



CITY OF
Crystal Lake Illinois

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED APRIL 30, 2016

CITY OF CRYSTAL LAKE, ILLINOIS

Comprehensive Annual Financial Report

For the Year Ended April 30, 2016

Prepared By Finance Department:

George Koczwar
Director of Finance

**City of Crystal Lake, Illinois
Comprehensive Annual Financial Report
For the Year Ended April 30, 2016**

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INTRODUCTORY SECTION



CITY OF
Crystal Lake
ILLINOIS

October 4, 2016

Honorable Mayor Aaron T. Shepley
Members of the City Council
Citizens of the City of Crystal Lake, Illinois

We submit to you the Comprehensive Annual Financial Report of the City of Crystal, Illinois, for the fiscal year ended April 30, 2016. State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Crystal Lake for the fiscal year ended April 30, 2016.

This report consists of management's representations concerning the finances of the City of Crystal Lake. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis to make these representations, management of the City of Crystal Lake has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Crystal Lake's financial statements in conformity with GAAP. The Finance Department takes responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including disclosures. We believe the information, as presented, is accurate in all material respects, is presented in a manner designed to fairly set forth the financial position of the City and the results of its operations as measured by the financial activity of its various funds, and includes all the disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs.

The City of Crystal Lake's financial statements have been audited by Selden Fox, Ltd., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Crystal Lake for the fiscal year ended April 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial

statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified (“clean”) opinion that the City of Crystal Lake’s financial statements for the fiscal year ended April 30, 2016, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

The City of Crystal Lake is not required to undergo an annual single audit in conformity with the provisions of the single Audit Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Therefore, such information is not included within this report.

The City of Crystal Lake’s financial presentation reflects GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis (MD&A) – for state and local governments*. The comprehensive annual report presents the MD&A, basic financial statements and required supplemental information. The MD&A provides an analytical overview of the City’s financial activity. Included in the basic financial statements are the government-wide financial statements, fund financial statements and notes to the financial statements. The required supplementary information presents the budgetary comparison schedules and other schedules. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Crystal Lake’s MD&A can be found immediately following the report of the independent auditors. The City of Crystal Lake has complied with GASB Statement 45 Reporting for Post–employment Benefits (OPEB), GASB Statement 54 Fund Balance Reporting and Governmental Fund Type Definitions, as well as GASB Statement 68, Accounting and Financial Reporting for Pensions – an amendment to GASB Statement 27, and GASB Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68.

PROFILE OF THE CITY OF CRYSTAL LAKE

The City of Crystal Lake, incorporated in 1914, is located in the southeastern portion of McHenry County, which is the furthest northwestern county in the Chicago metropolitan region. McHenry County was recognized as the fastest growing county in the state of Illinois in the 1990 census. This particular development trend is most prevalent in the southeastern portion of McHenry County, which includes the Crystal Lake area. The 2010 census further substantiated this experience. The City of Crystal Lake currently occupies a land area of 19.24 square miles and serves a certified population of 40,743. The City of Crystal Lake is empowered by State Statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City of Crystal Lake has operated under the Council-Manager form of government since 1957. Policy-making and legislative authority are vested in a governing council consisting of the Mayor and six other members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments, including the City Attorney. The City Council is elected at-large on a non-partisan basis. Council members serve four-year staggered terms.

This report encompasses all funds of the City of Crystal Lake. The City of Crystal Lake provides a full range of services, including police and fire protection; recreation; construction and maintenance of highways, streets, and infrastructure; maintenance of the public storm drainage system; water, sanitary sewer service and wastewater treatment; and growth management, planning and development control through the activities of the Community Development Department. In addition to these general governmental activities, the City has certain information relative to the public library (a discretely presented component unit) and police and fire pension systems (blended component units). Therefore, these activities have been included in the City of Crystal Lake's financial reporting entity. However, as separate governmental entities, the Crystal Lake Elementary and High School Districts, the Crystal Lake Park District, and the Crystal Lake Civic Center Authority have not met the established criteria for inclusion in the reporting entity and, accordingly, are excluded from this report.

The annual budget serves as the foundation for the City of Crystal Lake's financial planning and control. All agencies of the City of Crystal Lake are required to submit requests for appropriation to the City Manager. The City Manager and Director of Finance use these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the City Council for review. The City Council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than April 30th, the close of the City of Crystal Lake's fiscal year. The budget is prepared by fund and department. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Crystal Lake operates.

LOCAL ECONOMY

The City of Crystal Lake currently enjoys a rather stable economic environment and local indicators point to continued stability. The region has a varied industrial base that adds to the relative stability of the unemployment rate. The largest single source of revenue is sales tax, which reflects the current economic trends with the attractions of new retail outlets and restaurants.

Development and property management represents a significant challenge and priority for the City. Utilization of impact fees and sophisticated policies requiring development to fund its own infrastructure cost illustrate the fact that the City has growth management initiatives. The City's impact fees and growth-funded infrastructure requirements have ensured that the City's taxpayers are not burdened by development.

