medical service	900	-	900
Travel and training	8,000	3,074	4,926
Postage	15,000	5,976	9,024
Printing and publishing	5,000	4,868	132

(Continued)

City of North Chicago, Illinois

Water, Sewer and Refuse Fund

Schedule of Operating Expenses - Budget and Actual (Continued)

For the Year Ended April 30, 2018

	Original and Final Budget	Actual	Variance from Final Budget
Operating expenses (continued)			
Contractual services (continued)			
Engineering services	\$ 835,000	\$ 331,574	\$ 503,426
Refuse collection	762,000	776,291	(14,291)
Other professional services	283,500	141,860	141,640
Dues and memberships	-	517	(517)
Pest control	-	660	(660)
Bank Service Charges	-	240	(240)
Sludge treatment	50,000	17,089	32,911
Intake inspection	271,500	7,098	264,402
Total contractual services	<u>3,654,400</u>	<u>2,388,612</u>	<u>1,265,788</u>
Commodities			
Office supplies	7,500	664	6,836
Gasoline and oil	35,000	11,427	23,573
Maintenance supplies	220,000	77,693	142,307
Operating supplies	158,500	107,436	51,064
Uniforms	14,850	15,840	(990)
Miscellaneous expenses	2,000	1,332	668
Total commodities	<u>437,850</u>	<u>214,392</u>	<u>223,458</u>
Bad debt expense	<u>-</u>	<u>117,505</u>	<u>(117,505)</u>
Capital outlay			
Other improvements	2,850,000	268,929	2,581,071
Vehicles	158,000	31,527	126,473
Equipment	10,000	-	10,000
Meters	60,000	16,654	43,346
Total capital outlay	<u>3,078,000</u>	<u>317,110</u>	<u>2,760,890</u>
Depreciation	<u>-</u>	<u>749,428</u>	<u>(749,428)</u>
Total operating expenses	<u>\$ 8,720,678</u>	<u>\$ 5,480,805</u>	<u>\$ 3,239,873</u>

(Concluded)

INTERNAL SERVICE FUNDS

City of North Chicago, Illinois

Internal Service Funds

Combining Schedule of Net Position

April 30, 2018

	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal Service Funds</u>
ASSETS			
Cash and cash equivalents	\$ 136,487	\$ 22,652	\$ 159,139
Due from other funds	10,950	-	10,950
Prepaid expenses	-	12,149	12,149
Other receivables	<u>10,758</u>	<u>-</u>	<u>10,758</u>
Total assets	<u>158,195</u>	<u>34,801</u>	<u>192,996</u>
LIABILITIES			
Accounts payable	11,788	14,801	26,589
Due to other funds	-	20,000	20,000
Claims payable	<u>10,993</u>	<u>-</u>	<u>10,993</u>
Total liabilities	<u>22,781</u>	<u>34,801</u>	<u>57,582</u>
NET POSITION			
Unrestricted	<u>\$ 135,414</u>	<u>\$ -</u>	<u>\$ 135,414</u>

City of North Chicago, Illinois

Internal Service Funds

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

For the Year Ended April 30, 2018

	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal Service Funds</u>
Operating revenues			
Charges for sales and services	\$ <u>130,558</u>	\$ <u>143,666</u>	\$ <u>274,224</u>
Total operating revenues	<u>130,558</u>	<u>143,666</u>	<u>274,224</u>
Operating expenses			
Premiums / claim payments	<u>158,322</u>	<u>143,673</u>	<u>301,995</u>
Operating loss	<u>(27,764)</u>	<u>(7)</u>	<u>(27,771)</u>
Nonoperating revenues			
Interest income	<u>44</u>	<u>7</u>	<u>51</u>
Change in net position	(27,720)	-	(27,720)
Net position, beginning of year	<u>163,134</u>	<u>-</u>	<u>163,134</u>
Net position, end of year	<u>\$ 135,414</u>	<u>\$ -</u>	<u>\$ 135,414</u>

City of North Chicago, Illinois

Internal Service Funds

Combining Schedule of Cash Flows

For the year ended April 30, 2018

	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities			
Cash received from customers	\$ 163,575	\$ 143,666	\$ 307,241
Cash payments for goods and services	<u>(166,069)</u>	<u>(145,365)</u>	<u>(311,434)</u>
Net cash used in operating activities	<u>(2,494)</u>	<u>(1,699)</u>	<u>(4,193)</u>
Cash flows from noncapital financing activities			
Interfund borrowing	<u>(10,950)</u>	<u>11,307</u>	<u>357</u>
Net cash provided by (used in) noncapital financing activities	<u>(10,950)</u>	<u>11,307</u>	<u>357</u>
Cash flows from investing activities			
Interest received	<u>44</u>	<u>7</u>	<u>51</u>
Net cash provided by investing activities	<u>44</u>	<u>7</u>	<u>51</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,400)	9,615	(3,785)
Cash and cash equivalents, beginning of year	<u>149,887</u>	<u>13,037</u>	<u>162,924</u>
Cash and cash equivalents, end of year	<u>\$ 136,487</u>	<u>\$ 22,652</u>	<u>\$ 159,139</u>
Reconciliation of operating loss to net cash in operating activities			
Operating loss	\$ (27,764)	\$ (7)	\$ (27,771)
Adjustments to reconcile operating loss to net cash used in operating activities			
Decrease in other receivables	33,017	-	33,017
Increase in prepaid expenses	-	(12,149)	(12,149)
Decrease in estimated claims liability	(7,547)	-	(7,547)
Increase (decrease) in accounts payable	<u>(200)</u>	<u>10,457</u>	<u>10,257</u>
Net cash used in operating activities	<u>\$ (2,494)</u>	<u>\$ (1,699)</u>	<u>\$ (4,193)</u>

OTHER SUPPLEMENTARY INFORMATION
(Unaudited)

City of North Chicago, Illinois
 General Obligation Bonds Series 2007A
 Schedule of Annual Debt Service Requirements
April 30, 2018

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
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>\$ 1,275,000</u>	<u>\$ 159,800</u>	<u>\$ 1,434,800</u>

City of North Chicago, Illinois
 General Obligation Bonds Series 2007B
 Schedule of Annual Debt Service Requirements
April 30, 2018

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
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, 2018

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>\$ 3,190,298</u>	<u>\$ 7,930,298</u>

(Concluded)

City of North Chicago, Illinois
 General Obligation Bonds Series 2007C
 Schedule of Annual Debt Service Requirements
April 30, 2018

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
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>\$ 6,820,000</u>	<u>\$ 2,291,515</u>	<u>\$ 9,111,515</u>

City of North Chicago, Illinois
 General Obligation Bonds Series 2014A Refunding
 Schedule of Annual Debt Service Requirements
April 30, 2018

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
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	<u>1,035,000</u>	<u>20,700</u>	<u>1,055,700</u>
		<u>\$ 4,560,000</u>	<u>\$ 475,375</u>	<u>\$ 5,035,375</u>

City of North Chicago, Illinois
 General Obligation Bonds Series 2014B Refunding
 Schedule of Annual Debt Service Requirements
April 30, 2018

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
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
2026	4.00	265,000	5,300	270,300
		<u>\$ 1,880,000</u>	<u>\$ 314,375</u>	<u>\$ 2,194,375</u>

City of North Chicago, Illinois

Legal Debt Margin

April 30, 2018

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.