

**City of North Chicago, Illinois**

**Annual Financial Report**

**Year Ended April 30, 2016**

# City of North Chicago, Illinois

## Annual Financial Report

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For the Year Ended April 30, 2016

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Police and Firefighters' Pension Funds, which represent over ninety-nine percent of the assets, net position, and revenues of the fiduciary funds. Those statements were audited by an other auditor whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Police Pension Fund and Firefighters' Pension Fund, is based solely on the reports of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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***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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As discussed in Note N to the audited financial statements, net position (deficit), long-term liabilities, and deferred outflows as of May 1, 2015 has been restated as a result of an adjustment due to the implementation of the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* (GASB 68) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* (GASB 71). Our opinion is not modified with respect to this matter.

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, the Illinois Municipal Retirement Fund, Police and Firefighters' pension data on pages 83 - 89, the other postemployment benefits data on page 90 and budgetary comparison schedules and notes to the required supplementary information on pages 91 through 94 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, and other auditors, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other schedules listed in the table of contents (the supplementary financial information and other supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information for the year ended April 30, 2016 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, 2016 is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended April 30, 2016.

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.

*Miller, Cooper & Co., Ltd.*

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Certified Public Accountants

Deerfield, Illinois  
December 14, 2016

## 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, 2016.

### 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 \$39,505,240.
- The financial position of the Water and Sewer Fund improved at April 30, 2016. The net change in financial position operating/non-operating revenue in excess of operating/non-operating expenses) was \$657,038 for a net position equal to \$22,051,086.
- As of April 30, 2016, the City's governmental funds reported combined ending fund balances of \$28,881,884. Of this amount, \$10,356,531, or 35.9 percent, of total general fund balance was unassigned, and available for spending at the City's discretion (unassigned fund balance).
- At April 30, 2016, the City's outstanding General Obligation Bond principal was \$22,275,000 which is a decrease of \$1,320,000 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 14-17 of this report.

## **Overview of the Financial Statements** (Continued)

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

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

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

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

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

Effective for the April 30, 2016 Fiscal Year, two significant provisions of Governmental Accounting Standards Board (GASB) were adopted that impacted the recognition of the City's net pension liabilities and deferred outflows of resources associated with the Illinois Municipal Retirement Fund as well as the Police and Firefighters' Pension Funds. Statement No. 68 *Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27*, established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures on the government-wide financial statements. For pension plans such as those offered by the City, the Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attributed the present value to periods of employee service.

Additionally, the City adopted Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*, which established standards for measuring amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

## **Overview of the Financial Statements** (Continued)

### **Governmental Funds** (Continued)

Specific changes due to the adoption of these Statements are noted both on the financial statements and at length in Note N of the Notes to the Financial Statements. Further, significant information regarding the City's pension programs can be found in Note I to the Notes to the Financial Statements.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

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

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and wastewater (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, 2016 amounted to \$10,014,968 and those of the internal service funds amounted to \$187,027.

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 28-29 of this report.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a better understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-82 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 83-95 of this report.

## **Overview of the Financial Statements** (Continued)

### **Other Information** (Continued)

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 117-124 and 133-135 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 \$39,505,240 (net deficit) at the close of FY 2015-2016. The primary change from the prior year relates to the implementation of GASB 68 and 71 which resulted in the recording of the net pension liabilities on the statement of net position (deficit) of approximately \$69 million.

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):

**Government-Wide Financial Analysis (Continued)****CITY OF NORTH CHICAGO  
Net Position (Deficit)**

	Governmental Activities		Business-type Activities		Total	
	2016	2015*	2016	2015*	2016	2015*
Current and other assets	\$35,553,366	\$34,662,632	\$10,977,645	\$9,815,062	\$46,531,011	\$44,477,694
Noncurrent assets	19,426,875	19,935,554	15,467,719	15,516,127	34,894,594	35,451,681
Total assets	54,980,241	54,598,186	26,445,364	25,331,189	81,425,605	79,929,375
Deferred outflows related to pensions	17,770,033	-	432,994	-	18,203,027	-
Loss on refunding of bonds	187,074	205,782	95,611	105,172	282,685	310,954
Total deferred outflows	17,957,107	205,782	528,605	105,172	18,485,712	310,954
Current liabilities	1,881,440	2,940,836	661,551	232,660	2,542,991	3,173,496
Noncurrent liabilities	128,009,219	35,836,972	4,168,295	3,979,869	132,177,514	40,007,141
Total liabilities	129,890,659	38,777,808	4,829,846	4,212,529	134,720,505	43,180,637
Property taxes levied for a future period	4,603,015	4,458,914	93,037	32,952	4,696,052	4,491,866
Total deferred inflows	4,603,015	4,458,914	93,037	32,952	4,696,052	4,491,866
Net position (deficit):						
Net investment in capital assets	6,544,083	7,868,904	12,036,118	11,888,599	18,580,201	19,757,503
Restricted by enabling legislation	4,922,308	3,549,378	-	-	4,922,308	3,549,378
Restricted for sales tax refund	1,194,090	1,405,290	-	-	1,194,090	1,405,290
Unrestricted	(74,216,807)	(1,256,326)	10,014,968	9,302,281	(64,201,839)	8,045,955
Total net position (deficit)	\$(61,556,326)	\$11,567,246	\$22,051,086	\$21,190,880	\$(39,505,240)	\$32,758,126

\*Amounts presented are as originally reported and not restated due to the implementation of GASB Statement No. 68 and GASB Statement No. 71 (See Note N).

At April 30, 2016, the City's net deficit within Governmental Activities is specifically due to the pension liability restatement necessary upon the adoption of the previously mentioned GASB statements. Offsetting that net deficit is the positive net position within the Business-Type Activities that have improved from year-to-year.

## **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		Business-type		Total	
	Activities		Activities			
	2016	2015*	2016	2015*	2016	2015*
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 3,890,985	\$ 3,441,505	\$ 7,239,403	\$ 7,436,765	\$11,130,388	\$10,878,270
Operating grants	1,285,707	2,340,124	-	-	1,285,707	2,340,124
<b>General revenues:</b>						
Property taxes	9,762,334	9,110,723	120,371	30,721	9,882,705	9,141,444
Other taxes	4,652,681	4,482,155	-	-	4,652,681	4,482,155
Intergovernmental	5,876,487	6,150,307	-	-	5,876,487	6,150,307
Other	467,847	471,868	238,219	37,181	706,066	509,049
<b>Total revenues</b>	<b>25,936,041</b>	<b>25,996,682</b>	<b>7,597,993</b>	<b>7,504,667</b>	<b>33,534,034</b>	<b>33,501,349</b>
<b>Expenses:</b>						
Administration and general government	5,116,104	6,395,313	-	-	5,116,104	6,395,313
Police	14,127,721	10,468,946	-	-	14,127,721	10,468,946
Fire	5,497,627	5,025,049	-	-	5,497,627	5,025,049
Public works	2,546,397	1,954,431	-	-	2,546,397	1,954,431
Library	678,925	397,987	-	-	678,925	397,987
Economic development	3,000,109	2,599,567	-	-	3,000,109	2,599,567
Interest and other	644,575	1,136,809	-	-	644,575	1,136,809
Water	-	-	4,086,235	3,577,730	4,086,235	3,577,730
Sewer	-	-	854,720	1,013,639	854,720	1,013,639
<b>Total expenses</b>	<b>31,611,458</b>	<b>27,978,102</b>	<b>4,940,955</b>	<b>4,591,369</b>	<b>36,552,413</b>	<b>32,569,471</b>
Change in net position (deficit) before transfers	(5,675,417)	(1,981,420)	2,657,038	2,913,298	(3,018,379)	931,878
Transfers	2,000,000	2,001,169	(2,000,000)	(2,001,169)	-	-
Increase (decrease) in net position (deficit)	(3,675,417)	19,749	657,038	912,129	(3,018,379)	931,878
Net position (deficit) – beginning of year (as restated)	(57,880,909)	11,547,497	21,394,048	20,278,751	(36,486,861)	31,826,248
<b>Net position (deficit) – end of year</b>	<b>\$(61,556,326)</b>	<b>\$11,567,246</b>	<b>\$22,051,086</b>	<b>\$21,190,880</b>	<b>\$(39,505,240)</b>	<b>\$32,758,126</b>

\*Amounts presented are as originally reported and not restated due to the implementation of GASB Statement No. 68 and GASB Statement No. 71 (See Note N).

## **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, 2016, the combined ending fund balances of the City's governmental funds were \$28,881,884, an increase of \$1,804,870 in comparison with the prior year. Approximately 36% or \$10.4 million constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is classified as nonspendable/restricted to indicate that it is not available for spending because it has already been designated for 1) inventory; 2) prepaid items; 3) property held for resale-\$7,497,386; 4) special revenue funds-\$5,834,159; 5) debt service-\$1,794,976, 6) capital projects-\$1,523,658, and 7) notes payable to Illinois Department of Revenue-\$1,194,090 for sales tax reimbursements.

The General Fund is the primary operating fund of the City. At the end of the fiscal year, unassigned fund balance of the General Fund was \$10,356,531. 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 46.1% of total General Fund expenditures, while total fund balance represents 55.1% of that same amount.

The City's General Fund fund balance increased by \$577,587 during the current fiscal year. Factors related to this change are as follows:

- Revenue earned from the extension of property taxes increased by \$391,410. Revenue earned from all other sources of local and state taxes declined by \$80,765.
- There was a sizable reduction in funding from grants (\$628,102) due to a winding down of the City's participation in the FEMA sponsored program for fire first responders. Offsetting that decline, revenue realized from earned fines and fees increased by \$471,857. Overall, the City's General Fund revenue profile increased by \$301,376 or 1.45% from FY 2014-2015.
- Expenditures declined by \$375,629 and were slightly less than the budget approved for the fiscal year. The budget was well managed throughout the entire fiscal year as evidenced by the year-end results.

**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 \$22,051,086, as compared to \$21,394,048 for the prior year (as restated), an increase of \$657,038 or 3.07%; the unrestricted balance at year end totaled \$10,014,968.

## **General Fund Budgetary Highlights**

The initial budgeted revenue and other financing sources were anticipated at the time of Budget adoption to not be sufficient to offset budgeted expenditures and other financing sources/uses, leaving an estimated budget deficit of \$908,865. As a result, during the fiscal period, the recruitment of certain budgeted positions and capital expenditure items were deferred, coupled with the implementation of other operating efficiencies.

Realized revenues and other financing sources were \$23,046,940, compared to the budget of \$23,169,648, a positive variance against budget of \$122,708. The difference between the budget and the amount realized was spread across the entire revenue profile of the General Fund. Total expenditures were \$22,469,353, compared to the budget of \$24,078,513, a positive variance against budget of \$1,609,160. The difference between budget and actual is related to deferring the recruitment of certain authorized positions and deferring the acquisition of capital items. Realized revenues exceeded actual expenditures, thus eliminating the need to draw upon existing fund balance and in actuality, allowed the total fund balance to slightly increase.

## **Capital Asset and Debt Administration**

**Capital Assets:** The City's investment in capital assets for its governmental and business-type activities as of April 30, 2016, amounts to \$34,894,594 (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		Business-type		Total	
	activities		activities			
	2016	2015	2016	2015	2016	2015
Land	\$ 2,831,841	\$ 2,831,841	\$ 2,435	\$ 2,435	\$ 2,834,276	\$ 2,834,276
Land improvements	194,737	207,301	103,389	106,515	298,126	313,816
Buildings and improvements	2,370,993	1,887,865	3,998,481	4,053,722	6,369,474	5,941,587
Infrastructure	12,040,082	12,641,962	-	-	12,040,082	12,641,962
Library collections	159,274	162,438	-	-	159,274	162,438
Machinery and equipment	1,829,948	2,204,147	11,363,414	11,353,455	13,193,362	13,557,602
Total	\$19,426,875	\$19,935,554	\$15,467,719	\$15,516,127	\$34,894,594	\$35,451,681

Additional information on the City's capital assets can be found in Note E on pages 48-50 of this report.

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

**Long-Term Debt:** At April 30, 2016, the City had outstanding general obligation debt of \$22,450,000 backed by the full faith and credit of the City. Other City debt totals \$16,221,841 as listed in the following table. Total bonded debt and other debt at the end of the fiscal year was \$39,816,841.

**CITY OF NORTH CHICAGO**

## Long Term Debt

	Governmental activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
GO Bonds:						
Series 2005A	\$ -	\$ 640,000	\$ -	\$ -	\$ -	\$ 640,000
Series 2005B	-	-	-	175,000	-	175,000
Series 2007A	1,680,000	1,860,000	-	-	1,680,000	1,860,000
Series 2007B	4,740,000	4,740,000	-	-	4,740,000	4,740,000
Series 2007C	7,570,000	7,895,000	-	-	7,570,000	7,895,000
Series 2014A Refunding	6,010,000	6,010,000	-	-	6,010,000	6,010,000
Series 2014B Refunding	-	-	2,275,000	2,275,000	2,275,000	2,275,000
Total Bonds	\$20,000,000	\$21,145,000	\$ 2,275,000	\$ 2,450,000	\$22,275,000	\$23,595,000
Other:						
Bond issuance premium	414,450	683,131	181,308	203,971	595,758	887,102
Compensated Absences	1,817,051	1,773,574	161,618	148,370	1,978,669	1,921,944
Capital lease	115,422	321,640	-	-	115,422	321,640
Other post employment benefits	124,671	114,101	-	-	124,671	114,101
Lawsuit settlement liability	46,200	49,100	-	-	46,200	49,100
Note payable to Lake Forest Bank	-	115,939	-	-	-	115,939
Library/Water note payable to First Midwest Bank	387,808	-	51,848	-	439,656	-
Note payable to IL Department of Revenue	1,194,090	1,405,290	-	-	1,194,090	1,405,290
Net Firefighter, Police and IMRF Pension (asset) liability	103,915,557	79,786,881*	424,585	(158,811)*	104,340,142	79,628,070*
Note payable to Abbott Laboratories	-	-	234,745	280,462	234,745	280,462
Note payable to IL Environmental Protection Agency	-	-	839,191	897,066	839,191	897,066
Total Other	\$108,015,249	\$84,249,656	\$ 1,893,295	\$ 1,371,058	\$109,908,544	\$85,620,714
Total	\$128,015,249	\$105,394,656	\$ 4,168,295	\$ 3,821,058	\$132,183,544	\$109,215,714

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

### **Long-Term Debt** (Continued)

\*Amounts presented are as restated due to the implementation of GASB Statement No. 68 and GASB Statement No. 71 (See Note N).

Additional information on the City's long-term debt can be found in Note F on pages 51-57 of this report.

### **Economic Factors:**

North Chicago is a diverse community consisting primarily of residential homes, several non-profit organizations, and major corporations including Abbott Laboratories, AbbVie, Rosalind Franklin University, and Naval Station Great Lakes, which is the only recruit training facility in the United States. The City property tax revenues remained stable during this with other fees and taxes generally increasing, although slightly, as compared to the prior fiscal year. Ideally, this is an indication that the local economy has begun to stabilize. However, caution and a conservative approach to all aspects of budgeting and financial execution on a daily basis need to be paramount.

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

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

### **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

# City of North Chicago, Illinois

## Statement of Net Position (Deficit)

April 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 15,333,716	\$ 10,157,711	\$ 25,491,427
Property taxes receivable	9,557,084	-	9,557,084
Other taxes receivable	356,193	-	356,193
Intergovernmental receivable	74,132	-	74,132
Other receivables, net	2,443,986	819,934	3,263,920
Prepaid expenses	286,869	-	286,869
Inventory	4,000	-	4,000
Property held for resale	7,497,386	-	7,497,386
	35,553,366	10,977,645	46,531,011
Noncurrent assets			
Land and other capital assets not being depreciated	2,831,841	2,435	2,834,276
Capital assets, net of accumulated depreciation	16,595,034	15,465,284	32,060,318
	19,426,875	15,467,719	34,894,594
Total noncurrent assets	19,426,875	15,467,719	34,894,594
Total assets	54,980,241	26,445,364	81,425,605
<b>DEFERRED OUTFLOWS</b>			
Deferred outflows related to pensions	17,770,033	432,994	18,203,027
Loss on refunding of bonds	187,074	95,611	282,685
	17,957,107	528,605	18,485,712

(Continued)

The accompanying notes are an integral part of this statement.