The non-residential sector of economic activity has continued to be built out, but not at the same pace as prior years, with over two million square feet of commercial occupancies over the last four years. The City's property valuation growth has remained constant over the past year through the addition of new non-residential development. This is evidence of the City's continued strong economic activity level and further underscores the City's strong non-residential tax base.

Despite substantial competition that has occurred from commercial growth in many of the areas surrounding Crystal Lake and the difficult retail environment for certain players in the very competitive Chicago arena, the retail sector has remained stable over the past year. The City has continued to maintain strength as a retail base for serving the regular commercial needs for the immediate City population, and has continued as a regional point for commercial activities. In 2012, over 338,000 square feet of vacant space was leased by new businesses throughout the City. In 2013, nearly 455,000 square feet of business occupancies occurred which included nearly 234,000 square feet by new businesses. Over 194,000 square feet was occupied by existing Crystal Lake businesses that expanded or relocated within the City of Crystal Lake borders. In 2014, 680,151 square feet of commercial space was occupied by new and existing businesses. Of those occupancies, 577,225 square feet was occupied by new businesses. 2013 and 2014 could be categorized as “the years of the small business” as 78 new small businesses opened in Crystal Lake in 2013, and 98 in 2014. In 2015, 583,742 square feet was occupied by new and existing businesses.

Route 14 serves as a retail corridor for the City of Crystal Lake, highlighted by Crystal Point Shopping Center, County Corners Shopping Center, Crystal Lake Plaza, and The Commons Shopping Center. The Bohl Farm Marketplace, consisting of nearly 400,000 sq. ft. of retail space, anchors Kohl’s department store, a Target store, Dress Barn, Buy Buy Baby, Fresh Thyme and the newest additions of Planet Fitness and Party City. This center also includes other national tenants in outlots such as Barnes and Noble, Five Below and a Chili’s restaurant.

The Archway East Center development includes a Portillo’s restaurant, Texas Roadhouse restaurant, Chick fil-A, Mario Triccoci, Menards, and three additional small independent retailers. Chipotle Mexican Grill, Noodles & Company, Culver’s, Jameson’s Charhouse, Fast Eddie’s Car Wash, the Village Squire Restaurant, and the Regal Theaters are all located near this center.

The downtown sector of the City, which has continued to show substantial strength, had zero vacancies during the summer of 2016 and continues to be a viable commercial destination. A Starbuck’s and two independent ice cream shops are located in the Downtown area, as well as a number of unique, fine dining establishments including Retro Bistro, Benedict’s La Strata, Georgio’s Pizzeria, Duke’s Alehouse, That’s Amore Pizza, Tacqueria Las Cumbres, Finn McCool’s, and Da Baffone Cucina Italiana. Downtown Crystal Lake also offers Crystal Lake’s first microbrewery, Crystal Lake Beer Company, which opened in the summer of 2014. The downtown district is home to the Raue Center for the Arts, which is an 800-seat theatre that is one of the finest examples of restored art and decor in the nation. The Raue Center provides a unique draw for the downtown area as the largest performing arts theater in McHenry County.

The City also has an impressive collection of automobile dealerships. Anderson Motors, a major auto retailer of BMW, Volkswagen, and Mazda vehicles, located on North Route 31, has expanded their service facilities and indoor display areas. Along with maintaining the existing BMW and Mazda dealership, Anderson Motors built a stand-alone Volkswagen dealership in the Route 14 corridor. In addition, Pauly Toyota relocated their auto dealership to the Lutter Center at the intersection of Route 31 and Rakow Road, near a Super Wal-Mart. Brilliance Honda completed a major expansion and relocated also within Crystal Lake. Brilliance Honda consolidated their car inventory locations and rebuilt an automobile dealership located at the northeast corner of Routes 176 and 14. Martin Chevrolet also completed a substantial renovation of their automobile dealership along Route 14.