# City of North Chicago, Illinois

## Statement of Net Position (Deficit)

April 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 958,322	\$ 608,434	\$ 1,566,756
Accrued payroll	518,698	53,117	571,815
Unearned revenue	31,909	-	31,909
Claims payable	15,251	-	15,251
Other liabilities	357,260	-	357,260
Long-term liabilities			
Due within one year	1,687,892	368,774	2,056,666
Due in more than one year	126,321,327	3,799,521	130,120,848
Total liabilities	129,890,659	4,829,846	134,720,505
<b>DEFERRED INFLOWS</b>			
Property taxes levied for a future period	4,603,015	93,037	4,696,052
Total deferred inflows	4,603,015	93,037	4,696,052
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	6,544,083	12,036,118	18,580,201
Restricted by enabling legislation	4,922,308	-	4,922,308
Restricted for sales tax refund	1,194,090	-	1,194,090
Unrestricted	(74,216,807)	10,014,968	(64,201,839)
Total net position (deficit)	\$ (61,556,326)	\$ 22,051,086	\$ (39,505,240)

(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, 2016

<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	\$ 5,116,104	\$ 41,047	\$ -
Police	14,127,721	1,800,842	-
Fire	5,497,627	308,202	223,227
Public works	2,546,397	1,934,579	833,207
Library	678,925	16,496	29,666
Economic development	3,000,109	(210,181)	199,607
Interest and other	644,575	-	-
Total governmental activities	<u>31,611,458</u>	<u>3,890,985</u>	<u>1,285,707</u>
Business-type activities			
Water	4,086,235	5,840,810	-
Sewer	854,720	1,398,593	-
Total business-type activities	<u>4,940,955</u>	<u>7,239,403</u>	<u>-</u>
Total primary government	<u>\$ 36,552,413</u>	<u>\$ 11,130,388</u>	<u>\$ 1,285,707</u>
		General revenues	
		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, as restated (See Note N)	
		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
\$ (5,075,057)	\$ -	\$ (5,075,057)
(12,326,879)	-	(12,326,879)
(4,966,198)	-	(4,966,198)
221,389	-	221,389
(632,763)	-	(632,763)
(3,010,683)	-	(3,010,683)
(644,575)	-	(644,575)
<u>(26,434,766)</u>	<u>-</u>	<u>(26,434,766)</u>
-	1,754,575	1,754,575
-	543,873	543,873
<u>-</u>	<u>2,298,448</u>	<u>2,298,448</u>
<u>(26,434,766)</u>	<u>2,298,448</u>	<u>(24,136,318)</u>
9,762,334	120,371	9,882,705
4,652,681	-	4,652,681
5,876,487	-	5,876,487
453,100	218,156	671,256
14,747	20,063	34,810
<u>2,000,000</u>	<u>(2,000,000)</u>	<u>-</u>
<u>22,759,349</u>	<u>(1,641,410)</u>	<u>21,117,939</u>
(3,675,417)	657,038	(3,018,379)
<u>(57,880,909)</u>	<u>21,394,048</u>	<u>(36,486,861)</u>
<u>\$ (61,556,326)</u>	<u>\$ 22,051,086</u>	<u>\$ (39,505,240)</u>

**City of North Chicago, Illinois**

Governmental Funds

Balance Sheet

April 30, 2016

	General	Downtown Tax		Total Governmental Funds
		Increment Redevelopment Project Area	Financing Nonmajor Governmental Funds	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,858,991	\$ 979,952	\$ 6,267,188	\$ 15,106,131
Property taxes receivable	6,671,841	-	2,885,243	9,557,084
Other taxes receivable	356,193	-	-	356,193
Intergovernmental receivable	-	-	74,132	74,132
Other receivables	2,076,592	-	345,701	2,422,293
Prepaid expense	286,869	-	-	286,869
Due from other funds	76,622	500,000	60,398	637,020
Inventory	4,000	-	-	4,000
Property held for resale	152,000	6,125,314	1,220,072	7,497,386
<b>Total assets</b>	<b>\$ 17,483,108</b>	<b>\$ 7,605,266</b>	<b>\$ 10,852,734</b>	<b>\$ 35,941,108</b>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 748,627	\$ 1,504	\$ 155,793	\$ 905,924
Accrued payroll	508,593	-	10,105	518,698
Other liabilities	355,415	-	1,845	357,260
Unearned fees	-	-	31,909	31,909
Due to other funds	66,076	-	576,342	642,418
<b>Total liabilities</b>	<b>1,678,711</b>	<b>1,504</b>	<b>775,994</b>	<b>2,456,209</b>
<b>Deferred inflows</b>				
Property taxes levied for a future period	3,420,692	-	1,182,323	4,603,015
<b>Total deferred inflows</b>	<b>3,420,692</b>	<b>-</b>	<b>1,182,323</b>	<b>4,603,015</b>
<b>Fund balances</b>				
Nonspendable for inventory	4,000	-	-	4,000
Nonspendable for prepaid items	286,869	-	-	286,869
Nonspendable for property held for resale	152,000	6,125,314	1,220,072	7,497,386
Restricted for special revenue funds	-	-	5,834,159	5,834,159
Restricted for debt service	-	-	1,794,976	1,794,976
Restricted for capital projects	-	1,478,448	45,210	1,523,658
Restricted for sales tax refund	1,194,090	-	-	1,194,090
Assigned for accounts payable clearing	390,215	-	-	390,215
Unassigned	10,356,531	-	-	10,356,531
<b>Total fund balances</b>	<b>12,383,705</b>	<b>7,603,762</b>	<b>8,894,417</b>	<b>28,881,884</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 17,483,108</b>	<b>\$ 7,605,266</b>	<b>\$ 10,852,734</b>	<b>\$ 35,941,108</b>

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, 2016

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

Total fund balances - governmental funds \$ 28,881,884

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 19,426,875

Deferred charges included in the statement of net position are not available to pay for current period expenditures and, accordingly, are not included in the governmental funds balance sheet. 187,074

Deferred outflows and inflows or 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	\$ 926,028	
Deferred outflows of 2016 employer IMRF contributions related to pensions	84,290	
Deferred outflows related to firefighters' pension fund	3,124,591	
Deferred outflows related to police pension fund	<u>13,635,124</u>	17,770,033

Long-term liabilities, including bonds payable, note payables, bond issuance premium, compensated absences payable, capital leases payable, pension and other postemployment benefits, and lawsuit settlement liability 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. (128,009,219)

The net position of the internal service funds are included in the governmental activities in the statement of net position. 187,027

Net position of governmental activities \$ (61,556,326)

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The accompanying notes are an integral part of this statement.

# City of North Chicago, Illinois

## Governmental Funds

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

For the Year Ended April 30, 2016

	General	Downtown Tax Increment Financing Redevelopment Project Area	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 6,390,810	\$ -	\$ 3,371,524	\$ 9,762,334
Taxes - other	4,509,224	-	143,457	4,652,681
Licenses and permits	811,788	-	-	811,788
Intergovernmental	5,874,439	-	835,255	6,709,694
Grants	13,046	-	229,273	242,319
Fines and fees	3,267,603	-	16,496	3,284,099
Interest	4,031	1,161	9,369	14,561
Miscellaneous	175,999	-	372,215	548,214
Total revenues	21,046,940	1,161	4,977,589	26,025,690
<b>Expenditures</b>				
<b>Current</b>				
General government	1,820,669	33,779	-	1,854,448
Administration services	2,949,061	-	93,027	3,042,088
Highway and streets	1,493,810	-	331,830	1,825,640
Public safety	13,125,573	-	26,910	13,152,483
Culture and recreation	-	-	590,490	590,490
Economic development	2,566,834	-	317,736	2,884,570
<b>Debt service</b>				
Principal retirement	470,645	-	1,145,000	1,615,645
Interest and other	26,143	-	969,497	995,640
Capital outlay	16,618	-	669,386	686,004
Total expenditures	22,469,353	33,779	4,143,876	26,647,008
Excess (deficiency) of revenues over expenditures	(1,422,413)	(32,618)	833,713	(621,318)
<b>Other financing sources (uses)</b>				
Issuance of note payable	-	-	426,188	426,188
Transfers out	-	(5,000)	(26,126)	(31,126)
Transfers in	2,000,000	5,000	26,126	2,031,126
Total other financing sources (uses)	2,000,000	-	426,188	2,426,188
Net change in fund balance	577,587	(32,618)	1,259,901	1,804,870
Fund balances, beginning of year	11,806,118	7,636,380	7,634,516	27,077,014
Fund balances, end of year	\$ 12,383,705	\$ 7,603,762	\$ 8,894,417	\$ 28,881,884

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, 2016

---

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

Net change in fund balances - total governmental funds	\$ 1,804,870
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 in the current period.	(508,679)
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	906,819
Deferred outflow and inflows of resources related to firefighters' pension fund	3,124,591
Deferred outflow and inflows of resources related to police pension fund	13,635,124
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.	1,290,549
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.	(23,911,142)
Internal service funds are reported separately in the fund financial statements.	<u>1,159</u>
Change in net position - governmental activities	<u>\$ (3,675,417)</u>

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The accompanying notes are an integral part of this statement.

# City of North Chicago, Illinois

Proprietary Funds  
Statement of Net Position  
April 30, 2016

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Major Funds			Internal Service Funds
	Water	Sewer	Total	Funds
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 7,519,313	\$ 2,638,398	\$ 10,157,711	\$ 227,585
Due from other funds	-	-	-	5,398
Other receivables, net	604,456	215,478	819,934	21,693
Total current assets	8,123,769	2,853,876	10,977,645	254,676
Noncurrent assets				
Land and other capital assets not being depreciated	2,435	-	2,435	-
Capital assets, net of accumulated depreciation	11,533,916	3,931,368	15,465,284	-
Total noncurrent assets	11,536,351	3,931,368	15,467,719	-
Total assets	19,660,120	6,785,244	26,445,364	254,676
<b>DEFERRED OUTFLOWS</b>				
Deferred outflows related to pensions	363,715	69,279	432,994	-
Loss on refunding of bonds	46,849	48,762	95,611	-
Total deferred outflows	410,564	118,041	528,605	-

(Continued)

The accompanying notes are an integral part of this statement.

# City of North Chicago, Illinois

Proprietary Funds  
Statement of Net Position  
April 30, 2016

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Major Funds			Internal Service Funds
	Water	Sewer	Total	Funds
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 595,103	\$ 13,331	\$ 608,434	\$ 52,398
Accrued payroll	44,966	8,151	53,117	-
Claims payable	-	-	-	15,251
Long-term liabilities				
Due within one year	199,890	168,884	368,774	-
Due after one year	1,760,126	2,039,395	3,799,521	-
<b>Total liabilities</b>	<b>2,600,085</b>	<b>2,229,761</b>	<b>4,829,846</b>	<b>67,649</b>
Deferred inflows				
Property taxes levied for a future period	45,589	47,448	93,037	-
<b>Total deferred inflows</b>	<b>45,589</b>	<b>47,448</b>	<b>93,037</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	10,112,945	1,923,173	12,036,118	-
Unrestricted	7,312,065	2,702,903	10,014,968	187,027
<b>Total net position</b>	<b>\$ 17,425,010</b>	<b>\$ 4,626,076</b>	<b>\$ 22,051,086</b>	<b>\$ 187,027</b>

(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, 2016

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Major Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Operating revenues				
Charges for sales and services	\$ 5,840,810	\$ 1,398,593	\$ 7,239,403	\$ 292,141
Miscellaneous	<u>217,148</u>	<u>1,008</u>	<u>218,156</u>	<u>-</u>
Total operating revenues	<u>6,057,958</u>	<u>1,399,601</u>	<u>7,457,559</u>	<u>292,141</u>
Operating expenses				
Operations	3,482,891	683,442	4,166,333	291,168
Depreciation	<u>563,667</u>	<u>121,267</u>	<u>684,934</u>	<u>-</u>
Total operating expenses	<u>4,046,558</u>	<u>804,709</u>	<u>4,851,267</u>	<u>291,168</u>
Operating income	<u>2,011,400</u>	<u>594,892</u>	<u>2,606,292</u>	<u>973</u>
Nonoperating revenues (expenses)				
Property taxes	58,982	61,389	120,371	-
Interest income	5,540	14,523	20,063	186
Interest expense	<u>(39,677)</u>	<u>(50,011)</u>	<u>(89,688)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>24,845</u>	<u>25,901</u>	<u>50,746</u>	<u>186</u>
Income before transfers	<u>2,036,245</u>	<u>620,793</u>	<u>2,657,038</u>	<u>1,159</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, 2016

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Major Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Transfers in	\$ 300,000	\$ -	\$ 300,000	\$ -
Transfers out	<u>(1,900,000)</u>	<u>(400,000)</u>	<u>(2,300,000)</u>	<u>-</u>
Change in net position	436,245	220,793	657,038	1,159
Net position, beginning of year, as restated (See Note N)	<u>16,988,765</u>	<u>4,405,283</u>	<u>21,394,048</u>	<u>185,868</u>
Net position, end of year	<u>\$ 17,425,010</u>	<u>\$ 4,626,076</u>	<u>\$ 22,051,086</u>	<u>\$ 187,027</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, 2016

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Major Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Cash flows from operating activities				
Cash received from customers	\$ 5,900,701	\$ 1,382,847	\$ 7,283,548	\$ 292,020
Cash received from insurance claim	217,148	-	217,148	-
Cash payments for goods and services	(1,407,397)	(341,634)	(1,749,031)	(282,333)
Cash payments to employees	(1,298,766)	(316,065)	(1,614,831)	-
Net cash provided by operating activities	<u>3,411,686</u>	<u>725,148</u>	<u>4,136,834</u>	<u>9,687</u>
Cash flows from noncapital financing activities				
Property tax revenues	58,982	61,389	120,371	-
Interfund borrowing	(216,465)	(20,609)	(237,074)	(122,317)
Operating transfers out	(1,600,000)	(400,000)	(2,000,000)	-
Net cash used in noncapital financing activities	<u>(1,757,483)</u>	<u>(359,220)</u>	<u>(2,116,703)</u>	<u>(122,317)</u>
Cash flows from capital and related financing activities				
Purchase of equipment and infrastructure	(628,305)	(8,221)	(636,526)	-
Payment of note payables	(78,637)	-	(78,637)	-
Proceeds from note payable	84,768	-	84,768	-
Payment of bond principal	(85,260)	(89,740)	(175,000)	-
Payments on loan payable	-	(57,875)	(57,875)	-
Interest paid	(46,097)	(45,135)	(91,232)	-
Net cash used in capital and related financing activities	<u>(753,531)</u>	<u>(200,971)</u>	<u>(954,502)</u>	<u>-</u>
Cash flows from investing activities				
Interest received	5,540	2,965	8,505	186
Net cash provided by investing activities	<u>5,540</u>	<u>2,965</u>	<u>8,505</u>	<u>186</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	906,212	167,922	1,074,134	(112,444)
Cash and cash equivalents, beginning of year	<u>6,613,101</u>	<u>2,470,476</u>	<u>9,083,577</u>	<u>340,029</u>
Cash and cash equivalents, end of year	<u>\$ 7,519,313</u>	<u>\$ 2,638,398</u>	<u>\$ 10,157,711</u>	<u>\$ 227,585</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, 2016

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Major Funds			
	Water	Sewer	Total	
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 2,011,400	\$ 594,892	\$ 2,606,292	\$ 973
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	563,667	121,267	684,934	-
Increase in property tax receivables	(57,490)	(59,838)	(117,328)	-
(Increase) decrease in other receivables	227,138	38,815	265,953	(121)
Increase in deferred outflows related to pensions	(326,455)	(62,182)	(388,637)	2,448
Increase (decrease) in accounts payable	444,634	(18,725)	425,909	6,387
Increase (decrease) in accrued payroll	5,693	(2,711)	2,982	-
Increase in property taxes levied for a future period	29,442	30,643	60,085	-
Increase (decrease) in compensated absences payable	23,605	(10,357)	13,248	-
Increase in net pension liability	490,052	93,344	583,396	-
Net cash provided by operating activities	\$ 3,411,686	\$ 725,148	\$ 4,136,834	\$ 9,687

(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, 2016

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	Pension Trust Funds		
	Police Pension	Firefighters' Pension	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 204,674	\$ 48,673	\$ 253,347
Investments	14,479,564	8,711,306	23,190,870
Prepaid expenses	530	530	1,060
Interest receivable	60,617	483	61,100
	<u>14,745,385</u>	<u>8,760,992</u>	<u>23,506,377</u>
Total assets			
<b>LIABILITIES</b>			
Accounts payable	<u>3,269</u>	<u>6,808</u>	<u>10,077</u>
Total liabilities	<u>3,269</u>	<u>6,808</u>	<u>10,077</u>
<b>PLAN NET POSITION</b>			
Plan net position held in trust for pension benefits	<u>14,742,116</u>	<u>8,754,184</u>	<u>23,496,300</u>
Total net position	<u>\$ 14,742,116</u>	<u>\$ 8,754,184</u>	<u>\$ 23,496,300</u>

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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, 2016

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
<b>Additions</b>			
Contributions			
Employer	\$ 1,119,364	\$ 702,086	\$ 1,821,450
Plan members	<u>474,366</u>	<u>238,849</u>	<u>713,215</u>
Total contributions	<u>1,593,730</u>	<u>940,935</u>	<u>2,534,665</u>
Investment earnings			
Interest and dividends	420,628	110,065	530,693
Net change in fair value of investments	<u>(1,251,946)</u>	<u>(305,793)</u>	<u>(1,557,739)</u>
Total investment earnings	(831,318)	(195,728)	(1,027,046)
Less investment expenses	<u>119,932</u>	<u>31,286</u>	<u>151,218</u>
Net investment income	<u>(951,250)</u>	<u>(227,014)</u>	<u>(1,178,264)</u>
Total additions	<u>642,480</u>	<u>713,921</u>	<u>1,356,401</u>
Deductions			
Administration	58,334	62,227	120,561
Benefits	2,175,539	1,326,347	3,501,886
Refunds of contributions	<u>152,897</u>	<u>24,875</u>	<u>177,772</u>
Total deductions	<u>2,386,770</u>	<u>1,413,449</u>	<u>3,800,219</u>
Change in net position	(1,744,290)	(699,528)	(2,443,818)
Net position held in trust for pension benefits			
Beginning of year	<u>16,486,406</u>	<u>9,453,712</u>	<u>25,940,118</u>
End of year	<u>\$ 14,742,116</u>	<u>\$ 8,754,184</u>	<u>\$ 23,496,300</u>

The accompanying notes are an integral part of this statement.

**City of North Chicago, Illinois**  
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April 30, 2016

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**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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

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

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

1. Reporting Entity

As defined by GAAP, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the City (primary government) are financially accountable. Financial accountability is defined as:

- (a) Appointment of a voting majority of the component unit's board, and either (1) the ability to impose will by the primary government or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (b) Fiscal dependency on the primary government.

Based on the above criteria, the City does not have any component units.

2. New Accounting Pronouncement

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

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

Specific changes to the City's financial statements relate to the recognition of net pension liability and deferred outflows of resources associated with the Illinois Municipal Fund and the Police and Firefighters' Pension Funds. See Note N for the effects of this restatement.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements 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 reported in the supplementary information.

4. Fund Accounting

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

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

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Fund Accounting (Continued)

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

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

Fiduciary Funds - Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. When these assets are held under the terms of a formal trust agreement, a trust fund is used (pension trust funds). Agency funds generally are used to account for assets that the City holds, on behalf of others, as their agent.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the availability criteria is met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes as available if they are collected within 60 days of the end of the current fiscal period. A six-month availability period is used for revenue recognition for all other governmental revenues. Expenditures generally are recorded when a liability is incurred, as under modified accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property taxes, sales taxes, income taxes, motor fuel taxes, franchise taxes, grant proceeds, interest revenue, and charges for services revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Downtown Tax Increment Financing Redevelopment Project Area Fund* accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the tax increment financing district.

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

The *Water Fund* accounts for the provision of water services to the individual residents and commercial entities of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, financing and related debt service, and billing and collections.

The *Sewer Fund* accounts for the provision of sewer services to the individual residents and commercial entities of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, financing and related debt service, and billing and collections.

Additionally, the City reports the following fund types:

*Internal Service Funds* (proprietary funds) account for dental and vision insurance claims and insurance premiums of retired employees provided to other funds, on a cost-reimbursement basis.

*Pension Trust Funds* account for the activities of the accumulation of resources to pay police and firefighters' pension benefits. Resources are contributed by members at rates fixed by state statutes and by the City through an annual property tax levy.

*The Agency Fund* accounts for escrow funds that are held, by the City, on behalf of contractors and residents.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

6. Deferred Outflows / Deferred Inflows

In addition to assets, the statement of net position and the governmental funds balance sheet may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position / fund balance that applies to future periods. At April 30, 2016, 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, 2016, the City had deferred inflows related to property taxes levied for a future period.