Crystal Lake continues to be an attractive place to live and conduct business. In 2011 through 2015, new businesses who have either occupied space or leased space and are under construction, or relocated to larger buildings include: HH Gregg, Five Below, Ross Dress for Less, Superior Health Club, The Fresh Market, Jersey Mikes, Courtesy Motors, Five Guys Burgers, O'Reilly Auto Parts, Harbor Freight Tools, Alternative Garden Supply, Savers, Weight Watchers, Meineke Car Care Center, Randall Road Animal Hospital, Exemplar Financial, Olive Tap, KK Buffet, Gumpas Psychiatry, Advance Auto Parts, Kyoto Restaurant, Electron Marketing, Scali & Assoc. Accounting, The Movement, Suran Built Inc., Action Kung Fu, Supreme Shine Detailing, Comnet Group Staffing, Samsone & Associates, Mr. Cakes, Subway at Healthbridge, Mobil Oil at Routes 31 and 176, The Fit Stop, Sandra's Hair Salon, Colonial Ice Cream & Café, Vanity Cosmetics, The Perfect Pear, Route 14 Dentistry, Crystal Lake Bank & Trust, Chene Chiropractic, Sunshine Travel, Freshly Baked Communication, Mattress Clinic, Straight Shooters Gallery, Panaderia El Molino Azul, N' Focus Photography, Elite Kids, S&M Thurow Salon, Salon 134, Providence Packaging, AL-RO Injection Molding, Phoenix Electronics, RW Technologies, Aptar Group, Phoenix Custom Woodworks, Five Star Pallet, Crystal Lake Rib house, Texas Roadhouse, Crystal Lake Beer Company, Marvin's Toy Store, Melissa's Chocolate Factory, Kitchen Outfitters, Reprographics, National Gift Card, Mathnasium, Pepper Annex, Bio-energy Technology, Inc., Terra Cotta Industries, Four Season Banquet Hall, Advanced Direction, Catapult Collectibles, EL Parts LLC, Susan Huberty Photography, Modern Age Comics, Chronos International, Fabric Fiber and Finds, Crystal Spa, Anges Oh, Crystal Lake Self Storage, Barnwood Studios, Grandma's Basement, Crawford Supply Group, Paws on Pingree, Homes Heart Designs Inc, Has Taw Kwon Do, A Taste of Benedicts, Catch the Wave Swim Club, Crystal Lake Optical, David Jackson & Company, Cascade Energy, Gold Standard Restoration Inc, Head Start, DeMarco Industrial Vacuum Corp, GNT Limousine, Parabolic Sports Performance, Goal Line Sports Bar & Grill, Which Wich, Berries & Greens Organic Juicery, Center for Emotional Wellness of the Northwest Suburbs, Home Dialysis Services, Bioenergy Technology, Progressive Radiology, Illinois Nice & Clean Group LLC, JDO Inc, Animal Medical Center of Crystal Lake, Ramco Group LLC, Halftime Pizza, Nancy's Pizza, Encore Music Academy, PRA Behavioral LLC, Express Employment Professionals, Evoke Products, Metrom Rail LLC, Burlington Coat Factory, Fresh Thyme Farmers Market, and LT Nail.

The City of Crystal Lake is fortunate to have two Metra train stations within our corporate limits. The second station, a 2,000-square-foot Pingree Road Metra Station, was completed in the winter of 2005 at a cost of \$2.1 million. Metra funded the construction of the Pingree Road Station as well as recent renovations to the Downtown Train Station, which were completed the summer of 2006.

LONG-TERM FINANCIAL PLANNING

Crystal Lake, like all municipalities, must continually evolve to meet the changing needs of its citizens. Because the City is a service provider, its main expenditures are personnel related. City staff continuously examines municipal services for efficiency, effectiveness, usefulness and sustainability, and develops options and strategies that enable the City to match resources (financial, physical and human) to the desired level of service.

City staff utilizes strategic workforce reduction as one tool to create a sustainable budget model. Other elements include further cost cutting, increased economic development, and examination of government consolidation/cooperation. On the revenue side, alternate revenue sources are explored.

In order to ensure long-term budget sustainability, a comprehensive five-year financial analysis is being drafted with the assistance of Ehlers and Associates, a municipal financial planning firm. It is anticipated that the five-year financial plan will be presented to the City Council during fiscal year 2016-17.

The City currently has three active Tax Increment Financing Districts (TIF) within the City limits.

The Virginia Street TIF has completed the installation of streetscape elements, such as pavers, sidewalks, and decorative pedestrian lighting, as well as utility pole relocation and façade improvements. This project was completed in the fall of 2011. The enhancements also included the creation of façade standards which have elevated the appearance of the area sparking the development of the vacant parcel at the corner of Virginia Street and McHenry Avenue.

The Vulcan Lakes TIF is complete with the opening of the Three Oaks Recreation Area in October, 2010. This recreation area has been a very successful endeavor for the City of Crystal Lake. Construction of the recreation area, known as the Three Oaks Recreation Area, began in May 2009 and was completed in the fall of 2010. The general public now enjoys numerous recreational amenities. A beach, lake house, marina, spray park, paddle boarding, scuba diving and playground are the core amenities. The lake house has shower facilities, a concessions area, administrative offices and a maintenance garage. Attached to the lake house is an outside patio which overlooks the beach. The beach has over 200 lineal feet of sand with several grass picnic areas. Adjacent to the beach, patrons enjoy a spray park and playground. The Three Oaks Recreation Area also includes a marina where patrons are able to rent fishing boats, paddle boats, canoes, kayaks and sailboats. Additional recreational amenities include shoreline fishing areas, walking trails, volleyball courts, a sledding hill and a picnic grove. The newest addition to the recreation area is *The Quarry Cable Park* which is a privately owned and operated restaurant and wake board facility. *The Quarry* is a regional and national draw to the area. The Three Oaks Recreation Area is a focal point for the City and is a destination for both residents and non-residents.