7. Budgets

Budgets and appropriations are adopted on a basis consistent with GAAP. Annual appropriations are adopted for the general, special revenue, debt service, capital projects, enterprise, internal service, and pension trust funds. All annual appropriations lapse at fiscal year-end.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Budgets (Continued)

The annual appropriation exceeded the annual budget by 6.47%. Budget information is used for comparison to operations in various schedules as it reflects the operational plans set forth by the City.

8. Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, demand deposits, and investments with original maturities of less than three months, from the date of purchase.

9. Investments

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price.

10. Receivables

The recognition of receivables and revenue associated with exchange and nonexchange transactions is as follows:

- Derived tax receivables (such as: sales, income, and motor fuel taxes) are recognized when the underlying exchange has occurred.
- Imposed nonexchange receivables (such as: property taxes and fines) are recognized when an enforceable legal claim has arisen.
- Government mandates or voluntary nonexchange transaction receivables (such as: mandates or grants) are recognized when all eligibility requirements have been met.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all utility receivable balances that have had a final reading and estimates the portion, if any, of the balance that will not be collected.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Receivables (Continued)

The City participates in federally funded forgivable rehabilitation loan programs that allow citizens to apply for money designated for the improvement of property, recorded in non major governmental funds. Each loan provided is subject to various compliance criteria and may be forgiven or partially forgiven under the provisions of the federal loan programs. The City maintains the loans at a value net of an allowance for properties in which the repayment is not anticipated. The carrying value of these loans reported in other receivables, net of an allowance of \$219,221, reported in other receivables was \$246,877 at April 30, 2016. 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, \$23,221 of loans, net of existing allowances, were forgiven or written off in fiscal 2016.

11. Interfund Receivables and Payables

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

12. Inventories

Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

13. Capital Assets

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

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

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**13. Capital Assets (Continued)**

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

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

**14. Property Held for Resale**

The City values its property at cost which is management's best estimate of market value based on available information and lack of recent market comparable for similar property. The City believes this is a reasonable value as they were acquired at a price substantially below market value at the time they were purchased. The City intends to sell various parcels of property in the future to residential and commercial developers. Future valuations are subject to market conditions and could significantly differ from current carrying value.

**15. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts**

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay, and other employee benefits. All unpaid vacation, sick pay, and other employee benefits due in the event of termination are accrued when incurred in the government-wide and proprietary fund financial statements, in accordance with the City's policies. If an employee has accumulated hours in excess of 560 hours, all such excess hours will be paid at one-half the employee's hourly salary, at the beginning of each fiscal year. At April 30, 2016, the City has \$1,817,051 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, 2016 the City has \$161,618 in accumulated unpaid vacation, sick pay, and other employee benefits at the year-end for proprietary fund employees.

**16. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net position. Bond premiums and discounts, 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.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

17. 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. Investments are stated at fair value.

18. 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 2015 levy year are payable in two installments on or about June 1, 2016 and September 1, 2016.

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

19. Postemployment Healthcare Benefits

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

20. 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.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

21. 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, 2016.

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 \$390,215 in assigned fund balances related to account payable clearing at April 30, 2016.

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, 2016

**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.

One element of that reconciliation explains that “Long-term liabilities, including bonds payable, notes payable, bond issuance premium, compensated absences payable, capital leases payable, pension and other postemployment benefits, and lawsuit settlement liability 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	\$ (20,000,000)
Bond issuance premium	(414,450)
Lawsuit settlement liability	(46,200)
Note payable to Illinois Department of Revenue	(1,194,090)
Library note payable to First Midwest Bank	(387,808)
Capital leases	(115,422)
Compensated absences payable	(1,817,051)
Other postemployment benefits obligation	(124,671)
Police pension liability	(71,307,018)
Firefighters' net pension liability	(31,617,840)
IMRF net pension liability	<u>(990,699)</u>
Net adjustment to reduce total fund balances - governmental funds to net position of governmental activities	<u>\$ (128,015,249)</u>

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

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

Depreciation expense	\$ (1,336,406)
Capital outlay	922,841
Loss on disposals	<u>(95,114)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position - governmental activities	<u>\$ (508,679)</u>

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2016

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

(Continued)

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

Another element of that reconciliation states that "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	\$	1,716,737
Issuance of long-term debt		<u>(426,188)</u>
Net long-term debt adjustment to increase net change in fund balances - funds to arrive at change in net position - governmental activities	\$	<u><u>1,290,549</u></u>

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

Compensated absences (net change)	\$	(43,477)
Amortization of bond issuance premium		268,681
Other postemployment benefits obligation (net change)		(10,570)
Lawsuit settlement liability (net change)		2,900
Police pension liability (net change)		(18,120,439)
Firefighters' pension liability (net change)		(4,646,979)
IMRF pension liability (net change)		<u>(1,361,258)</u>
Net current adjustment to decrease net change in fund balances - total funds to arrive at change in net position - governmental activities	\$	<u><u>(23,911,142)</u></u>

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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**NOTE C - DEPOSITS AND INVESTMENTS**

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

- Short-Term Obligations of Corporations organized in the United States with assets exceeding \$500,000,000.
- Certificates of Deposit insured up to \$250,000 by the Federal Deposit Insurance Corporation or appropriately collateralized.
- Obligations of the U.S. Treasury or its agencies.
- Saving Accounts insured up to \$250,000 by the Federal Deposit Insurance Corporation or appropriately collateralized.
- Money Market Mutual Funds registered by the SEC.
- The Illinois Funds.
- State of Illinois Public Treasurer's Investment Pool.
- Bonds of the State of Illinois and any local government in the State of Illinois, which bonds have at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency.
- Any investments authorized by the Public Funds Investment Act.

The deposits and investments of the pension funds are held separately from those of other City funds. Statutes and the pension funds' investment policies authorize the pension funds to make deposits/invest in interest-bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures, or similar obligations of agencies of the United States of America; savings accounts or certificates of deposit issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; credit unions, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; state of Illinois bonds; pooled accounts managed by the Illinois Public Treasurer, or by banks, their subsidiaries or holding companies, in accordance with the laws of the State of Illinois.

Statutes and the pension funds Investment policies also authorize the pension funds to make deposits/invest in bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois; direct obligations of the State of Israel; money market mutual funds managed by investment companies that are registered under the Federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies, provided that the portfolio is limited to specified restrictions; general accounts of life insurance companies and separate accounts of life insurance. Pension funds with net position of \$2.5 million or more may invest up to forty-five percent of plan net position in a separate account of life insurance companies and mutual funds. In addition, pension funds with net position of at least \$10 million that have appointed an investment advisor may, through that investment advisor, invest up to fifty-five percent of the plan's net position in common and preferred stocks which meet specific restrictions effective July 1, 2012.

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2016

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

As of April 30, 2016, the City's cash, cash equivalents, and investments consisted of the following:

	Government-wide	Fiduciary	Total
Cash, cash equivalents, and investments	\$ 25,491,427	\$ 23,444,217	\$ 48,935,644

For disclosure purposes, this amount is segregated into four components: 1) cash on hand; 2) deposits with financial institutions, which include amounts held in demand accounts, certificates of deposit, and savings accounts, 3) The Illinois Funds; and 4) other investments, which consist of investments in certificates of deposit, U.S. Government and agency obligations, money market mutual funds, mutual funds, insurance company contracts, and equity securities as follows:

	Total
Cash on hand	\$ 6,403
Deposits with financial institutions - City	22,941,861
Deposits with financial institutions - Police and Firefighters' Pension Funds	881,607
The Illinois Funds - City	2,543,163
Investments - Police and Firefighters' Pension Funds	22,562,610
Total	\$ 48,935,644

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2016

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

As of April 30, 2016, the Police and Firefighters' Pension Funds have the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less than 1	1 to 5	6 to 10	More than 10
Corporate bonds	\$ 3,144,050	\$ -	\$ 3,144,050	\$ -	\$ -
U.S. Government and Agency Obligations	296,598	-	-	-	296,598
Money Market Mutual Funds	1,378,011	1,378,011	-	-	-
U.S. Treasury Bonds	2,698,464	160,405	987,838	1,405,596	144,625
	7,517,123	\$ 1,538,416	\$ 4,131,888	\$ 1,405,596	\$ 441,223
Equity Mutual Funds	6,237,764				
Insurance Company Contracts	4,410,286				
Equity Securities	4,397,437				
	<u>\$ 22,562,610</u>				

1. 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.

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

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

2. Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bonds funds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy imposes further limits on investment choices and prohibits investments in "derivative" securities and in repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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NOTE C - DEPOSITS AND INVESTMENTS (Continued)

2. Credit Risk (Continued)

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

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

3. Custodial Credit Risk

In the case of deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City's investment policy states that deposits should have a collateralization ratio of 110% and securities held by a third-party custodian designated by the Investment Officer and evidenced by safekeeping receipts. The bank balances of the City's deposits with financial institutions, were not exposed to custodial credit risk, as the balances were fully insured or collateralized as of April 30, 2016.

The Police Pension Fund does not have a formal written policy with regards to custodial credit risk for deposits. The Police Pension Fund's investment policy does not require pledging of collateral for all bank balances in excess of federal depository insurance, since flow-through FDIC insurance is available for the Pension Fund's deposits with financial institutions. At April 30, 2016, the entire amount of the bank balance of the deposits was covered by federal depository insurance or collateralized.

The Firefighters' Pension Fund's investment policy requires pledging of collateral with a fair value of not less than 110% of all bank balances in excess of federal depository insurance. At April 30, 2016, the entire amount of the bank balance of the deposits was covered by federal depository insurance or collateralized.

The Police and Firefighters' Pension Fund limits its exposure to custodial credit risk related to investments by utilizing an independent third party institution, selected by the Pension Fund, to act as custodian for its securities and collateral.

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2016

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

4. Concentration of Credit Risk

It is the policy of the City to diversify its investment portfolio. Investments shall be diversified to limit the risk of loss resulting in overconcentration in a security, maturity, issuer, or class of securities. The City's investment policy, which is more restrictive than state statute, requires the City to diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools (Illinois Funds), no more than 75% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

At April 30, 2016, the Fund has over 5% (\$737,106) of fiduciary net position invested in various agency securities, insurance contracts, and equity mutual funds. 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 Police Pension Fund does not have a formal written policy with regards to concentration of credit risk.

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, 2016, the Fund has over 5% (\$437,709) of fiduciary net position invested in various agency securities, insurance contracts, and equity mutual funds. Agency investments represent a large portion of the portfolio; however the investments are diversified by maturity date and are backed by the issuing organization.

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are intended to be repaid currently from other resources of respective funds. Individual interfund balances at April 30, 2016 are shown as follows:

	Due From	Due To
Major Governmental Funds		
General Fund	\$ 76,622	\$ 66,076
Downtown Tax Increment Financing Redevelopment Project Area	500,000	-
Nonmajor Governmental Funds (including Internal Service Funds)	65,796	576,342
	642,418	642,418
Less amounts eliminated during GASB 34 adjustments and net adjustments to interfund balances	(642,418)	(642,418)
Total internal balances as shown on the statement of net position	\$ -	\$ -

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2016

**NOTE E - CAPITAL ASSETS**

Capital asset activity for the year ended April 30, 2016, was as follows:

1. **Governmental Activities**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 2,831,841	\$ -	\$ -	\$ 2,831,841
 Total capital assets not being depreciated	 <u>2,831,841</u>	 <u>-</u>	 <u>-</u>	 <u>2,831,841</u>
 Capital assets being depreciated				
Land improvements	397,174	-	-	397,174
Buildings and improvements	4,926,622	693,816	206,770	5,413,668
Infrastructure	22,754,797	-	-	22,754,797
Library collections	673,458	49,253	27,407	695,304
Machinery and equipment	7,427,009	179,772	804,241	6,802,540
 Total capital assets being depreciated	 <u>36,179,060</u>	 <u>922,841</u>	 <u>1,038,418</u>	 <u>36,063,483</u>
 Less accumulated depreciation for				
Land improvements	189,873	12,564	-	202,437
Buildings and improvements	3,038,757	115,574	111,656	3,042,675
Infrastructure	10,112,835	601,880	-	10,714,715
Library collections	511,020	52,417	27,407	536,030
Machinery and equipment	5,222,862	553,971	804,241	4,972,592
 Total accumulated depreciation	 <u>19,075,347</u>	 <u>1,336,406</u>	 <u>943,304</u>	 <u>19,468,449</u>
 Total capital assets being depreciated, net	 <u>17,103,713</u>	 <u>(413,565)</u>	 <u>95,114</u>	 <u>16,595,034</u>
 Governmental activities capital assets, net	 <u>\$ 19,935,554</u>	 <u>\$ (413,565)</u>	 <u>\$ 95,114</u>	 <u>\$ 19,426,875</u>

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2016

**NOTE E - CAPITAL ASSETS (Continued)**

**2. Business-type Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 2,435	\$ -	\$ -	\$ 2,435
Total capital assets not being depreciated	2,435	-	-	2,435
Capital assets being depreciated				
Land improvements	209,813	-	-	209,813
Buildings	8,126,375	120,450	-	8,246,825
Machinery and equipment	17,540,834	415,159	284,777	17,671,216
Underground equipment	15,081,706	104,683	-	15,186,389
Total capital assets being depreciated	40,958,728	640,292	284,777	41,314,243
Less accumulated depreciation for				
Land improvements	103,298	3,126	-	106,424
Buildings	4,072,653	175,691	-	4,248,344
Machinery and equipment	11,322,780	223,191	281,011	11,264,960
Underground equipment	9,946,305	282,926	-	10,229,231
Total accumulated depreciation	25,445,036	684,934	281,011	25,848,959
Total capital assets being depreciated, net	15,513,692	(44,642)	3,766	15,465,284
Business-type activities capital assets, net	\$ 15,516,127	\$ (44,642)	\$ 3,766	\$ 15,467,719

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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NOTE E - CAPITAL ASSETS (Continued)

3. Depreciation

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

Governmental activities

Administration and general government	\$ 220,523
Police	226,062
Fire	239,100
Public works	601,880
Library	<u>48,841</u>

Total depreciation expense - governmental activities \$ 1,336,406

Business-type activities

Water	\$ 563,667
Sewer	<u>121,267</u>

Total depreciation expense - business-type activities \$ 684,934

4. Construction Commitments

The City had no construction projects which were in progress at April 30, 2016.

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2016

**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, 2016:

	<u>Balance</u> <u>May 1, 2015</u>	<u>Additions/</u> <u>Issuances</u>	<u>Reductions/</u> <u>Retirements</u>	<u>Balance</u> <u>April 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities					
General obligation bonds					
Series 2005A	\$ 640,000	\$ -	\$ 640,000	\$ -	\$ -
Series 2007A	1,860,000	-	180,000	1,680,000	195,000
Series 2007B	4,740,000	-	-	4,740,000	-
Series 2007C	7,895,000	-	325,000	7,570,000	345,000
Series 2014A Refunding	6,010,000	-	-	6,010,000	695,000
Bond issuance premium					
	683,131	-	268,681	414,450	78,665
Note payable to Lake Forest Bank					
	115,939	-	115,939	-	-
Lawsuit settlement liability					
	49,100	4,900	7,800	46,200	7,800
Note payable to Illinois Department of Revenue					
	1,405,290	-	211,200	1,194,090	211,200
Library note payable to First Midwest Bank					
	-	426,188	38,380	387,808	39,805
Capital leases	321,640	-	206,218	115,422	115,422
Compensated absences	1,773,574	54,717	11,240	1,817,051	-
Other postemployment benefits					
	114,101	96,901	86,331	124,671	-
Police net pension liability*					
	53,186,579	19,714,170	1,593,731	71,307,018	-
Firefighters' net pension liability*					
	26,970,861	5,593,944	946,965	31,617,840	-
IMRF net pension (asset) liability*					
	<u>(370,559)</u>	<u>2,606,206</u>	<u>1,244,948</u>	<u>990,699</u>	<u>-</u>
Governmental activity long-term liabilities					
	<u>\$ 105,394,656</u>	<u>\$ 28,497,026</u>	<u>\$ 5,876,433</u>	<u>\$ 128,015,249</u>	<u>\$ 1,687,892</u>

\* The beginning balance as of May 1, 2015 is restated due to the implementation of GASB 68 and GASB 71 (Note N). The net pension (asset) liability is allocated between the Governmental and Business Type activities based upon covered payroll within the respective activities (Note I-1).

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2016

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

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

	<u>Beginning Balance</u>	<u>Additions/ Issuances</u>	<u>Reductions/ Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
General obligation bonds					
Series 2005B	\$ 175,000	\$ -	\$ 175,000	\$ -	\$ -
Series 2014B Refunding	2,275,000	-	-	2,275,000	195,000
Bond issuance					
premium	203,971	-	22,663	181,308	22,664
Water fund note payable					
to First Midwest Bank	-	84,768	32,920	51,848	34,235
Note payable to					
Abbott Laboratories	280,462	-	45,717	234,745	59,000
Note payable to					
Illinois Environmental Protection Agency	897,066	-	57,875	839,191	57,875
Compensated					
absences	148,370	23,605	10,357	161,618	-
IMRF net pension					
(asset) liability*	<u>(158,811)</u>	<u>1,116,945</u>	<u>533,549</u>	<u>424,585</u>	<u>-</u>
Business-type activity					
long-term					
liabilities	<u>\$ 3,821,058</u>	<u>\$ 1,225,318</u>	<u>\$ 878,081</u>	<u>\$ 4,168,295</u>	<u>\$ 368,774</u>

\* The beginning balance as of May 1, 2015 is restated due to the implementation of GASB 68 and GASB 71 (Note N). The net pension (asset) liability is allocated between the Governmental and Business Type activities based upon covered payroll within the respective activities (Note I-1).

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2016

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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%.	\$ 1,680,000
\$4,740,000 General Obligation Bonds, Series 2007B, dated May 9, 2007. Principal is payable on November 1 of each year starting in 2028. Interest is payable on May 1 and November 1 of each year at rates ranging from 4.30 to 4.35%.	4,740,000
\$8,860,000 General Obligation Bonds, Series 2007C, dated August 15, 2007. Principal is payable on November 1 of each year. Interest is payable on May 1 and November 1 of each year at rates ranging from 5.39 to 6.01%.	7,570,000
\$6,010,000 General Obligation Bonds, Series 2014A Refunding, dated February 4, 2015. Principal is payable on November 1 of each year. Interest is payable on May 1 and November 1 of each year at rates ranging from 3.0 to 4.0%.	<u>6,010,000</u>
Total governmental activities general obligation bonds outstanding	<u>\$ 20,000,000</u>

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2016

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

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

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%, \$ 2,275,000

Total business-type general obligation bonds outstanding 2,275,000

Total general obligation bonds outstanding \$ 22,275,000

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>
2017	\$ 1,235,000	\$ 917,610	\$ 195,000	\$ 82,075
2018	1,370,000	866,272	200,000	76,150
2019	1,475,000	809,635	205,000	70,075
2020	1,580,000	744,407	215,000	62,700
2021	1,710,000	669,450	220,000	54,000
2022-2026	6,120,000	2,235,798	1,240,000	127,600
2027-2031	3,070,000	1,078,785	-	-
2032-2036	2,560,000	534,108	-	-
2037-2038	880,000	44,805	-	-
Total	<u>\$ 20,000,000</u>	<u>\$ 7,900,870</u>	<u>\$ 2,275,000</u>	<u>\$ 472,600</u>

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2016

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

3. Note Payable to Lake Forest Bank

In November 2009, the City entered into a master commitment with Lake Forest Bank, in the total amount of \$979,973, to be used for financing the acquisition of police vehicles, public works vehicles, and IT hardware and relocation. In 2011, at the time the City completed the acquisition of each type of equipment, each equipment acquisition became a five year term note. Principal and interest payments ranging from \$12,183 to \$20,701 were due quarterly based on a five year amortization schedule for each term note. Interest was charged at 4.0%. The balance was paid in full during fiscal year 2016.

4. 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 \$46,200 has been recorded as a liability, at April 30, 2016.

5. 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. At April 30, 2016, the City is obligated for future payments under the note payable as follows:

Year Ending April 30,	Principal
2017	\$ 211,200
2018	211,200
2019	211,200
2020	211,200
2021	211,200
2022	138,090
Total	\$ 1,194,090

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2016

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

6. **Library Loan 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 3.650%. The balance at April 30, 2016 is \$387,808.

At April 30, 2016, the City is obligated for future payments under the loan payable as follows:

Year Ending April 30,	Principal
2017	\$ 39,805
2018	41,282
2019	42,815
2020	44,404
2021	46,052
2022 - 2025	173,450
Total	\$ 387,808

7. **Capital Leases**

In April 2013, the City entered into a capital lease agreement with a leasing company for the lease of twelve vehicles. Monthly principal and interest payments of \$8,481 are due over a three year period, expiring in fiscal year 2017. Interest is charged at 4.4%. In December 2013, the City entered into a capital lease agreement with a leasing company for the lease of a vehicle. Monthly principal and interest payments of \$849 are due over a three year period, also expiring in fiscal year 2017. Interest is charged at 5.15%. In May 2014, the City entered into a capital lease agreement with a leasing company for the lease of eight vehicles. Monthly principal and interest payments of \$9,328 are due over a three year period, also expiring in fiscal year 2017. The balance due under these leases, at April 30, 2016, is \$115,422, all of which is due in fiscal year 2017.

8. **Note Payable to Abbott Laboratories**

In May 2007, the City entered into an agreement with Abbott Laboratories for the construction of capital assets at the City's water treatment plant. The total cost of construction was \$945,000. The City will repay this obligation through a reduction of the water rate charged to Abbott Laboratories of \$0.25, until repaid in full. The balance due to Abbott Laboratories, at April 30, 2016, is \$234,745. The City estimated the current portion of this enterprise liability to be approximately \$59,000 based on prior history of credits issued ranging between approximately \$45,000 and \$113,000.

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2016

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

9. Note Payable to Illinois Environmental Protection Agency

In December 2009, the City entered into an agreement with the Illinois Environmental Protection Agency (IEPA) for the IEPA to provide a note payable to the City, in the amount of \$1,752,856, to be used to reimburse the Illinois Department of Transportation (IDOT) for sanitary sewer replacement construction costs. The City is required to make semi-annual principal payments of \$28,927 through October 2030. The note is non interest bearing. The balance due to IEPA, at April 30, 2016, is \$839,191, which is recorded in an enterprise fund.

**NOTE G - INTERFUND TRANSFERS**

Transfers are used to (1) move revenues from the fund with collection authorization to the capital project fund or enterprise fund as debt service and interest payments become due or (2) move restricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorization. Interfund transfers are recorded for permanent transfers between funds which are not expected to be repaid. Individual interfund transfers, during the fiscal year ended April 30, 2016, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Sewer Fund	\$ 100,000	-
Water Fund	1,900,000	-
Total General Fund	2,000,000	-
Downtown Tax Increment Financing Redevelopment Project Area	5,000	5,000
Enterprise funds		
Sewer Fund		
General Fund	-	400,000
Water Fund		
General Fund	300,000	1,900,000
Total enterprise funds	300,000	2,300,000
Nonmajor Governmental Funds	26,126	26,126
Total all funds	\$ 2,331,126	\$ 2,331,126
Less amounts eliminated during GASB 34 adjustments	(31,126)	(31,126)
Total transfers	\$ 2,300,000	\$ 2,300,000

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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**NOTE H - CONCENTRATION OF RISK - REVENUE SOURCE**

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

**NOTE I - 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](http://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, 2016

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**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, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	93
Inactive plan members entitled to but not yet receiving benefits	65
Active plan members	74
Total	232

**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 2015 was 9.18%. For the fiscal year ended April 30, 2016 the City contributed \$407,137 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 Liability**

The City's IMRF net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**City of North Chicago, Illinois**  
 NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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**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, 2015:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Inflation Rate	2.75%
Salary Increases	3.75% to 14.50%
Investment Rate of Return	7.49%
Projected Retirement Age	Experience-based table of rates, 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 2014). 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 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments 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 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

**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:

**City of North Chicago, Illinois**  
 NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

**NOTE I - PENSION LIABILITIES** (Continued)

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

**Actuarial Assumptions** (Continued)

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic equity	38%	7.39%
International equity	17%	7.59%
Fixed income	27%	3.00%
Real estate	8%	6.00%
Alternative investments	9%	2.75-8.15%
Cash equivalents	1%	2.25%
Total	100%	

**Single Discount Rate**

A Single Discount Rate of 7.49% 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 3.57%, and the resulting single discount rate is 7.49%.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

**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, 2015:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset)* (A) - (B)
Balances at December 31, 2014	\$ 21,521,458	\$ 22,050,828	\$ (529,370)
Changes for the year:			
Service cost	496,614	-	496,614
Interest on the total pension liability	1,595,969	-	1,595,969
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total pension liability	135,340	-	135,340
Changes of assumptions	27,111	-	27,111
Contributions - employer	-	421,862	(421,862)
Contributions - employees	-	266,754	(266,754)
Net Investment income	-	109,525	(109,525)
Benefit payments, including refunds of employee contributions	(980,356)	(980,356)	-
Other (net transfer)	-	(487,761)	487,761
Net changes	<u>1,274,678</u>	<u>(669,976)</u>	<u>1,944,654</u>
Balances at December 31, 2015	<u>\$ 22,796,136</u>	<u>\$ 21,380,852</u>	<u>\$ 1,415,284</u>

\* The net pension (asset) liability is allocated between the Governmental and Business Type activities based upon covered payroll within the respective activities (Note F-1).

**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 7.49%, 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 (6.49%)	Current Discount Rate (7.49%)	1% Higher (8.49%)
Net pension liability (asset)	<u>\$ 4,371,864</u>	<u>\$ 1,415,284</u>	<u>\$ (980,871)</u>

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

**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**

For the year ended April 30, 2016, the City recognized pension expense of \$1,043,619. At April 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Periods	
Differences between expected and actual experience	\$ 92,352
Change of assumptions	18,500
Net difference between projected and actual earnings on pension plan investments	<u>1,212,045</u>
Total deferred amounts to be recognized in pension expense in the future periods	<u>1,322,897</u>
Pension contributions made subsequent to the measurement date	<u>120,414</u>
Total deferred amounts related to pensions *	<u><u>\$ 1,443,311</u></u>

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

The City reported \$120,414 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended April 30, 2017. Other amounts reported as 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 of Resources</u>
2017	\$ 354,610
2018	354,610
2019	310,665
2020	303,012
2021	-
Thereafter	<u>-</u>
Total	<u><u>\$ 1,322,897</u></u>

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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**NOTE I - PENSION LIABILITIES** (Continued)

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.

**Basis of Accounting**

The accrual basis of accounting is utilized by 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.

**City of North Chicago, Illinois**  
 NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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**NOTE I - PENSION LIABILITIES** (Continued)

2. **Police 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 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.

**Plan Membership**

As of April 30, 2016, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	44
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	55
Total	100

**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, 2016, the City's contribution was 25.95% of covered payroll.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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NOTE I - PENSION LIABILITIES (Continued)

2. Police Pension Plan (Continued)

**Net Pension Liability**

The City's police fund net pension liability was measured as of April 30, 2016. 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 April 30, 2016, using the following actuarial methods and assumptions.

Actuarial valuation date	April 30, 2016
Actuarial cost method	Entry age normal; Level % of pay
Asset valuation method	Market value
Assumptions	
Interest rate	7.00%
Discount rate	3.63%
Salary increases	2.83% - 11.70%
Cost of living adjustments	3.50%
Inflation	2.50%

Mortality rates were based on rates developed in the Lauterbach & Amen, LLP 2016 Mortality Table for Illinois Police Officers.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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NOTE I - PENSION LIABILITIES (Continued)

2. Police Pension Plan (Continued)

**Single Discount Rate**

A Single Discount Rate of 3.63% 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:

1. 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
2. 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 3.32%, and the resulting single discount rate is 3.63%.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

**NOTE I - PENSION LIABILITIES** (Continued)

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

**Changes in Net Pension Liability**

	Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at April 30, 2015	\$ 69,672,984	\$ 16,486,405	\$ 53,186,579
Changes for the year:			-
Service cost	2,102,749	-	2,102,749
Interest on the total pension liability	2,486,868	-	2,486,868
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total pension liability	980,066	-	980,066
Changes of assumptions *	13,134,903	-	13,134,903
Contributions - employer	-	1,119,364	(1,119,364)
Contributions - employees	-	474,366	(474,366)
Net investment income (loss)	-	(951,250)	951,250
Benefit payment, including refunds of employee contributions	(2,328,436)	(2,328,436)	-
Administrative expense	-	(58,333)	58,333
Net changes	<u>16,376,150</u>	<u>(1,744,289)</u>	<u>18,120,439</u>
Balances at April 30, 2016	<u>\$ 86,049,134</u>	<u>\$ 14,742,116</u>	<u>\$ 71,307,018</u>

\* There was a change with respect to actuarial assumptions from the prior year to reflect revised expectations with respect to mortality rates, mortality improvement rates, retirement rates, disability rates, and termination rates. In addition, the assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed from 3.62% to 3.32% for the current year.

**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 3.63%, 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 (2.63%)	Current Discount Rate (3.63%)	1% Higher (4.63%)
Net pension liability	<u>\$ 87,814,423</u>	<u>\$ 71,307,018</u>	<u>\$ 58,406,859</u>

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2016

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**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, 2016 the City recognized pension expense of \$5,604,680. At April 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Periods	
Differences between expected and actual experience	\$ 831,345
Change of assumptions	11,141,746
Net difference between projected and actual earnings on pension plan investments	<u>1,662,033</u>
Total deferred amounts related to pensions	<u>\$ 13,635,124</u>

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

<u>Year Ended April 30,</u>	<u>Net Deferred Outflows of Resources</u>
2017	\$ 2,557,387
2018	2,557,387
2019	2,557,387
2020	2,557,384
2021	2,141,878
Thereafter	<u>1,263,701</u>
Total	<u>\$ 13,635,124</u>

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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**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 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, 2016

**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 preceding calendar year.

**Plan Membership**

As of April 30, 2016, 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	3
Active plan members	34
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, 2016, the City's contribution was 29.80% of covered payroll.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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**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, 2016. 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 April 30, 2016, using the following actuarial methods and assumptions.

Actuarial valuation date	April 30, 2016
Actuarial cost method	Entry age normal; Level % of pay
Asset valuation method	Market value
Assumptions	
Interest rate	7.00%
Discount rate	4.28%
Salary increases	2.89% - 11.13%
Cost of living adjustments	3.50%
Inflation	2.50%

Mortality rates were based on rates developed in the Lauterbach & Amen, LLP 2016 Mortality Table for Illinois Firefighters.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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NOTE I - PENSION LIABILITIES (Continued)

3. Firefighters' Pension Plan (Continued)

**Single Discount Rate**

A Single Discount Rate of 4.28% 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:

1. 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
2. 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 3.32%, and the resulting single discount rate is 4.28%.

**City of North Chicago, Illinois**  
NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

**NOTE I - PENSION LIABILITIES** (Continued)

3. **Firefighters' 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, 2015	\$ 36,418,543	\$ 9,453,712	\$ 26,964,831
Changes for the year:			
Service cost	986,970	-	986,970
Interest on the total pension liability	1,529,797	-	1,529,797
Difference between expected and actual experience of the total pension liability	289,492	-	289,492
Changes of assumptions	2,498,444	-	2,498,444
Contributions - Employer	-	702,086	(702,086)
Contributions - Employees	-	238,849	(238,849)
Net investment income (loss)	-	(227,014)	227,014
Benefit payment, including refunds of employee contributions	(1,351,222)	(1,351,222)	-
Administrative expense	-	(62,227)	62,227
Net changes	<u>3,953,481</u>	<u>(699,528)</u>	<u>4,653,009</u>
Balances at April 30, 2016	<u>\$ 40,372,024</u>	<u>\$ 8,754,184</u>	<u>\$ 31,617,840</u>

There was a change with respect to actuarial assumptions from the prior year to reflect revised expectations with respect to mortality rates, mortality improvement rates, retirement rates, disability rates, and termination rates. In addition, the assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed from 3.62% to 3.32% for the current year.

**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 4.28%, 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 (3.28%)	Current Discount Rate (4.28%)	1% Higher (5.28%)
Net pension liability	<u>\$ 38,986,796</u>	<u>\$ 31,617,840</u>	<u>\$ 25,810,073</u>

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2016

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**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**

For the year ended April 30, 2016 the City recognized pension expense of \$2,224,474. At April 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Periods	
Differences between expected and actual experience	\$ 251,992
Change of assumptions	2,174,811
Net difference between projected and actual earnings on pension plan investments	<u>697,788</u>
Total deferred amounts related to pensions	<u><u>\$ 3,124,591</u></u>

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

<u>Year Ended April 30,</u>	<u>Net Deferred Outflows of Resources</u>
2017	\$ 535,580
2018	535,580
2019	535,580
2020	535,576
2021	361,132
Thereafter	<u>621,143</u>
Total	<u><u>\$ 3,124,591</u></u>

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2016

**NOTE I - PENSION LIABILITIES (Continued)**

**4. Summary of Pension Items**

Below is a summary of the various pension items:

	IMRF	Police	Firefighters'	Total
Deferred outflows of resources:				
Employer contributions	\$ 120,414	\$ -	\$ -	\$ 120,414
Experience	92,352	831,345	251,992	1,175,689
Assumptions	18,500	11,141,746	2,174,811	13,335,057
Investments	1,212,045	1,662,033	697,788	3,571,866
	\$ 1,443,311	\$ 13,635,124	\$ 3,124,591	\$ 18,203,026
Net pension liability	\$ 1,415,284	\$ 71,307,018	\$ 31,617,840	\$ 104,340,142

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

**1. Plan Description**

The City provides postemployment health care insurance benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The plan is an unfunded plan, and there is no separately issued report.

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

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

As of July 2015, (most recent date available), membership in the Plan consisted of the following:

	<u>Membership</u>
Retirees	22
Actives fully eligible to retire	16
Actives not fully eligible to retire	152
Total membership	190

**City of North Chicago, Illinois**  
 NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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

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, 2016, estimated employer contributions are \$86,331. Active employees do not contribute to the plan until retirement.

3. Annual OPEB Cost and Net OPEB Obligation

The City had an actuarial valuation performed for the plan as of April 30, 2016 (most recent date available). 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, 2016.

	Amount
Annual Required Contribution (ARC)	\$ 96,140
Interest on net OPEB obligation	4,564
Adjustment to Annual Required Contribution	(3,803)
Annual OPEB cost	96,901
Contributions made	(86,331)
Increase in OPEB obligation	10,570
Net OPEB obligation at May 1, 2015	114,101
Net OPEB obligation at April 30, 2016	\$ 124,671

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 2016 are as follows:

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2016

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

4. Trend Information (Continued)

<u>Trend Information - Other Postemployment Benefits</u>			
Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation
04/30/16	\$ 96,901	89.09%	\$ 124,671
04/30/15	96,886	97.79%	114,101
04/30/14	49,303	53.07%	111,961

5. Funding Status and Funding Progress

As of April 30, 2015 (the most recent actuarial valuation date), the actuarial accrued liability for benefits was \$1,354,848, 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 \$10,836,798 and 13%, 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.

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.

**City of North Chicago, Illinois**  
**NOTES TO THE FINANCIAL STATEMENTS**  
April 30, 2016

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

6. Funding Policy and Actuarial Assumptions (Continued)

The following simplifying assumptions were made:

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

NOTE K - RESTRICTIONS BY ENABLING LEGISLATION

The government-wide statement of net position reports \$4,922,308 of net position restricted by enabling legislation which consists of the following:

Road maintenance (Motor Fuel Tax)	\$ 2,507,187
Drug law enforcement	83,125
Emergency phone	537,020
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2014A	1,172,518
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2007A	139,488
Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2007B	115,637
Grant Place Retail Center Debt Service 2007C	<u>367,333</u>
Total government-wide net position restricted by enabling legislation	<u>\$ 4,922,308</u>

**City of North Chicago, Illinois**  
 NOTES TO THE FINANCIAL STATEMENTS  
April 30, 2016

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

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

The City self-insures dental and vision insurance claims up to \$1,000 and \$350 per covered employee per year, respectively. The City accounts for this health insurance activity in the separate Dental and Vision Fund. As of the date of this report, the City has accrued \$15,251 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:

	2016	2015
Unpaid claims, beginning of fiscal year	\$ 12,803	\$ 14,659
Incurred claims including claims incurred but not yet reported (IBNRs)	155,883	135,758
Claim payments	(153,435)	(137,614)
Unpaid claims, end of fiscal year	\$ 15,251	\$ 12,803

**NOTE M - OTHER COMMITMENTS AND CONTINGENCIES**

1. Litigation

There are several lawsuits that the City settled after April 30, 2016. 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 assets and the governmental 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, 2016

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NOTE N - CHANGE IN ACCOUNTING PRINCIPLE

1. Governmental Activities Restated Beginning Net Position

The implementation of GASB 68 and GASB 71 (Note A-2) required a governmental activities net pension liability for the IMRF, Police, and Firefighters' funds to be recorded. As a result of this implementation, governmental activities net position (deficit) as of May 1, 2015 decreased by \$69,454,185, net pension liability (included in long-term liabilities) increased by \$69,557,684, and deferred outflows increased by \$103,499.