The 2005 Equalized Assessed Valuation (EAV) of the Vulcan Lakes TIF was \$4,506,145. It is estimated that the EAV will eventually be in excess of \$96 million in 2005 dollars, when properties adjunct to the TIF are developed. Commercial activities along U.S. Route 14, including restaurants and entertainment venues are planned. The revitalization of the Vulcan Lakes project area envisions the creation of a vibrant activity center with recreational, residential and commercial activities complementing the lakes.

The Crystal Lake Avenue and Main Street TIFs are idle at this point in time. The 2004 EAV for the Crystal Lake Avenue and Main Street TIF was \$3,284,169. It is estimated that the EAV will be in excess of \$108 million in 2004 dollars upon completion of redevelopment. The Crystal Lake Avenue and Main Street TIF District is contiguous to the original Downtown TIF. The

revitalization plan includes a continuation of streetscape elements found throughout the Downtown area, as well as relocation of the Main Street railroad spur, parking, environmental remediation and the potential redevelopment of under-utilized parcels at the Crystal Lake Avenue and Main Street intersection. Improvements to the north leg of the intersection of Main Street and Crystal Lake Avenue were completed in fall of 2008.

The Mayor and City Council held a formal Strategic Planning meeting in January 2012. One of the objectives that resulted from this session was the formalization of the five-year capital plan for the City. A new software package is now being utilized by all operating departments to assist in capital planning exercises and in addressing specific needs, while matching the proper resources for individual projects or purchases.

It is the focus of City staff to protect core services to the businesses and residents of the community while preserving the characteristics that have continued to draw people to live, work and enjoy the recreational activities of the City of Crystal Lake.

FINANCIAL POLICIES

In the first quarter of 2014, City staff conducted a comprehensive reevaluation of the City's financial policies. The City of Crystal Lake's Financial Policies provide the basic framework for the fiscal management of the City. In April 2014, the City Council approved the new Financial Policies Manual. The policies provide guidelines for evaluating both current activities and proposals for future programs. Most of the policies represent longstanding principles, traditions and practices that have guided the City in the past and have helped maintain the City's financial stability. The following are detailed in the City of Crystal Lake's Financial Policies:

- Budget Policy
- Purchasing Authority Policy and Procedures
- Purchase Card Policy and Procedures
- Capital Asset Policy and Procedures
- Debt Management Policy
- Fund Balance Policy
- Investment Policy
- Revenue and Cash Management Policy
- Personal Information Protection Policy and Red Flag Policy

On June 7, 2016, Moody's Investor Services (MIS) issued a press release downgrading the City's bond rating to Aa2 from the previous Aa1. Three primary factors lead to this downgrade: City's drawdown of fund reserves for planned capital items, declines in the Equalized Assessed Valuation (EAV) of all property in the City over the past five years, and the City's pension liabilities.

In 2009, which is the last time the City utilized MIS as part of a bond issuance, Moody's upgraded the City's bond rating from an Aa3 to an Aa2, which was subsequently recalibrated to an Aa1 in a global scale change. In 2009, Standard and Poor's rated the City for the first time with an AA+ rating. The AA+ rating was affirmed by Standard and Poor's again in 2012, 2013 and 2014.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Crystal Lake for its comprehensive annual financial report (CAFR) for the fiscal year ended April 30, 2015. This results in twenty-six consecutive years that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

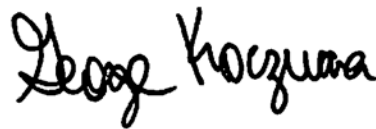
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Crystal Lake received the Distinguished Budget presentation award for the Fiscal Year 2016 Budget document for the eighth consecutive year. It is an honor for the City of Crystal Lake to receive these two awards from the National GFOA.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all staff members who assisted and contributed to the preparation of this report. Without the support given by the Mayor and the City Council and their unfailing commitment to maintaining the highest standards of professionalism in the management of the City of Crystal Lake's finances, this report would not be possible. Recognition and acknowledgement of the essential nature of their support and commitment to effective and responsible local government financial operations, which has enabled a report that is believed to meet the requirements of the GFOA Certificate of Achievement Program again this year, is an appropriate conclusion to this year's report.