2. Business-Type Activities Restated Beginning Net Position

The implementation of GASB 68 and GASB 71 (Note A-2) required a business-type activities net pension asset for the IMRF fund to be recorded. As a result of this implementation, business-type activities net position as of May 1, 2015 increased by \$203,168, net pension asset increased by \$158,811, and deferred outflows increased by \$44,357.

NOTE O - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2016, the date these financial statements were available to be issued. Management has determined that no events or transactions, other than as disclosed below and Note M, have occurred subsequent to the statement of net position/balance sheet date that require disclosure in the financial statements.

Subsequent to April 30, 2016, the City entered into a contract with a general contractor, amounting to approximately \$3.2 million, for various street and ally paving projects and a watermain replacement project. In addition, subsequent to April 30, 2016, the City received a \$100,000 loan to be used towards the purchase of an ambulance. The loan will be repaid in five annual installments of \$20,000 at a rate of 1.86% with payments commencing in October 2017. Lastly, the City approved ordinances related to a new Tax Increment Financing (TIF) district subsequent to April 30, 2016.

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

## City of North Chicago, Illinois

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

Most Recent Calendar Year

Illinois Municipal Retirement Fund

April 30, 2016

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#### *Illinois Municipal Retirement Fund*

Calendar year ended December 31,	<u>2015</u>
Total pension liability	
Service cost	\$ 496,614
Interest on the total pension liability	1,595,969
Difference between expected and actual experience	135,340
Assumption changes	27,111
Benefit payments and refunds	<u>(980,356)</u>
Net change in total pension liability	1,274,678
Total pension liability, beginning	<u>21,521,458</u>
Total pension liability, ending	<u><u>\$ 22,796,136</u></u>
Plan fiduciary net position	
Contributions, employer	\$ 421,862
Contributions, employee	266,754
Net investment income	109,525
Benefit payments, including refunds of employee contributions	(980,356)
Other	<u>(487,761)</u>
Net change in plan fiduciary net position	(669,976)
Plan fiduciary net position, beginning	<u>22,050,828</u>
Plan fiduciary net position, ending	<u><u>\$ 21,380,852</u></u>
Net pension liability	<u><u>\$ 1,415,284</u></u>
Plan fiduciary net position as a percentage of the total pension liability	93.79 %
Covered Valuation Payroll	\$ 4,627,821
Net pension liability as a percentage of covered valuation payroll	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

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

#### Police Pension Fund

April 30, 2016

*Police Pension Fund*

	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 2,102,749	\$ 1,964,836
Interest on the total pension liability	2,486,868	2,616,283
Differences between expected and actual experience	980,066	-
Changes in assumptions	13,134,903	-
Benefit payments and refunds	<u>(2,328,436)</u>	<u>(2,286,321)</u>
Net change in total pension liability	16,376,150	2,294,798
Total pension liability, beginning	<u>69,672,984</u>	<u>67,378,186</u>
Total pension liability, ending	<u><u>\$ 86,049,134</u></u>	<u><u>\$ 69,672,984</u></u>
 Plan fiduciary net position		
Contributions, employer	\$ 1,119,364	\$ 871,239
Contributions, employee	474,366	449,402
Net investment income	(951,250)	854,259
Benefit payments and refunds	(2,328,436)	(2,286,321)
Administrative expense	<u>(58,333)</u>	<u>(54,681)</u>
Net change in plan fiduciary net position	(1,744,289)	(166,102)
Plan fiduciary net position, beginning	<u>16,486,405</u>	<u>16,652,507</u>
Plan fiduciary net position, ending	<u><u>\$ 14,742,116</u></u>	<u><u>\$ 16,486,405</u></u>
 Net pension liability	 <u><u>\$ 71,307,018</u></u>	 <u><u>\$ 53,186,579</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	 17.13 %	 23.66 %
 Covered employee payroll*	 \$ 4,313,455	 \$ 4,321,523
 Net pension liability as a percentage of covered valuation payroll	 1,653.13 %	 1,230.74 %

\* 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.

## City of North Chicago, Illinois

### Multiyear Schedule of Contributions

#### Police Pension Fund

April 30, 2016

#### *Police Pension Fund*

Fiscal Year <u>April 30,</u>	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2016	\$ 2,350,293	\$ 1,119,364	\$ 1,230,929	\$ 4,313,455	26.0 %
2015	2,252,422	871,239	1,381,183	4,321,523	20.2

#### Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal (Level % of Pay)
Amortization Method	Level Dollar (Closed)
Amortization Target	90% Funded as of 2040
Asset Valuation Method	5-Year Smoothed Market Value
Inflation	3.00%
Salary Increases	4.50% - 8.00%
Investment Rate of Return	7.00%
Retirement Age	See the Notes to the Financial Statements
Mortality	Lauterbach & Amen, LLP 2012 study for Police pensions, with adjustment for North Chicago Police Pension Fund experience. For Fiscal Year 2015, RP-2000 Combined Healthy Mortality Table (male) with blue collar adjustment and with a 200% load for participants under age 50 and 125% for participants age 50 and over.

Note: The actuarially determined contribution shown for the current year is from the May 1, 2014 actuary's report completed by Lauterbach & Amen, LLP for the tax levy recommendation for the December 2014 tax levy.

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.

## City of North Chicago, Illinois

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

#### Firefighters' Pension Fund

April 30, 2016

#### *Firefighters' Pension Fund*

	2016	2015
Total pension liability		
Service cost	\$ 986,970	\$ 1,075,887
Interest on the total pension liability	1,529,797	1,454,398
Differences between expected and actual experience	289,492	-
Changes in assumptions	2,498,444	-
Benefit payments and refunds	(1,351,222)	(1,316,005)
Net change in total pension liability	3,953,481	1,214,280
Total pension liability, beginning	36,418,543	35,204,263
Total pension liability, ending	\$ 40,372,024	\$ 36,418,543
Plan fiduciary net position		
Contributions, employer	\$ 702,086	\$ 612,133
Contributions, employee	238,849	221,905
Net investment income (loss)	(227,014)	580,526
Benefit payments and refunds	(1,351,222)	(1,316,005)
Administrative expense	(62,227)	(47,171)
Net change in plan fiduciary net position	(699,528)	51,388
Plan fiduciary net position, beginning	9,453,712	9,402,324
Plan fiduciary net position, ending	\$ 8,754,184	\$ 9,453,712
Net pension liability	\$ 31,617,840	\$ 26,964,831
Plan fiduciary net position as a percentage of the total pension liability	21.68 %	25.96 %
Covered employee payroll*	\$ 2,356,214	\$ 2,267,983
Net pension liability as a percentage of covered valuation payroll	1,341.89 %	1,188.93 %

\* 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.

## City of North Chicago, Illinois

### Multiyear Schedule of Contributions

#### Firefighters' Pension Fund

April 30, 2016

#### *Firefighters' Pension Fund*

Fiscal Year April 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2016	\$ 1,174,104	\$ 702,086	\$ 472,018	\$ 2,356,214	29.8 %
2015	1,024,176	612,133	412,043	2,267,983	27.0

#### Notes to the Required Supplementary Information:

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

Note: The actuarially determined contribution shown for the current year is from the May 1, 2014 actuary's report completed by Lauterbach & Amen, LLP for the tax levy recommendation for the December 2014 tax levy.

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.

**City of North Chicago, Illinois**  
 Multiyear Schedule of Investment Returns  
 Police Pension Fund and Firefighters' Pension Fund  
April 30, 2016

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<u>Fiscal Year</u>	<u>Annual Money- Weighted Rate of Return, Net of Investment Expense</u>
 <i><u>Police Pension Fund</u></i>	
2016	(6.79) %
2015	4.78 %
 <i><u>Firefighters' Pension Fund</u></i>	
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, 2016

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>
04/30/2016 <sup>1</sup>	\$ -	\$ 1,354,848	\$ 1,354,848	0.00 %
04/30/2015	-	1,354,848	1,354,848	0.00
04/30/2014 <sup>1</sup>	-	623,220	623,220	0.00

No valuation was performed for fiscal years ended April 30, 2016 or April 30, 2014.

<sup>1</sup> 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, 2016

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	Original and Final Budget	Actual	Variance from Final Budget
Revenues			
Property taxes	\$ 6,313,104	\$ 6,390,810	\$ 77,706
Taxes - other	4,249,000	4,509,224	260,224
Licenses and permits	959,000	811,788	(147,212)
Intergovernmental	5,884,749	5,874,439	(10,310)
Grants	468,131	13,046	(455,085)
Fines and fees	3,061,964	3,267,603	205,639
Interest	1,000	4,031	3,031
Miscellaneous	202,700	175,999	(26,701)
Total revenues	<u>21,139,648</u>	<u>21,046,940</u>	<u>(92,708)</u>
Expenditures			
General government			
Mayor's office	568,156	425,552	142,604
City Clerk's office	269,707	174,156	95,551
Legislative	200,890	156,500	44,390
City Treasurer	44,225	11,213	33,012
Comptroller	1,158,824	593,841	564,983
Information technology	419,681	218,053	201,628
Human resources	250,147	294,136	(43,989)
Total general government	<u>2,911,630</u>	<u>1,873,451</u>	<u>1,038,179</u>
Administration services	<u>3,628,280</u>	<u>2,949,061</u>	<u>679,219</u>
Highway and streets	<u>1,661,688</u>	<u>1,493,810</u>	<u>167,878</u>

(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, 2016

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	Original and Final Budget	Actual	Variance from Final Budget
Expenditures (continued)			
Public safety			
Police department	\$ 8,919,479	\$ 9,632,216	\$ (712,737)
Fire department	<u>4,034,049</u>	<u>3,742,781</u>	<u>291,268</u>
Total public safety	<u>12,953,528</u>	<u>13,374,997</u>	<u>(421,469)</u>
Economic development			
Economic development department	1,916,438	1,744,590	171,848
Economic development incentive	<u>795,749</u>	<u>822,244</u>	<u>(26,495)</u>
Total economic development	<u>2,712,187</u>	<u>2,566,834</u>	<u>145,353</u>
Debt service	<u>211,200</u>	<u>211,200</u>	<u>-</u>
Total expenditures	<u>24,078,513</u>	<u>22,469,353</u>	<u>1,609,160</u>
Deficiency of revenues over expenditures	<u>(2,938,865)</u>	<u>(1,422,413)</u>	<u>1,516,452</u>
Other financing sources			
Transfers in	<u>2,030,000</u>	<u>2,000,000</u>	<u>30,000</u>
Total other financing sources	<u>2,030,000</u>	<u>2,000,000</u>	<u>30,000</u>
Net change in fund balance	\$ <u>(908,865)</u>	577,587	\$ <u>1,486,452</u>
Fund balance, beginning of year		<u>11,806,118</u>	
Fund balance, end of year		\$ <u>12,383,705</u>	

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(Concluded)

## City of North Chicago, Illinois

Downtown Tax Increment Financing Redevelopment Project Area Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended April 30, 2016

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	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
<b>Revenues</b>			
Interest	\$ -	\$ 1,161	\$ 1,161
Miscellaneous	<u>260,000</u>	<u>-</u>	<u>(260,000)</u>
Total revenues	<u>260,000</u>	<u>1,161</u>	<u>(258,839)</u>
<b>Expenditures</b>			
General government			
Other professional services	<u>100,000</u>	<u>33,779</u>	<u>66,221</u>
Total expenditures	<u>100,000</u>	<u>33,779</u>	<u>66,221</u>
Excess (deficiency) of revenues over expenditures	<u>160,000</u>	<u>(32,618)</u>	<u>(192,618)</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	5,000	5,000
Transfers out	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 160,000</u>	(32,618)	<u>\$ (192,618)</u>
Fund balance, beginning of year		<u>7,636,380</u>	
Fund balance, end of year		<u>\$ 7,603,762</u>	

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**City of North Chicago, Illinois**  
Notes to the Required Supplementary Information  
April 30, 2016

**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. The annual appropriation exceeded the annual budget by 10%.

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

Prior to July 31, the appropriation is legally enacted through passage of an ordinance.

The City prepares its appropriation ordinance in accordance with generally accepted accounting principles.

The level of control (level of which expenditures may not exceed budget/appropriations) is at the fund level. Budget/appropriations lapse at year-end.

All funds also have legally adopted budgets. There were no amendments made to the fiscal year budget.

Expenditures (including transfers out) exceeded budgets in the following funds for the year ended April 30, 2016:

<u>Fund</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Budget</u>
Library	\$ 754,440	\$ 1,203,511	\$ 449,071
Community Development Block Grant	148,601	207,130	58,529
Federal Forfeited Property (DEA)	-	33	33
Seized Drug Money	-	2,995	2,995
Grant Place Capital	-	88,498	88,498
Downtown Tax Increment Financing			
Redevelopment - Debt Service 2007A	251,200	251,275	75
Downtown Tax Increment Financing			
Redevelopment - Debt Service 2007C	765,849	782,862	17,013
Downtown Tax Increment Financing			
Redevelopment - Debt Service 2014A	873,595	874,825	1,230
Capital Improvement	-	37,252	37,252

**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, 2016

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	Original and Final Budget	Actual	Variance from Final Budget
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Property taxes			
Real estate taxes	\$ 4,485,840	\$ 4,542,122	\$ 56,282
Real estate taxes - Firefighters' and Police pensions	<u>1,827,264</u>	<u>1,848,688</u>	<u>21,424</u>
Total property taxes	<u>6,313,104</u>	<u>6,390,810</u>	<u>77,706</u>
Taxes - other			
Hotel/motel tax	140,000	196,163	56,163
Real estate transfer tax	100,000	85,966	(14,034)
Food and beverage tax	300,000	271,208	(28,792)
Municipal motor fuel tax	800,000	786,314	(13,686)
Self storage facility tax	30,000	37,009	7,009
Foreign fire tax	-	290	290
Utility tax	1,450,000	1,458,993	8,993
Simplified telecommunications tax	800,000	693,760	(106,240)
Automobile Rental	-	11,668	11,668
Local use tax	500,000	751,939	251,939
Road and bridge tax	45,000	26,377	(18,623)
Video gaming tax	<u>84,000</u>	<u>189,537</u>	<u>105,537</u>
Total taxes - other	<u>4,249,000</u>	<u>4,509,224</u>	<u>260,224</u>
Total property taxes and taxes - other	<u>10,562,104</u>	<u>10,900,034</u>	<u>337,930</u>
Licenses and permits			
Contractors license	15,000	17,190	2,190
Pet tag license	1,000	820	(180)
Liquor license	35,000	40,900	5,900
Taxi class B license	25,000	26,333	1,333
Tobacco license	-	3,600	3,600
Business license	75,000	64,923	(10,077)
Landlord license	26,000	29,745	3,745
Prop. Vacancies registration	25,000	30,600	5,600

(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, 2016

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	Original and Final Budget	Actual	Variance from Final Budget
Licenses and permits (continued)			
Building permits	\$ 625,000	\$ 389,864	\$ (235,136)
Rezoning variance permits	2,000	-	(2,000)
Miscellaneous permits	10,000	10,895	895
Vehicle stickers			
Truck	10,000	23,560	13,560
Occupancy permits	50,000	105,391	55,391
Hazardous materials permits	40,000	48,500	8,500
Taxi A drivers license	20,000	19,467	(533)
	<u>959,000</u>	<u>811,788</u>	<u>(147,212)</u>
Intergovernmental			
State income tax	3,000,000	2,776,130	(223,870)
Sales tax	2,631,749	2,850,320	218,571
Replacement tax - state	250,000	245,690	(4,310)
North Chicago Housing Authority	3,000	2,299	(701)
	<u>5,884,749</u>	<u>5,874,439</u>	<u>(10,310)</u>
Grant proceeds	<u>468,131</u>	<u>13,046</u>	<u>(455,085)</u>
Fines and fees			
Lien fees	75,000	24,947	(50,053)
Animal fines and fees	5,000	5,769	769
Photocopies	4,000	4,052	52
Code books and maps	500	1,000	500
Fire service charges			
Ambulance fees	250,000	356,702	106,702

(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, 2016

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	Original and Final Budget	Actual	Variance from Final Budget
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Fines and fees (continued)			
Policing charges			
Parking fines	\$ 20,000	\$ 24,256	\$ 4,256
Redflex fines	340,000	303,228	(36,772)
Adjudication fines	160,000	184,598	24,598
Adjudication court costs	5,000	7,914	2,914
Police services fees	931,464	1,120,686	189,222
Alarm service fees	20,000	17,372	(2,628)
Magistrate	250,000	142,788	(107,212)
Cable franchise fees	130,000	163,507	33,507
Railroad parking lot pass fees	15,000	15,101	101
Community day fees	100,000	79,815	(20,185)
Garbage fees	756,000	815,868	59,868
	<u>3,061,964</u>	<u>3,267,603</u>	<u>205,639</u>
Total fines and fees			
Interest	<u>1,000</u>	<u>4,031</u>	<u>3,031</u>
Miscellaneous			
Cable land use lease	90,000	99,688	9,688
Miscellaneous	20,000	59,646	39,646
NSF Check Fee	-	70	70
Worker's compensation reimbursements	90,000	-	(90,000)
Train station lease	2,700	2,250	(450)
Rental income	-	12,000	12,000
Sale of city property	-	2,345	2,345
	<u>202,700</u>	<u>175,999</u>	<u>(26,701)</u>
Total miscellaneous			
Total revenues	<u>21,139,648</u>	<u>21,046,940</u>	<u>(92,708)</u>

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(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, 2016

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	Original and Final Budget	Actual	Variance from Final Budget
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Other financing sources			
Transfer in from Water Fund	\$ 1,600,000	\$ 1,900,000	\$ 300,000
Transfer in from Sewer Fund	400,000	100,000	(300,000)
Transfer in from CDBG	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Total other financing sources	<u>2,030,000</u>	<u>2,000,000</u>	<u>(30,000)</u>
Total revenues and other financing sources	<u>\$ 23,169,648</u>	<u>\$ 23,046,940</u>	<u>\$ (122,708)</u>

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(Concluded)