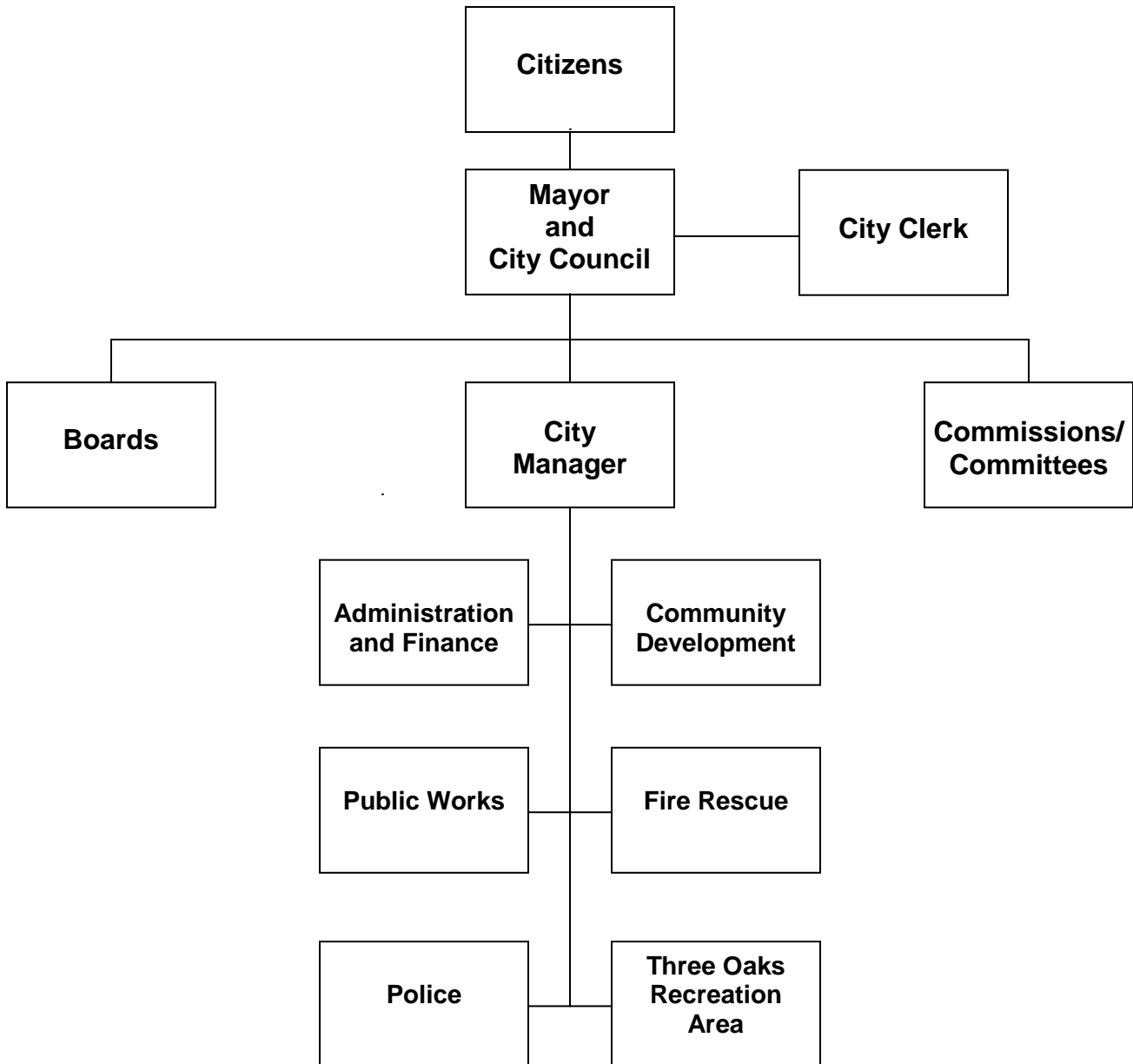


Gary J. Mayerhofer
City Manager



George J. Koczura
Director of Finance/Treasurer

CITY OF CRYSTAL LAKE ORGANIZATIONAL STRUCTURE



City of Crystal Lake, Illinois
Principal Officials
April 30, 2016

Legislative

Mayor: Aaron T. Shepley

City Clerk: Nick Kachiroubas

Ellen Brady, Council Member
Ralph M. Dawson, Council Member
Cameron Hubbard, Council Member

Brett Hopkins, Council Member
Cathy A. Ferguson, Council Member
Haig Haleblian, Council Member

Administrative

City Manager - Gary J. Mayerhofer

Deputy City Manager – Eric Helm

City Attorney – John L. Cowlin

Director of Finance – George Koczwara

Director of Human Resources – Julie Meyer

Director of Information Technology – Greg Fettes

Director of Community Development – Michelle Rentzsch

Director of Public Works – Victor Ramirez

Police Chief – James Black

Fire/Rescue Chief – Paul DeRaedt

Library Director – Kathryn Martens



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Crystal Lake
Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

April 30, 2015

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Selden Fox, LTD.

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Crystal Lake
Crystal Lake, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information of the **City of Crystal Lake, Illinois** (City) as of and for the year ended April 30, 2016, and the statements of revenues, expenditures and changes in fund balance – budget and actual for the General Fund and the Motor Fuel Tax, Fire Rescue and Home Rule Sales Tax Funds (major Special Revenue Funds) and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information of the City of Crystal Lake, Illinois as of April 30, 2016, and the respective changes in financial position and where applicable cash flows thereof, and the respective budgetary comparison for the General Fund, the Motor Fuel Tax, Fire Rescue and Home Rule Sales Tax Funds (major Special Revenue Funds) for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to these matters.