**City of North Chicago, Illinois**  
 General Fund - Budgetary Basis  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
General government			
Mayor's office			
Salaries and wages			
Full-time salaries and wages	\$ 292,394	\$ 277,519	\$ 14,875
Part-time salaries and wages	12,500	6,679	5,821
Overtime allowances	3,500	718	2,782
Comptime used	-	2,326	(2,326)
Car allowances	-	567	(567)
Total salaries and wages	<u>308,394</u>	<u>287,809</u>	<u>20,585</u>
Fringe benefits			
IMRF match	36,842	25,848	10,994
Employer's health insurance	-	18,351	(18,351)
Employer's dental and vision insurance	1,801	1,783	18
Social security match	18,128	17,075	1,053
Medicare match	4,240	3,993	247
Life insurance premiums	420	624	(204)
Total fringe benefits	<u>61,431</u>	<u>67,674</u>	<u>(6,243)</u>
Contractual services			
Maintenance - vehicles	1,500	920	580
Telephone	-	1,480	(1,480)
Travel and training	30,000	14,318	15,682
Public relations	10,000	1,548	8,452
Postage	1,000	168	832
Printing and publishing	500	326	174
Other professional services	100,000	7,906	92,094
Dues and memberships	19,000	18,008	992
Total contractual services	<u>162,000</u>	<u>44,674</u>	<u>117,326</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund - Budgetary Basis  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Mayor's office (continued)			
Commodities			
Office supplies	\$ 4,000	\$ 3,476	\$ 524
Gasoline and oil	3,000	1,018	1,982
Publications	1,500	-	1,500
Miscellaneous expenses	15,000	16,333	(1,333)
Equipment	3,000	140	2,860
Mayor's expense account	5,000	(9,329)	14,329
Total commodities	<u>31,500</u>	<u>11,638</u>	<u>19,862</u>
Debt service			
Loan principal and interest	4,831	4,428	403
Capital lease	-	9,329	(9,329)
Total debt service	<u>4,831</u>	<u>13,757</u>	<u>(8,926)</u>
Total Mayor's office	<u>568,156</u>	<u>425,552</u>	<u>142,604</u>
City Clerk's office			
Salaries and wages			
Full-time salaries and wages	191,933	126,139	65,794
Total salaries and wages	<u>191,933</u>	<u>126,139</u>	<u>65,794</u>
Fringe benefits			
IMRF match	17,619	11,572	6,047
Sick leave sell back	-	1,649	(1,649)
Employer's health insurance	16,201	10,112	6,089
Employer's dental and vision insurance	3,211	1,329	1,882
Social security match	11,900	7,549	4,351
Medicare match	2,783	1,766	1,017
Life insurance premiums	360	197	163
Total fringe benefits	<u>52,074</u>	<u>34,174</u>	<u>17,900</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund - Budgetary Basis  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
City Clerk's office (continued)			
Contractual services			
Maintenance - equipment	\$ 1,500	\$ 1,405	\$ 95
Travel and training	3,000	1,246	1,754
Postage	200	-	200
Printing and publishing	-	5,198	(5,198)
Dues and memberships	1,000	771	229
Other professional service	6,000	1,609	4,391
Equipment	-	794	(794)
Total contractual services	<u>11,700</u>	<u>11,023</u>	<u>677</u>
Commodities			
Office supplies	4,000	1,553	2,447
Gasoline and oil	1,500	1,267	233
Publications	500	-	500
Miscellaneous expenses	8,000	-	8,000
Total commodities	<u>14,000</u>	<u>2,820</u>	<u>11,180</u>
Total City Clerk's office	<u>269,707</u>	<u>174,156</u>	<u>95,551</u>
Legislative			
Salaries and wages			
Part-time salaries and wages	<u>68,110</u>	<u>65,947</u>	<u>2,163</u>
Total salaries and wages	68,110	65,947	2,163
Fringe benefits			
IMRF match	6,252	2,174	4,078
Employer's health insurance	44,294	35,838	8,456
Employer's dental and vision insurance	3,633	3,118	515
Social security match	4,223	3,513	710
Medicare match	988	822	166
Life insurance premiums	420	618	(198)
Total fringe benefits	<u>59,810</u>	<u>46,083</u>	<u>13,727</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund - Budgetary Basis  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Legislative (continued)			
Contractual services			
Travel and training	\$ 21,000	\$ 25,126	\$ (4,126)
Postage	2,000	-	2,000
Printing and publishing	750	43	707
Dues and memberships	4,350	4,531	(181)
Boards and commissions	15,000	4,408	10,592
Other professional service	9,420	4,247	5,173
Total contractual services	<u>52,520</u>	<u>38,355</u>	<u>14,165</u>
Commodities			
Office supplies	2,950	644	2,306
Miscellaneous expenses	17,500	5,471	12,029
Total commodities	<u>20,450</u>	<u>6,115</u>	<u>14,335</u>
Total legislative	<u>200,890</u>	<u>156,500</u>	<u>44,390</u>
City Treasurer			
Salaries and wages			
Part-time salaries and wages	25,000	15,000	10,000
Gas allowance	-	144	(144)
	<u>25,000</u>	<u>15,144</u>	<u>9,856</u>
Fringe benefits			
IMRF match	2,295	1,359	936
Employer's health insurance	1,317	(12,649)	13,966
Employer's dental and vision insurance	-	797	(797)
Social security match	1,550	939	611
Medicare match	363	220	143
Life insurance premiums	-	101	(101)
Total fringe benefits	<u>5,525</u>	<u>(9,233)</u>	<u>14,758</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund - Budgetary Basis  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
City Treasurer (continued)			
Contractual services			
Travel and training	\$ 6,200	\$ 3,759	\$ 2,441
Printing and publishing	1,000	-	1,000
Dues and memberships	1,500	359	1,141
Total contractual services	<u>8,700</u>	<u>4,118</u>	<u>4,582</u>
Commodities			
Office supplies	3,500	80	3,420
Gasoline and oil	1,500	398	1,102
Miscellaneous expenses	-	706	(706)
Total commodities	<u>5,000</u>	<u>1,184</u>	<u>3,816</u>
Total City Treasurer	<u>44,225</u>	<u>11,213</u>	<u>33,012</u>
Comptroller			
Salaries and wages			
Full-time salaries and wages	446,913	263,515	183,398
Holiday taken	-	12,089	(12,089)
Comptime used	-	3,521	(3,521)
Overtime allowances	4,800	14,481	(9,681)
Total salaries and wages	<u>451,713</u>	<u>293,606</u>	<u>158,107</u>
Fringe benefits			
IMRF match	41,978	27,834	14,144
Employer's health insurance	76,511	26,377	50,134
Employer's dental and vision insurance	6,643	3,225	3,418
Social security match	27,708	18,523	9,185
Medicare match	6,518	4,332	2,186
Life insurance premiums	1,203	2,114	(911)
Total fringe benefits	<u>160,561</u>	<u>82,405</u>	<u>78,156</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund - Budgetary Basis  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Comptroller (continued)			
Contractual services			
Maintenance - equipment	\$ 1,600	\$ 71	\$ 1,529
Telephone	1,200	412	788
Travel and training	10,000	2,360	7,640
Postage	3,500	112	3,388
Printing and publishing	10,000	5,887	4,113
Other professional services	-	199,169	(199,169)
Dues and memberships	1,500	1,080	420
Total contractual services	<u>27,800</u>	<u>209,091</u>	<u>(181,291)</u>
Commodities			
Office supplies	17,000	10,263	6,737
Publications	250	-	250
Miscellaneous expenses	1,500	(1,524)	3,024
Total commodities	<u>18,750</u>	<u>8,739</u>	<u>10,011</u>
Capital Outlay			
Equipment	500,000	-	500,000
Total capital outlay	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total Comptroller	<u>1,158,824</u>	<u>593,841</u>	<u>564,983</u>
Information technology			
Contractual services			
Maintenance - equipment	98,500	66,402	32,098
Telephone	900	1,554	(654)
Travel and training	20,000	-	20,000
Other professional services	199,900	53,010	146,890
Total contractual services	<u>319,300</u>	<u>120,966</u>	<u>198,334</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund - Budgetary Basis  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Information technology (continued)			
Commodities			
Operating supplies	\$ -	\$ 2,429	\$ (2,429)
Gasoline and oil	25,000	-	25,000
Total commodities	<u>25,000</u>	<u>2,429</u>	<u>22,571</u>
Debt service			
Loan principal and interest	<u>35,381</u>	<u>52,782</u>	<u>(17,401)</u>
Capital Outlay			
Equipment	-	41,876	(41,876)
Capital improvement	40,000	-	40,000
Total capital outlay	<u>40,000</u>	<u>41,876</u>	<u>(1,876)</u>
Total information technology	<u>419,681</u>	<u>218,053</u>	<u>201,628</u>
Human resources			
Salaries and wages			
Full-time salaries and wages	153,905	55,741	98,164
Part-time salaries and wages	7,800	(1,481)	9,281
Total salaries and wages	<u>161,705</u>	<u>54,260</u>	<u>107,445</u>
Fringe benefits			
IMRF match	14,128	2,942	11,186
Employer's health insurance	-	(400)	400
Employer's dental and vision insurance	-	76	(76)
Social security match	9,542	3,335	6,207
Medicare match	2,232	780	1,452
Life insurance premiums	240	74	166
Total fringe benefits	<u>26,142</u>	<u>6,807</u>	<u>19,335</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund - Budgetary Basis  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
General government (continued)			
Human resources (continued)			
Contractual services			
Telephone	\$ 1,000	\$ 788	\$ 212
Travel and training	5,000	73	4,927
In-house training	10,000	8,153	1,847
Postage	800	625	175
Printing and publishing	2,500	44	2,456
Other professional services	25,000	208,278	(183,278)
Dues and memberships	1,000	450	550
Total contractual services	<u>45,300</u>	<u>218,411</u>	<u>(173,111)</u>
Commodities			
Office supplies	4,000	4,375	(375)
Publications	1,000	-	1,000
Advertising-all departments	5,000	4,935	65
Employee recognition	5,000	1,374	3,626
Public relations	500	327	173
Safety incentives	1,000	753	247
Miscellaneous expenses	500	1,122	(622)
Total commodities	<u>17,000</u>	<u>12,886</u>	<u>4,114</u>
Capital Outlay			
Equipment	-	1,772	(1,772)
Total human resources	<u>250,147</u>	<u>294,136</u>	<u>(43,989)</u>
Total general government	<u>2,911,630</u>	<u>1,873,451</u>	<u>1,038,179</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund - Budgetary Basis  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
Administration services			
Contractual services			
Unemployment insurance	\$ 50,000	\$ 39,090	\$ 10,910
Maintenance of equipment	53,285	1,019	52,266
Workers' compensation	105,998	(32,398)	138,396
Workers' compensation deductible	250,000	170,282	79,718
Liability insurance	561,319	460,895	100,424
Liability deductibility	300,000	323,760	(23,760)
Insurance contingency fund	276,678	-	276,678
Telephone	170,000	263,539	(93,539)
Utilities	150,000	194,455	(44,455)
Postage	18,500	7,009	11,491
Printing and publishing	13,000	7,596	5,404
Auditing services	60,000	105,518	(45,518)
Payroll service	24,000	30,290	(6,290)
Engineering services	90,000	34,849	55,151
Retainer fees	24,000	22,000	2,000
Medical services	31,000	24,783	6,217
Other professional services	61,000	93,363	(32,363)
Refuse collection	795,000	708,995	86,005
Redflex traffic systems fees	183,000	201,396	(18,396)
Dues and membership	-	288	(288)
Lawsuits and attorney fees	244,000	244,759	(759)
Public relations	27,500	16,627	10,873
Public relations - community day	100,000	125,734	(25,734)
Reimbursements	30,000	30,000	-
Bad debt expense	-	45,069	(45,069)
Total contractual services	<u>3,618,280</u>	<u>3,118,918</u>	<u>499,362</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund - Budgetary Basis  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
Highway and streets			
Street department			
Commodities			
Office supplies	\$ 5,000	\$ 174	\$ 4,826
Miscellaneous expense	5,000	(170,031)	175,031
Total commodities	<u>10,000</u>	<u>(169,857)</u>	<u>179,857</u>
Total administration services	<u>3,628,280</u>	<u>2,949,061</u>	<u>679,219</u>
Salaries and wages			
Full-time salaries and wages	714,957	697,456	17,501
Part-time salaries and wages	32,400	33,521	(1,121)
Voluntary separation plan	-	26	(26)
Overtime allowances	20,000	28,645	(8,645)
Total salaries and wages	<u>767,357</u>	<u>759,648</u>	<u>7,709</u>
Fringe benefits			
IMRF match	65,633	65,785	(152)
Employer's health insurance	140,233	72,922	67,311
Employer's dental and vision insurance	17,768	11,062	6,706
Social security match	44,327	45,599	(1,272)
Medicare match	10,367	10,664	(297)
Life insurance premiums	1,440	2,854	(1,414)
Total fringe benefits	<u>279,768</u>	<u>208,886</u>	<u>70,882</u>
Contractual services			
Maintenance - building	21,500	14,095	7,405
Maintenance - vehicles	55,000	117,114	(62,114)
Maintenance - equipment	25,000	14,517	10,483
Maintenance - streets	60,000	35,489	24,511
Maintenance - grounds	6,000	4,086	1,914

(Continued)

**City of North Chicago, Illinois**  
 General Fund - Budgetary Basis  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2016

	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	3,000	4,037	(1,037)
Street lighting	10,000	11,876	(1,876)
Rentals	5,000	1,082	3,918
Travel and training	3,000	7,305	(4,305)
Postage	250	30	220
Printing and publishing	250	836	(586)
Memberships and dues	500	1,350	(850)
Medical services	400	86	314
Other professional services	37,500	5,476	32,024
Contractual Services	70,000	54,466	15,534
Total contractual services	<u>298,400</u>	<u>271,845</u>	<u>26,555</u>
Commodities			
Office supplies	2,000	1,544	456
Gasoline and oil	50,000	41,773	8,227
Maintenance and supplies	15,000	10,440	4,560
Operating supplies	7,500	10,636	(3,136)
Uniforms	17,750	23,322	(5,572)
Miscellaneous expenses	1,000	2,523	(1,523)
Total commodities	<u>93,250</u>	<u>90,238</u>	<u>3,012</u>
Debt service			
Loan principal and interest	8,913	46,231	(37,318)
Capital outlay			
Vehicles	29,000	1,486	27,514
Equipment	185,000	115,476	69,524
Total capital outlay	<u>214,000</u>	<u>116,962</u>	<u>97,038</u>
Total highway and streets	<u>1,661,688</u>	<u>1,493,810</u>	<u>167,878</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund - Budgetary Basis  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
Public safety			
Police department			
Salaries and wages			
Full-time salaries and wages	\$ 5,074,477	\$ 4,957,983	\$ 116,494
Part-time salaries and wages	167,601	154,867	12,734
Voluntary separation plan	-	18,848	(18,848)
Holiday taken	-	187,584	(187,584)
Police special detail	-	26,914	(26,914)
Independent investigator	-	772	(772)
Overtime allowances	50,000	100,343	(50,343)
Police overtime	300,000	912,340	(612,340)
Comp time accrued	-	52,288	(52,288)
Sick leave sell back	-	14,869	(14,869)
Workers' compensation	-	118,032	(118,032)
Total salaries and wages	<u>5,592,078</u>	<u>6,544,840</u>	<u>(952,762)</u>
Fringe benefits			
IMRF match	60,226	85,365	(25,139)
Employer pension contribution	1,122,801	1,119,364	3,437
Employer's health insurance	860,301	681,781	178,520
Employer's dental and vision insurance	101,496	54,986	46,510
Social security match	50,077	66,238	(16,161)
Medicare match	76,010	86,461	(10,451)
Life insurance premiums	9,310	11,934	(2,624)
Total fringe benefits	<u>2,280,221</u>	<u>2,106,129</u>	<u>174,092</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund - Budgetary Basis  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Police department (continued)			
Contractual services			
Uniform allowance	\$ 10,125	\$ -	\$ 10,125
Maintenance - building	-	1,092	(1,092)
Maintenance - vehicle	78,200	133,670	(55,470)
Maintenance - equipment	61,000	68,747	(7,747)
Other maintenance	1,000	977	23
Telephone	15,000	19,482	(4,482)
Rentals	14,350	419	13,931
Travel and training	31,124	49,262	(18,138)
Postage	1,500	482	1,018
Printing and publishing	13,500	11,916	1,584
Other professional services	51,000	69,829	(18,829)
Dues and memberships	8,600	3,116	5,484
Animal control	39,000	18,710	20,290
Other communication service	15,000	19,297	(4,297)
Total contractual services	<u>339,399</u>	<u>396,999</u>	<u>(57,600)</u>
Commodities			
Office supplies	20,000	13,683	6,317
Gasoline and oil	145,000	84,950	60,050
Operating supplies	44,570	90,968	(46,398)
Uniforms	40,000	74,572	(34,572)
Prisoner meals	1,500	1,594	(94)
Publications	1,000	-	1,000
Investigative expenses	6,000	10,321	(4,321)
Crime prevention	26,000	15,866	10,134
Miscellaneous	10,000	-	10,000
Total commodities	<u>294,070</u>	<u>291,954</u>	<u>2,116</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund - Budgetary Basis  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Police department (continued)			
Debt service			
Loan principal and interest	\$ 24,306	\$ 109,825	\$ (85,519)
Capital lease	184,405	111,946	72,459
Total debt service	<u>208,711</u>	<u>221,771</u>	<u>(13,060)</u>
Capital outlay			
Vehicles	180,000	-	180,000
Equipment	25,000	70,523	(45,523)
Total capital outlay	<u>205,000</u>	<u>70,523</u>	<u>134,477</u>
Total police department	<u>8,919,479</u>	<u>9,632,216</u>	<u>(712,737)</u>
Fire department			
Salaries and wages			
Full-time salaries and wages	2,498,288	2,298,021	200,267
Part-time salaries and wages	13,434	19,809	(6,375)
Fire overtime	40,000	49,497	(9,497)
Holiday taken	-	82,495	(82,495)
Fire lieutenant pay	-	5,346	(5,346)
Overtime allowances	2,000	37	1,963
Worker's compensation	20,000	25,914	(5,914)
Good attendance	-	15,853	(15,853)
Total salaries and wages	<u>2,573,722</u>	<u>2,496,972</u>	<u>76,750</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund - Budgetary Basis  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Fire department (continued)			
Fringe benefits			
IMRF match	\$ 5,230	\$ 7,533	\$ (2,303)
Employer pension contribution	704,463	702,086	2,377
Employer's health insurance	414,108	280,748	133,360
Employer's dental and vision insurance	49,033	28,952	20,081
Social security match	3,532	4,291	(759)
Medicare match	36,420	33,383	3,037
Life insurance premiums	3,960	6,136	(2,176)
Total fringe benefits	<u>1,216,746</u>	<u>1,063,129</u>	<u>153,617</u>
Contractual services			
Maintenance - vehicles	33,700	21,722	11,978
Maintenance - equipment	37,000	-	37,000
Telephone	4,700	2,868	1,832
Rentals	3,500	1,241	2,259
Travel and training	25,000	24,281	719
Postage	200	230	(30)
Printing and publishing	5,000	5,081	(81)
Medical services	12,500	11,422	1,078
Other professional service	10,000	(786)	10,786
Dues and memberships	9,000	7,559	1,441
Total contractual services	<u>140,600</u>	<u>73,618</u>	<u>66,982</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund - Budgetary Basis  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
Public safety (continued)			
Fire department (continued)			
Commodities			
Office supplies	\$ 3,000	\$ 6,529	\$ (3,529)
Gasoline and oil	23,000	16,985	6,015
Maintenance supplies	4,000	4,335	(335)
Operating supplies	5,000	6,289	(1,289)
Ambulance operating supplies	10,000	10,515	(515)
Uniforms	27,000	31,898	(4,898)
Hazardous material enforcement	3,000	4,077	(1,077)
Reimbursements	500	781	(281)
Miscellaneous	4,800	-	4,800
Total commodities	<u>80,300</u>	<u>81,409</u>	<u>(1,109)</u>
Debt service			
Capital lease	10,181	11,035	(854)
Total debt service	<u>10,181</u>	<u>11,035</u>	<u>(854)</u>
Capital outlay			
Equipment	12,500	16,618	(4,118)
Total capital outlay	<u>12,500</u>	<u>16,618</u>	<u>(4,118)</u>
Total fire department	<u>4,034,049</u>	<u>3,742,781</u>	<u>291,268</u>
Total public safety	<u>12,953,528</u>	<u>13,374,997</u>	<u>(421,469)</u>

(Continued)

**City of North Chicago, Illinois**  
 General Fund - Budgetary Basis  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
<b>Economic development department</b>			
<b>Salaries and wages</b>			
Full-time salaries and wages	\$ 694,882	\$ 463,942	\$ 230,940
Comp time	-	9,277	(9,277)
Overtime allowances	7,500	8,485	(985)
Total salaries and wages	<u>702,382</u>	<u>481,704</u>	<u>220,678</u>
<b>Fringe benefits</b>			
IMRF match	63,790	43,693	20,097
Employer's health insurance	49,741	36,277	13,464
Employer's dental and vision insurance	4,670	6,068	(1,398)
Social security match	43,083	28,896	14,187
Medicare match	10,076	6,758	3,318
Life insurance premiums	420	1,055	(635)
Total fringe benefits	<u>171,780</u>	<u>122,747</u>	<u>49,033</u>
<b>Contractual services</b>			
Telephone	5,000	4,242	758
Travel and training	7,500	6,008	1,492
Postage	2,500	448	2,052
Maintenance - vehicle	2,000	1,767	233
Maintenance - building	57,500	129,950	(72,450)
Maintenance - Equipment	750	2,257	(1,507)
Printing and publishing	4,800	3,765	1,035
Other professional services	195,000	394,243	(199,243)
Operating supplies	7,500	1,238	6,262
Uniforms	1,500	306	1,194
Miscellaneous expenses	602,000	456,836	145,164
Building Improvements	-	19,451	(19,451)

(Continued)

**City of North Chicago, Illinois**  
 General Fund - Budgetary Basis  
 Schedule of Expenditures - Budget and Actual  
For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
Economic development department (continued)			
Contractual services (continued)			
Dues and memberships	\$ 7,500	\$ 8,975	\$ (1,475)
Demolition	50,000	27,210	22,790
Pest Control	40,000	28,380	11,620
Principal and interest	22,726	27,646	(4,920)
Lease interest expense	-	2,636	(2,636)
Equipment	15,000	13,327	1,673
Total contractual services	<u>1,021,276</u>	<u>1,128,685</u>	<u>(107,409)</u>
Commodities			
Office supplies	3,000	8,403	(5,403)
Gasoline and oil	5,000	2,857	2,143
Publications	500	194	306
Maintenance supplies	12,500	-	12,500
Total commodities	<u>21,000</u>	<u>11,454</u>	<u>9,546</u>
Total economic development department	1,916,438	1,744,590	171,848
Economic development incentive	<u>795,749</u>	<u>822,244</u>	<u>(26,495)</u>
Total economic development	<u>2,712,187</u>	<u>2,566,834</u>	<u>145,353</u>
Debt service			
State tax loan payment	<u>211,200</u>	<u>211,200</u>	<u>-</u>
Total expenditures	<u>\$ 24,078,513</u>	<u>\$ 22,469,353</u>	<u>\$ 1,609,160</u>

(Concluded)

**NONMAJOR GOVERNMENTAL FUNDS**

**City of North Chicago, Illinois**

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2016

	Special Revenue Funds			
	Library	Motor Fuel Tax	Community Development Block Grant	Federal Forfeited Property (DEA)
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,295,677	\$ 2,506,371	\$ 325,781	\$ 41,904
Property tax receivable	762,478	-	-	-
Intergovernmental receivable	-	74,132	-	-
Other receivables	-	-	253,343	-
Due from other funds	60,398	-	-	-
Property held for resale	-	-	20,072	-
	-	-	-	-
Total assets	\$ 2,118,553	\$ 2,580,503	\$ 599,196	\$ 41,904
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 69,244	\$ 74,166	\$ 1,727	\$ -
Accrued payroll	10,105	-	-	-
Other liabilities	-	-	-	-
Unearned fees	-	-	-	-
Due to other funds	-	-	69,507	-
	-	-	69,507	-
Total liabilities	79,349	74,166	71,234	-
<b>Deferred inflows</b>				
Property taxes levied for a future period	391,936	-	-	-
	391,936	-	-	-
Total deferred inflows	391,936	-	-	-
<b>Fund balances</b>				
Nonspendable for property held for resale	-	-	20,072	-
Restricted for special revenue funds	1,647,268	2,506,337	507,890	41,904
Restricted for debt service	-	-	-	-
Restricted for capital projects	-	-	-	-
	-	-	-	-
Total fund balances	1,647,268	2,506,337	527,962	41,904
Total liabilities, deferred inflows, and fund balances	\$ 2,118,553	\$ 2,580,503	\$ 599,196	\$ 41,904

	E911 Emergency	Delta Institute Emerald Ash Borer Grant	Seized Drug Money (State)	DCEO Infrastructure	Grant Place	Grant Place Operating	Total Nonmajor Special Revenue Funds
\$	488,520	\$ 7,060	\$ 48,023	\$ 25,034	\$ 510,354	\$ 20,656	\$ 5,269,380
	-	-	-	-	-	-	762,478
	-	-	-	-	-	-	74,132
	50,003	-	-	-	32,355	-	335,701
	-	-	-	-	-	-	60,398
	-	-	-	-	1,200,000	-	1,220,072
\$	<u>538,523</u>	<u>7,060</u>	<u>48,023</u>	<u>25,034</u>	<u>1,742,709</u>	<u>20,656</u>	<u>7,722,161</u>
\$	1,503	\$ -	\$ -	\$ -	\$ -	\$ 9,153	\$ 155,793
	-	-	-	-	-	-	10,105
	-	-	-	-	-	1,845	1,845
	-	-	-	25,000	-	6,909	31,909
	-	-	6,835	-	-	-	76,342
	<u>1,503</u>	<u>-</u>	<u>6,835</u>	<u>25,000</u>	<u>-</u>	<u>17,907</u>	<u>275,994</u>
	-	-	-	-	-	-	391,936
	-	-	-	-	-	-	391,936
	-	-	-	-	1,200,000	-	1,220,072
	537,020	7,060	41,188	34	542,709	2,749	5,834,159
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	<u>537,020</u>	<u>7,060</u>	<u>41,188</u>	<u>34</u>	<u>1,742,709</u>	<u>2,749</u>	<u>7,054,231</u>
\$	<u>538,523</u>	<u>7,060</u>	<u>48,023</u>	<u>25,034</u>	<u>1,742,709</u>	<u>20,656</u>	<u>7,722,161</u>

(Continued)

**City of North Chicago, Illinois**

Nonmajor Governmental Funds

Combining Balance Sheet (Continued)

Year Ended April 30, 2016

	Debt Service Funds		
	Downtown Tax Increment Financing Redevelopment Project Area Debt Series 2005A	Downtown Tax Increment Financing Redevelopment Project Area Debt Service 2007A	Downtown Tax Increment Financing Redevelopment Project Area Debt Service 2007B
<b>ASSETS</b>			
Cash and cash equivalents	\$ 952,422	\$ 12,208	\$ 15,982
Property tax receivable	862,850	261,908	205,060
Intergovernmental receivable	-	-	-
Other receivables	-	-	-
Due from other funds	-	-	-
Property held for resale	-	-	-
<b>Total assets</b>	<b>\$ 1,815,272</b>	<b>\$ 274,116</b>	<b>\$ 221,042</b>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Other liabilities	-	-	-
Unearned fees	-	-	-
Due to other funds	500,000	-	-
<b>Total liabilities</b>	<b>500,000</b>	<b>-</b>	<b>-</b>
<b>Deferred inflows</b>			
Property taxes levied for a future period	142,754	134,628	105,405
<b>Total deferred inflows</b>	<b>142,754</b>	<b>134,628</b>	<b>105,405</b>
<b>Fund balances</b>			
Nonspendable for property held for resale	-	-	-
Restricted for special revenue funds	-	-	-
Restricted for debt service	1,172,518	139,488	115,637
Restricted for capital projects	-	-	-
<b>Total fund balances</b>	<b>1,172,518</b>	<b>139,488</b>	<b>115,637</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 1,815,272</b>	<b>\$ 274,116</b>	<b>\$ 221,042</b>

		Capital Project Funds		Total
Grant Place Retail Center Debt Service 2007C	Total Nonmajor Debt Service Funds	Capital Improvement	Total Nonmajor Capital Project Funds	Nonmajor Governmental Funds
\$ (28,014)	\$ 952,598	\$ 45,210	\$ 45,210	\$ 6,267,188
792,947	2,122,765	-	-	2,885,243
-	-	-	-	74,132
10,000	10,000	-	-	345,701
-	-	-	-	60,398
-	-	-	-	1,220,072
<u>\$ 774,933</u>	<u>\$ 3,085,363</u>	<u>\$ 45,210</u>	<u>\$ 45,210</u>	<u>\$ 10,852,734</u>

\$ -	\$ -	\$ -	\$ -	\$ 155,793
-	-	-	-	10,105
-	-	-	-	1,845
-	-	-	-	31,909
-	500,000	-	-	576,342
-	500,000	-	-	775,994
<u>407,600</u>	<u>790,387</u>	<u>-</u>	<u>-</u>	<u>1,182,323</u>
<u>407,600</u>	<u>790,387</u>	<u>-</u>	<u>-</u>	<u>1,182,323</u>
-	-	-	-	1,220,072
-	-	-	-	5,834,159
367,333	1,794,976	-	-	1,794,976
-	-	45,210	45,210	45,210
<u>367,333</u>	<u>1,794,976</u>	<u>45,210</u>	<u>45,210</u>	<u>8,894,417</u>
<u>\$ 774,933</u>	<u>\$ 3,085,363</u>	<u>\$ 45,210</u>	<u>\$ 45,210</u>	<u>\$ 10,852,734</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, 2016

	<u>Special Revenue Funds</u>			
	<u>Library</u>	<u>Motor Fuel Tax</u>	<u>Community Development Block Grant</u>	<u>Federal Forfeited Property (DEA)</u>
<b>Revenues</b>				
Property taxes	\$ 742,568	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	833,207	-	-
Grants	29,666	-	199,607	-
Fines and fees	16,496	-	-	-
Interest	217	581	59	2
Miscellaneous	42,059	3,242	150,071	35,730
<b>Total revenues</b>	<b>831,006</b>	<b>837,030</b>	<b>349,737</b>	<b>35,732</b>
<b>Expenditures</b>				
<b>Current</b>				
Administration	-	-	30,655	-
Highway and streets	-	294,578	-	-
Public safety	-	-	-	-
Culture and recreation	590,490	-	-	-
Economic development	-	-	176,475	-
<b>Debt service</b>				
Principal retirement	-	-	-	-
Interest and other	-	-	-	-
<b>Capital outlay</b>	<b>613,021</b>	<b>23,426</b>	<b>-</b>	<b>33</b>
<b>Total expenditures</b>	<b>1,203,511</b>	<b>318,004</b>	<b>207,130</b>	<b>33</b>
Excess (deficiency) of revenues over expenditures	(372,505)	519,026	142,607	35,699
<b>Other financing sources (uses)</b>				
Loan proceeds	426,188	-	-	-
Transfers in (out)	-	-	-	-
<b>Total other financing sources</b>	<b>426,188</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balance	53,683	519,026	142,607	35,699
Fund balance (deficit), beginning of year	1,593,585	1,987,311	385,355	6,205
Fund balance, end of year	\$ <u>1,647,268</u>	\$ <u>2,506,337</u>	\$ <u>527,962</u>	\$ <u>41,904</u>

E911 Emergency	Delta Institute Emerald Ash Borer Grant	Seized Drug Money (State)	DCEO Infrastructure	Grant Place	Grant Place Operating	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 742,568
143,457	-	-	-	-	-	143,457
-	-	2,048	-	-	-	835,255
-	-	-	-	-	-	229,273
-	-	-	-	-	-	16,496
130	-	32	1	-	6,655	7,677
-	-	-	-	-	141,113	372,215
<u>143,587</u>	<u>-</u>	<u>2,080</u>	<u>1</u>	<u>-</u>	<u>147,768</u>	<u>2,346,941</u>
-	-	-	-	62,372	-	93,027
-	-	-	-	-	-	294,578
23,915	-	2,995	-	-	-	26,910
-	-	-	-	-	-	590,490
-	-	-	-	-	141,261	317,736
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>32,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>669,386</u>
<u>56,821</u>	<u>-</u>	<u>2,995</u>	<u>-</u>	<u>62,372</u>	<u>141,261</u>	<u>1,992,127</u>
86,766	-	(915)	1	(62,372)	6,507	354,814
-	-	-	-	-	-	426,188
-	-	-	-	(26,126)	26,126	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,126)</u>	<u>26,126</u>	<u>426,188</u>
86,766	-	(915)	1	(88,498)	32,633	781,002
<u>450,254</u>	<u>7,060</u>	<u>42,103</u>	<u>33</u>	<u>1,831,207</u>	<u>(29,884)</u>	<u>6,273,229</u>
<u>\$ 537,020</u>	<u>\$ 7,060</u>	<u>\$ 41,188</u>	<u>\$ 34</u>	<u>\$ 1,742,709</u>	<u>\$ 2,749</u>	<u>\$ 7,054,231</u>

(Continued)

**City of North Chicago, Illinois**

Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficit) (Continued)

For the Year Ended April 30, 2016

	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	\$ 1,384,765	\$ 256,210	\$ 204,816
Taxes - other	-	-	-
Intergovernmental	-	-	-
Grants	-	-	-
Fines and fees	-	-	-
Interest	940	70	126
Miscellaneous	-	-	-
Total revenues	<u>1,385,705</u>	<u>256,280</u>	<u>204,942</u>
Expenditures			
Current			
Administration	-	-	-
Highway and streets	-	-	-
Public safety	-	-	-
Culture and recreation	-	-	-
Economic development	-	-	-
Debt service			
Principal retirement	640,000	180,000	-
Interest and other	234,825	71,275	205,535
Capital outlay	-	-	-
Total expenditures	<u>874,825</u>	<u>251,275</u>	<u>205,535</u>
Excess (deficiency) of revenues over expenditures	510,880	5,005	(593)
Other financing sources (uses)			
Loan proceeds	-	-	-
Transfers in (out)	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	510,880	5,005	(593)
Fund balance, beginning of year	<u>661,638</u>	<u>134,483</u>	<u>116,230</u>
Fund balance, end of year	<u>\$ 1,172,518</u>	<u>\$ 139,488</u>	<u>\$ 115,637</u>

		Capital Project Funds		Total
Grant Place Retail Center Debt Service 2007C	Total Nonmajor Debt Service Funds	Capital Improvement	Total Nonmajor Capital Project Funds	Nonmajor Governmental Funds
\$ 783,165	\$ 2,628,956	\$ -	\$ -	\$ 3,371,524
-	-	-	-	143,457
-	-	-	-	835,255
-	-	-	-	229,273
-	-	-	-	16,496
553	1,689	3	3	9,369
-	-	-	-	372,215
<u>783,718</u>	<u>2,630,645</u>	<u>3</u>	<u>3</u>	<u>4,977,589</u>
-	-	-	-	93,027
-	-	37,252	37,252	331,830
-	-	-	-	26,910
-	-	-	-	590,490
-	-	-	-	317,736
325,000	1,145,000	-	-	1,145,000
457,862	969,497	-	-	969,497
-	-	-	-	669,386
<u>782,862</u>	<u>2,114,497</u>	<u>37,252</u>	<u>37,252</u>	<u>4,143,876</u>
856	516,148	(37,249)	(37,249)	833,713
-	-	-	-	426,188
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>426,188</u>
856	516,148	(37,249)	(37,249)	1,259,901
366,477	1,278,828	82,459	82,459	7,634,516
<u>\$ 367,333</u>	<u>\$ 1,794,976</u>	<u>\$ 45,210</u>	<u>\$ 45,210</u>	<u>\$ 8,894,417</u>

(Concluded)