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 MD&A-1 to MD&A-19 and the *Schedules of Funding Progress* (page 81), *Employer Contributions* (pages 82-86), *Changes in the Employer's Net Pension Liability and Related Ratios* (pages 87-89), and *Investment Returns* (page 90), respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary 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 accompanying financial information listed as supplementary information and other financial schedules on pages 85-149 and the introductory and statistical section on pages i - xii and 157-188, respectively, in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and other financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information listed as supplementary information and other financial schedules in the accompanying table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical information have 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 any other form of assurance on them.

Selden Fox, Ltd.

October 4, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis 2016

The City of Crystal Lake's Management Discussion and Analysis (MD&A) is designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activity, 3) identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), 4) identify any material deviations from the financial plan (the approved budget), and 5) identify individual fund issues and concerns.

As management of the City of Crystal Lake, Illinois (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended April 30, 2016. We encourage readers of this document to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to ix of this report. All amounts within the management's discussion and analysis, unless otherwise indicated, are expressed in thousands of dollars (000's omitted).

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year by \$216,093 (net position). With the implementation of the Governmental Accounting Standards Board (GASB) Statement 68, the City was required to retroactively remove the net pension obligation of \$2,307 and record a net pension liability of \$35,582, decreasing the City's position at the close of the previous fiscal year to \$212,680. Due to this restatement, the City is reporting an unrestricted net deficit of \$9,765 as of April 30, 2016.

In June 2012, the GASB issued a new standard that fundamentally changed how state and local governments account for the cost of pension benefits in their financial statements. Traditionally, employers needed to report a liability only when an employer failed to fully fund their annual actuarially determined contributions (much like a homeowner reporting a liability for amounts in arrears on monthly house payments but *not* for the unpaid balance of the mortgage itself). An employer, however, is ultimately responsible for ensuring that its employees receive the pension benefits they have been promised. If the resources in the pension trust fund were to prove inadequate, the employer would have to make up the difference. Accordingly, the new GASB standard requires employers to report a liability (*net pension liability*) on their government-wide statement of net position if the present value of their obligation (*total pension liability*) exceeds the resources held in the pension trust fund to pay benefits (*net fiduciary position*).

Anything that affects the calculation of an employer's net pension liability (for example, a change in actuarial assumptions, or a difference between actuarial assumptions and actual results) also affects the calculation of an employer's pension expense. However, recognizing the full effect of such items immediately, when they occur, could create significant volatility in the amount recognized as pension expense from one year to the next. To minimize such potential volatility, accountants "smooth out" (*amortize*) the effect of such items on pension expense over multiple periods, which means that amounts not yet amortized have to be reported on the statement of net position as *deferred outflows/inflows of resources*.

- During the fiscal year, the City invested \$12,013 in capital (buildings, equipment and infrastructure). Major capital asset acquisitions made during the fiscal year included: the replacement of two response vehicles and six heart monitors (Fire Rescue), five patrol vehicles (Police), one dump truck and three pickup trucks (Public Works), one administrative vehicle (City Administration), one utility vehicle and one pontoon boat (Three Oaks Recreation Area), as well as the replacement of fire alerting systems at Fire Station #1 and Fire Station #4 and expansion of the City's access control proxy card system to include the Public Works garage at City Hall.

In addition to the City's annual street resurfacing program, roadway projects included the widening of South Main Street, phase I engineering for improvements to North Main Street, and reconstruction of the Brink Street Marketplace parking lot. Final payment was made for Crystal Lake Avenue and Briarwood at IL Route 176 improvements.

Included in water and sewer capital expenditures is the rehabilitation of Lift Station #9, replacement of water main in the County Club subdivision (final phase 3), relocation of water main along US Route 14 in advance of the State's roadway widening project and replacement of a channel grinder at Wastewater Treatment Plant #2. Construction of a second digester at the City's Wastewater Treatment Plant #2 commenced. Final payment was made for the relocation of water main along Crystal Lake Avenue.

- During the year, the City issued \$1,900 General Obligation Promissory Notes, Series 2015, payable in annual installments ranging from \$175 to \$230 commencing December 15, 2016, with final payment due December 15, 2024. Interest is payable semiannually on June 15 and December 15, commencing June 15, 2016, at 2.151%. Proceeds of the bonds were used to finance infrastructure improvements in the Water and Sewer Fund.

The City also entered into a loan agreement with the Illinois Environmental Protection Agency dated December 11, 2015, which authorizes the City to borrow up to \$14,840 to fund improvements to the City's wastewater treatment plants on a reimbursement basis. The loan is to be paid on a semi-annual basis over 20 years, including interest at 1.86%, with payments commencing February 6, 2018, and final payment due August 6, 2037. The City borrowed \$419 as of April 30, 2016.

At the end of the current fiscal year, the City had \$38,679 of debt instruments outstanding.

- Grants and contributions for fiscal year 2016 totaled \$7,126. Of this amount, \$850 represents federal funds given to the Illinois Environmental Protection Agency (IEPA). The City will borrow the funds from the IEPA for purposes of improving the City's wastewater treatment plants. The balance of grant proceeds were used for traffic safety enforcement activities, tobacco and drug enforcement activities, to replace bulletproof vests and a fire alerting system, as well as to provide for a multi-purpose pedestrian path near Country Club Road, street resurfacing and roadway improvements along Route 14, Route 176 and South Main Street.
- In November 2014, the City received notice relative to a property tax objection that was filed on behalf of a number of Crystal Lake property owners. The suit alleged that the 2013 tax levy was not valid because the City failed to get four concurring votes of its elected corporate authorities. In December 2015, the Illinois Appellate Court reversed the decision of the lower court that ruled in favor of the taxpayer plaintiffs, citing that the City's 2013 tax levy ordinance was validly adopted. The Illinois Supreme Court chose not to review the case. In 2016, \$1,118 of sequestered property taxes were released by the McHenry County

Treasurer then recorded as income by the City (\$355 for Police and Firefighter pensions reported in the General Fund, \$583 for fire protection services reported in the Fire Rescue Fund, \$5 for crossing guard services reported in the Crossing Guard Fund, and \$175 for non-public safety pensions reported in the IMRF/FICA Fund).

- The General Fund is the chief operating fund of the City. At the end of the fiscal year, the total fund balance and unassigned fund balance (available for spending at the City's discretion) was \$13,117 and \$10,224, respectively. The unassigned fund balance represented 38.9% of General Fund operating expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise two components:

- 1) Government-wide financial statements
- 2) Fund financial statements

The notes to the financial statements are considered integral to the financial statements. In addition to the basic financial statements and notes, this report also contains required supplementary information, other supplementary information and statistical information.

The *government-wide financial statements* are intended to provide an aggregated overview of the City's net position and changes in net position. The government-wide financial statements report on the government as a whole using the same basis of accounting and measurement focus as private-sector business.

The *statement of net position* presents information on all of the City's assets/deferred outflows and liabilities/deferred inflows, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and/or earned but unused vacation leave).

The *statement of activities* distinguishes functions of the City that are principally supported by taxes and intergovernmental revenues (governmental 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 general government, public safety, highways and streets, culture and recreation, and interest on long-term debt. The business-type activities of the City include waterworks and sewerage.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate library for which the City is accountable. This component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 3 – 6 of this report.

Fund financial statements. The other category of basic financial statements, fund financial statements, assist in assessing whether the government has raised and spent financial resources in accordance with budget plans and in compliance with finance-related legal requirements. Certain funds, referred to as governmental funds, focus on the short-term flow of *current* financial resources, rather than on the flow of economic resources.

Other funds, referred to as proprietary and fiduciary funds, account for the business-type and certain fiduciary activities of the government. These funds follow accounting and reporting principles similar to those of business organizations.

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.

Governmental funds. These funds are a generic classification used to refer to all funds other than proprietary and fiduciary funds. The General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds are the types of funds referred to as *governmental funds*.

Governmental funds account for the inflows and outflows of *current* financial resources. As such, the balance sheet for governmental funds reports only *current* assets, *current* liabilities, deferred inflows and outflows, and fund balances, which is the difference between current assets/deferred outflows and current liabilities/deferred inflows. No long-lived assets such as land, buildings and equipment, nor any long-term liabilities such as bonds payable, are reported on the governmental funds balance sheet.

Similarly, inflows and outflows of *current* financial resources of the governmental funds are reported in a statement of revenues, expenditures and changes in fund balances. Financial resources must be available to pay current-period obligations.

Most financial statement users are unlikely to have a significant interest in all twenty-two governmental funds that the City uses. Instead, it is likely that their interest will be focused on larger dollar amount funds. Consequently, financial statements include a separate column for each major fund (General Fund, Motor Fuel Tax Fund, Fire Rescue Fund, and Home Rule Sales Tax Fund). Data from the other eighteen governmental funds are combined and reported in aggregate. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 7 - 16 of this report.

Because governmental fund financial statements use a different measurement focus and basis of accounting than that of the government-wide financial statements, financial information reported in the governmental funds balance sheet is reconciled to that reported in the Governmental Activities column of the government-wide statement of net position. Similarly, information reported in the governmental funds statement of revenues, expenditures and changes in fund balance are reconciled to that reported as governmental activities in the government-wide statement of activities.

The combination of government-wide and governmental fund financial statements allows the City to present fairly and with full disclosure, the funds and activities of the City and to demonstrate compliance with finance-related legal and contractual provisions.

Proprietary funds. These funds are sometimes referred to as *business-like* funds of a state or local government. Examples of proprietary funds are enterprise funds and internal service funds. The City maintains one proprietary fund. The Waterworks and Sewerage enterprise fund is used to account for the acquisition, operations and maintenance of water and sewer facilities and services and is predominately self-supporting through user charges. The Waterworks and Sewerage Fund is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 17 - 21 of this report.