## **ENTERPRISE FUNDS**

# City of North Chicago, Illinois

## Water Fund

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

For the Year Ended April 30, 2016

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	Original and Final Budget	Actual	Variance from Final Budget
Operating revenues			
Charges for sales and services	\$ 5,978,212	\$ 5,840,810	\$ (137,402)
Miscellaneous	10,000	217,148	207,148
Total operating revenues	<u>5,988,212</u>	<u>6,057,958</u>	<u>69,746</u>
Operating expenses			
Operations	6,097,120	3,482,891	2,614,229
Depreciation	-	563,667	(563,667)
Total operating expenses	<u>6,097,120</u>	<u>4,046,558</u>	<u>2,050,562</u>
Operating income (loss)	<u>(108,908)</u>	<u>2,011,400</u>	<u>2,120,308</u>
Nonoperating revenues (expenses)			
Property taxes	-	58,982	58,982
Interest income	1,300	5,540	4,240
Principal retirement	(82,820)	-	82,820
Interest expense	(30,713)	(39,677)	(8,964)
Total nonoperating revenues (expenses)	<u>(112,233)</u>	<u>24,845</u>	<u>137,078</u>
Income before contributions and transfers	<u>(221,141)</u>	<u>2,036,245</u>	<u>2,257,386</u>
Transfers in	300,000	300,000	-
Transfers out	<u>(1,900,000)</u>	<u>(1,900,000)</u>	<u>-</u>
Change in net position	\$ <u>(1,821,141)</u>	436,245	\$ <u>2,257,386</u>
Net position, beginning of year, as restated (See Note N)		<u>16,988,765</u>	
Net position, end of year		\$ <u>17,425,010</u>	

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**City of North Chicago, Illinois**  
 Water Fund  
 Schedule of Operating Revenues - Budget and Actual  
For the Year Ended April 30, 2016

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance from <u>Final Budget</u>
Operating revenues			
Charges for sales and services			
Industrial water	\$ 2,108,035	\$ 2,088,809	\$ (19,226)
Abbott park water	797,530	688,615	(108,915)
Abbott raw water	644,057	682,495	38,438
Residential water	1,379,501	1,319,210	(60,291)
Commercial water	325,993	313,732	(12,261)
Water resumption	20,000	20,145	145
Meter sales	10,000	9,484	(516)
Tie-in fees	500	3,818	3,318
Water/sewer assessment	100	-	(100)
Water base fees	608,706	636,424	27,718
Water penalty	60,705	54,372	(6,333)
Raw water equipment	23,085	23,706	621
Total charges for sales and services	<u>5,978,212</u>	<u>5,840,810</u>	<u>(137,402)</u>
Miscellaneous	<u>10,000</u>	<u>217,148</u>	<u>207,148</u>
Total other revenues	<u>10,000</u>	<u>217,148</u>	<u>207,148</u>
Total operating revenues	<u>\$ 5,988,212</u>	<u>\$ 6,057,958</u>	<u>\$ 69,746</u>

# City of North Chicago, Illinois

## Water Fund

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

For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
<b>Operating expenses</b>			
<b>Salaries and wages</b>			
Full-time salaries and wages	\$ 924,486	\$ 877,375	\$ 47,111
Overtime allowances	55,000	150,681	(95,681)
Comptime used	-	3,400	(3,400)
Compensated absences	-	23,605	(23,605)
Holiday	-	4,362	(4,362)
Workers' compensation	20,000	2,184	17,816
<b>Total salaries and wages</b>	<b>999,486</b>	<b>1,061,607</b>	<b>(62,121)</b>
<b>Fringe benefits</b>			
IMRF match	84,868	93,861	(8,993)
IMRF net pension liability adjustment	-	163,597	(163,597)
Employer's health insurance	112,264	137,851	(25,587)
Employer's dental and vision insurance	17,227	11,842	5,385
Social security match	57,351	61,333	(3,982)
Medicare match	13,405	14,344	(939)
Life insurance premiums	1,680	5,853	(4,173)
<b>Total fringe benefits</b>	<b>286,795</b>	<b>488,681</b>	<b>(201,886)</b>
<b>Contractual services</b>			
Maintenance - buildings	107,500	(602)	108,102
Maintenance - vehicles	3,000	12,900	(9,900)
Maintenance - equipment	245,000	450,162	(205,162)
Maintenance - utility system	250,000	133,730	116,270
Other maintenance	2,500	2,156	344
Telephone	3,500	5,392	(1,892)
Utilities	685,000	490,883	194,117
Rentals	100	974	(874)
Medical service	500	-	500
Travel and training	3,000	8,355	(5,355)
Postage	12,000	12,585	(585)

(Continued)

# City of North Chicago, Illinois

## Water Fund

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

For the Year Ended April 30, 2016

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	Original and Final Budget	Actual	Variance from Final Budget
Operating expenses (continued)			
Contractual services (continued)			
Printing and publishing	\$ 5,000	\$ 3,440	\$ 1,560
Fiber option project	25,000	-	25,000
Engineering services	139,000	104,395	34,605
Other professional services	63,000	252,857	(189,857)
Dues and memberships	750	521	229
Sludge treatment	40,000	3,266	36,734
Intake inspection	159,000	642	158,358
Total contractual services	<u>1,743,850</u>	<u>1,481,656</u>	<u>262,194</u>
Commodities			
Office supplies	7,500	2,923	4,577
Gasoline and oil	25,000	1,435	23,565
Maintenance supplies	135,000	4,560	130,440
Operating supplies	173,000	85,657	87,343
Uniforms	10,750	12,038	(1,288)
Miscellaneous expenses	1,000	(2,625)	3,625
Total commodities	<u>352,250</u>	<u>103,988</u>	<u>248,262</u>
Bad debt expense	<u>-</u>	<u>139,199</u>	<u>(139,199)</u>
Capital outlay			
Other improvements	2,201,000	106,213	2,094,787
Vehicles	250,239	3,200	247,039
Equipment	223,500	25,325	198,175
Meters	40,000	73,022	(33,022)
Total capital outlay	<u>2,714,739</u>	<u>207,760</u>	<u>2,506,979</u>
Depreciation	<u>-</u>	<u>563,667</u>	<u>(563,667)</u>
Total operating expenses	<u>\$ 6,097,120</u>	<u>\$ 4,046,558</u>	<u>\$ 2,050,562</u>

(Concluded)

# City of North Chicago, Illinois

## Sewer Fund

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

For the Year Ended April 30, 2016

---

	Original and Final Budget	Actual	Variance from Final Budget
Operating revenues			
Charges for sales and services	\$ 1,358,178	\$ 1,398,593	\$ 40,415
Miscellaneous	<u>-</u>	<u>1,008</u>	<u>1,008</u>
Total operating revenues	<u>1,358,178</u>	<u>1,399,601</u>	<u>41,423</u>
Operating expenses			
Operations	982,024	683,442	298,582
Depreciation	<u>-</u>	<u>121,267</u>	<u>(121,267)</u>
Total operating expenses	<u>982,024</u>	<u>804,709</u>	<u>177,315</u>
Operating income	<u>376,154</u>	<u>594,892</u>	<u>218,738</u>
Nonoperating revenues (expenses)			
Property taxes	-	61,389	61,389
Interest income	600	14,523	13,923
Principal retirement	(57,875)	-	57,875
Interest expense	<u>(32,329)</u>	<u>(50,011)</u>	<u>(17,682)</u>
Total nonoperating expenses	<u>(89,604)</u>	<u>25,901</u>	<u>115,505</u>
Income before transfers	<u>286,550</u>	<u>620,793</u>	<u>334,243</u>
Transfers out	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>
Changes in net position	\$ <u><u>(113,450)</u></u>	220,793	\$ <u><u>334,243</u></u>
Net position, beginning of year, as restated (See Note N)		<u>4,405,283</u>	
Net position, end of year		\$ <u><u>4,626,076</u></u>	

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**City of North Chicago, Illinois**  
 Sewer Fund  
 Schedule of Operating Revenues - Budget and Actual  
For the Year Ended April 30, 2016

---

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance from <u>Final Budget</u>
Operating revenues			
Charges for sales and services			
Residential sewer	\$ 421,795	\$ 446,783	\$ 24,988
Industrial sewer	734,134	751,234	17,100
Penalties	18,741	16,108	(2,633)
Commercial sewer	90,107	93,959	3,852
Base fees	<u>93,401</u>	<u>90,509</u>	<u>(2,892)</u>
Total charges for sales and services	<u>1,358,178</u>	<u>1,398,593</u>	<u>40,415</u>
Miscellaneous	-	1,008	1,008
Total other revenues	<u>-</u>	<u>1,008</u>	<u>1,008</u>
Total operating revenues	<u>\$ 1,358,178</u>	<u>\$ 1,399,601</u>	<u>\$ 41,423</u>

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**City of North Chicago, Illinois**  
 Sewer Fund  
 Schedule of Operating Expenses - Budget and Actual  
For the Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance from Final Budget
<b>Operating expenses</b>			
Salaries and wages			
Full-time salaries and wages	\$ 228,930	\$ 208,206	\$ 20,724
Overtime allowances	40,000	16,103	23,897
Compensated absences	-	(10,358)	10,358
Total salaries and wages	<u>268,930</u>	<u>213,951</u>	<u>54,979</u>
Fringe benefits			
IMRF match	21,016	20,349	667
IMRF net pension liability adjustment	-	31,162	(31,162)
Employer's health insurance	48,975	45,213	3,762
Employer's dental and vision insurance	8,840	7,271	1,569
Social security match	14,194	13,140	1,054
Medicare match	3,319	3,073	246
Life insurance premiums	500	1,011	(511)
Total fringe benefits	<u>96,844</u>	<u>121,219</u>	<u>(24,375)</u>
Contractual services			
Maintenance - building	25,000	738	24,262
Maintenance - vehicles	15,000	10,111	4,889
Maintenance - equipment	15,000	4,619	10,381
Maintenance - grounds	500	-	500
Maintenance - utility system	10,000	670	9,330
Other maintenance	2,000	-	2,000
Telephone	3,000	2,926	74
Rentals	5,000	-	5,000
Medical service	400	-	400
Travel and training	2,600	2,372	228
Engineering services	-	1,000	(1,000)
Contractual services	275,000	109,885	165,115
Other professional services	47,500	58,310	(10,810)
Dues and memberships	1,150	155	995
Total contractual services	<u>402,150</u>	<u>190,786</u>	<u>211,364</u>

(Continued)

# City of North Chicago, Illinois

## Sewer Fund

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

For the Year Ended April 30, 2016

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	Original and Final Budget	Actual	Variance from Final Budget
Operating expenses (continued)			
Commodities			
Office supplies	\$ 2,500	\$ 166	\$ 2,334
Gasoline and oil	10,000	-	10,000
Maintenance supplies	85,000	83,234	1,766
Operating supplies	3,500	8,084	(4,584)
Uniforms	4,100	7,388	(3,288)
Miscellaneous	1,000	1,587	(587)
Total commodities	<u>106,100</u>	<u>100,459</u>	<u>5,641</u>
Bad debt expense	<u>-</u>	<u>25,366</u>	<u>(25,366)</u>
Capital outlay			
Equipment	13,000	1,661	11,339
Vehicles	95,000	30,000	65,000
Total capital outlay	<u>108,000</u>	<u>31,661</u>	<u>76,339</u>
Depreciation	<u>-</u>	<u>121,267</u>	<u>(121,267)</u>
Total operating expenses	<u>\$ 982,024</u>	<u>\$ 804,709</u>	<u>\$ 177,315</u>

(Concluded)

**INTERNAL SERVICE FUNDS**

**City of North Chicago, Illinois**

Internal Service Funds

Combining Schedule of Net Position

April 30, 2016

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	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal Service Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 203,671	\$ 23,914	\$ 227,585
Due from other funds	-	5,398	5,398
Other receivables	<u>21,693</u>	<u>-</u>	<u>21,693</u>
Total assets	<u>225,364</u>	<u>29,312</u>	<u>254,676</u>
<b>LIABILITIES</b>			
Accounts payable	23,086	29,312	52,398
Claims payable	<u>15,251</u>	<u>-</u>	<u>15,251</u>
Total liabilities	<u>38,337</u>	<u>29,312</u>	<u>67,649</u>
<b>NET POSITION</b>			
Unrestricted	<u>\$ 187,027</u>	<u>\$ -</u>	<u>\$ 187,027</u>

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# City of North Chicago, Illinois

## Internal Service Funds

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

For the Year Ended April 30, 2016

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	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal Service Funds</u>
Operating revenues			
Charges for sales and services	\$ 141,633	\$ 150,508	\$ 292,141
Total operating revenues	<u>141,633</u>	<u>150,508</u>	<u>292,141</u>
Operating expenses			
Premiums / claim payments	<u>140,632</u>	<u>150,536</u>	<u>291,168</u>
Operating income	<u>1,001</u>	<u>(28)</u>	<u>973</u>
Nonoperating revenues			
Interest income	<u>158</u>	<u>28</u>	<u>186</u>
Change in net position	1,159	-	1,159
Net position, beginning of year	<u>185,868</u>	<u>-</u>	<u>185,868</u>
Net position, end of year	<u>\$ 187,027</u>	<u>\$ -</u>	<u>\$ 187,027</u>

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**City of North Chicago, Illinois**

Internal Service Funds

Combining Schedule of Cash Flows

For the year ended April 30, 2016

	<u>Dental and Vision</u>	<u>Retiree's Premium</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities			
Cash received from other funds	\$ 141,512	\$ 150,508	\$ 292,020
Cash payments for claims and services	<u>(126,270)</u>	<u>(156,063)</u>	<u>(282,333)</u>
Net cash provided by (used in) operating activities	<u>15,242</u>	<u>(5,555)</u>	<u>9,687</u>
Cash flows from noncapital financing activities			
Interfund borrowing	<u>-</u>	<u>(122,317)</u>	<u>(122,317)</u>
Net cash used in noncapital financing activities	<u>-</u>	<u>(122,317)</u>	<u>(122,317)</u>
Cash flows from investing activities			
Interest received	<u>158</u>	<u>28</u>	<u>186</u>
Net cash provided by investing activities	<u>158</u>	<u>28</u>	<u>186</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,400	(127,844)	(112,444)
Cash and cash equivalents, beginning of year	<u>188,271</u>	<u>151,758</u>	<u>340,029</u>
Cash and cash equivalents, end of year	<u>\$ 203,671</u>	<u>\$ 23,914</u>	<u>\$ 227,585</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 1,001	\$ (28)	\$ 973
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Increase in other receivables	(121)	-	(121)
Increase in estimated claims liability	2,448	-	2,448
Increase (decrease) in accounts payable	<u>11,914</u>	<u>(5,527)</u>	<u>6,387</u>
Net cash provided by (used in) operating activities	<u>\$ 15,242</u>	<u>\$ (5,555)</u>	<u>\$ 9,687</u>

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

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2007A  
 Schedule of Annual Debt Service Requirements  
April 30, 2016

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
2017	4.00%	\$ 195,000	\$ 67,200	\$ 262,200
2018	4.00	210,000	59,400	269,400
2019	4.00	220,000	51,000	271,000
2020	4.00	240,000	42,200	282,200
2021	4.00	255,000	32,600	287,600
2022	4.00	270,000	22,400	292,400
2023	4.00	290,000	11,600	301,600
		<u>\$ 1,680,000</u>	<u>\$ 286,400</u>	<u>\$ 1,966,400</u>

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2007B  
 Schedule of Annual Debt Service Requirements  
April 30, 2016

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
2017	4.30%	\$ -	\$ 205,060	\$ 205,060
2018	4.30	-	205,060	205,060
2019	4.30	-	205,060	205,060
2020	4.30	-	205,060	205,060
2021	4.30	-	205,060	205,060
2022	4.30	-	205,060	205,060
2023	4.30	-	205,060	205,060
2024	4.30	-	205,060	205,060
2025	4.30	-	205,060	205,060
2026	4.30	-	205,060	205,060
2027	4.30	-	205,060	205,060
2028	4.30	-	205,060	205,060
2029	4.30	415,000	205,060	620,060
2030	4.30	435,000	187,215	622,215
2031	4.30	450,000	168,510	618,510
2032	4.30	470,000	149,160	619,160
2033	4.30	490,000	128,950	618,950

(Continued)

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2007B (Continued)  
 Schedule of Annual Debt Service Requirements  
April 30, 2016

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>\$ 3,600,418</u>	<u>\$ 8,340,418</u>

(Concluded)

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2007C  
 Schedule of Annual Debt Service Requirements  
April 30, 2016

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
2017	5.81%	\$ 345,000	\$ 437,925	\$ 782,925
2018	5.81	405,000	416,137	821,137
2019	5.81	450,000	391,300	841,300
2020	5.81	495,000	363,847	858,847
2021	5.81	550,000	333,490	883,490
2022	5.81	600,000	300,083	900,083
2023	6.01	660,000	263,480	923,480
2024	6.01	720,000	222,671	942,671
2025	6.01	765,000	178,046	943,046
2026	6.01	810,000	130,718	940,718
2027	6.01	860,000	80,534	940,534
2028	6.01	910,000	27,346	937,346
		<u>\$ 7,570,000</u>	<u>\$ 3,145,577</u>	<u>\$ 10,715,577</u>

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2014A Refunding  
 Schedule of Annual Debt Service Requirements  
April 30, 2016

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General Obligation Bonds  
 Series 2014A Refunding  
 General Governmental Obligation

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

Fiscal Year Ended April 30,	Interest Rate	Principal	Interest	Annual Debt Service
2017	3.00%	\$ 695,000	\$ 207,425	\$ 902,425
2018	3.00	755,000	185,675	940,675
2019	4.00	805,000	162,275	967,275
2020	4.00	845,000	133,300	978,300
2021	4.00	905,000	98,300	1,003,300
2022	4.00	970,000	60,800	1,030,800
2023	4.00	1,035,000	20,700	1,055,700
		<u>\$ 6,010,000</u>	<u>\$ 868,475</u>	<u>\$ 6,878,475</u>

**City of North Chicago, Illinois**  
 General Obligation Bonds Series 2014B Refunding  
 Schedule of Annual Debt Service Requirements  
April 30, 2016

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General Obligation Bonds  
 Series 2014B Refunding  
 Enterprise Obligation

Date February 4, 2015  
 Issuance \$2,275,000  
 Due November 1, as set forth below  
 Registration Fully registered  
 Paying Agent Amalgamated Bank of Chicago  
 Chicago, Illinois  
 Interest Dates May 1 and November 1

Fiscal Year Ended April 30,	Interest Rate	Principal	Interest	Annual Debt Service
2017	3.00%	\$ 195,000	\$ 82,075	\$ 277,075
2018	3.00	200,000	76,150	276,150
2019	4.00	205,000	70,075	275,075
2020	4.00	215,000	62,700	277,700
2021	4.00	220,000	54,000	274,000
2022	4.00	230,000	45,000	275,000
2023	4.00	240,000	35,600	275,600
2024	4.00	245,000	25,900	270,900
2025	4.00	260,000	15,800	275,800
2026	4.00	265,000	5,300	270,300
		<u>\$ 2,275,000</u>	<u>\$ 472,600</u>	<u>\$ 2,747,600</u>

# City of North Chicago, Illinois

Legal Debt Margin

April 30, 2016

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

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

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