Fiduciary funds. These funds are used to account for resources held for the benefit of parties outside the government. Examples of fiduciary funds are the City's two pension trust funds and the Special Assessment Fund which accounts for the collection of special assessments from property owners and payment of the related special assessment liabilities. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 22 - 23 of this report.

Notes to the financial statements. These notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 80 of this report.

Required supplementary 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, as well as budgetary comparison schedules for major funds for which an appropriation was approved.

Required supplementary information can be found on pages 81 - 90 of this report.

Other supplementary information. This includes combining and individual fund statements, and schedules, which can be found beginning on page 91 of this report.

Statistical information. The statistical section of the annual report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementation information says about the City's overall financial health. Statistical information can be found beginning on page 155.

Financial Position Analysis

Net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the assets of the City exceeded liabilities by \$216,093.

Consolidated Statement of Net Position As of April 30, 2016 (In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
Current & other assets	\$ 47,071	\$ 45,199	\$ 8,471	\$ 9,543	\$ 55,542	\$ 54,742
Capital assets	185,607	188,855	69,881	69,536	255,488	258,391
Total assets	<u>232,678</u>	<u>234,054</u>	<u>78,352</u>	<u>79,079</u>	<u>311,030</u>	<u>313,133</u>
Deferred Outflows	<u>-</u>	<u>8,979</u>	<u>-</u>	<u>695</u>	<u>-</u>	<u>9,674</u>
Long-term liabilities	18,649	58,547	22,684	24,937	41,333	83,484
Other liabilities	8,235	6,632	3,720	4,087	11,955	10,719
Total liabilities	<u>26,884</u>	<u>65,179</u>	<u>26,404</u>	<u>29,024</u>	<u>53,288</u>	<u>94,203</u>
Deferred Inflows	<u>11,787</u>	<u>12,354</u>	<u>-</u>	<u>157</u>	<u>11,787</u>	<u>12,511</u>
Net assets:						
Net investment in capital assets	169,308	173,957	46,459	44,806	215,767	218,763
Restricted	8,311	7,095	-	-	8,311	7,095
Unrestricted	16,388	(15,552)	5,489	5,787	21,877	(9,765)
Total net position	<u>\$ 194,007</u>	<u>\$ 165,500</u>	<u>\$ 51,948</u>	<u>\$ 50,593</u>	<u>\$ 245,955</u>	<u>\$ 216,093</u>

By far, the largest portion of the City's net position (101.2%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets (3.3%) represents resources that are subject to external restrictions relative to their use. The remaining *balance of unrestricted net position* may be used to meet the City's ongoing obligations to citizens and creditors. It is in a deficit position at April 30, 2016, as the adoption of GASB Statement No. 68 required the City to recognize a net pension liability for its three pension plans of \$45,943 at April 30, 2016.

Changes in Net Position
For the Fiscal Year Ended April 30, 2016
(In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
Program revenues:						
Charges for services	\$ 5,716	\$ 5,658	\$ 9,411	\$ 10,048	\$ 15,127	\$ 15,706
Grants and contributions:						
Operating	2,105	3,647	-	-	2,105	3,647
Capital	1,470	2,630	312	850	1,782	3,480
General revenues:						
Property	11,055	13,424	-	-	11,055	13,424
Other taxes	7,503	7,451	-	-	7,503	7,451
Intergovernmental	16,164	16,405	-	-	16,164	16,405
Other	1,118	1,641	156	288	1,274	1,929
Total revenues	45,131	50,856	9,879	11,186	55,010	62,042
Expenses:						
Governmental activities:						
General government	8,718	9,454	-	-	8,718	9,454
Public safety	23,670	25,244	-	-	23,670	25,244
Highways and streets	9,738	11,138	-	-	9,738	11,138
Culture and recreation	1,046	1,158	-	-	1,046	1,158
Interest on long-term debt	531	473	-	-	531	473
Asset impairment	502	-	-	-	502	-
Business-type activities - waterworks and sewerage	-	-	12,584	11,161	12,584	11,161
Total expenses	44,205	47,467	12,584	11,161	56,789	58,628
Revenues over (under) expenses	926	3,389	(2,705)	25	(1,779)	3,414
Transfers and adjustments	-	-	-	-	-	-
Changes in net position	926	3,389	(2,705)	25	(1,779)	3,414
Net position - beginning of year, as previously reported	193,080	194,006	54,653	51,948	247,733	245,954
Prior period restatement	-	(31,895)	-	(1,380)	-	(33,275)
Net position, beginning of year, as restated	193,080	162,111		50,568	247,733	212,679
Net position - ending of year	\$ 194,006	\$ 165,500	\$ 51,948	\$ 50,593	\$ 245,954	\$ 216,093

Governmental activities: Changes in net position from the prior year as a result of governmental activities are as follows:

- Charges for services decreased from the previous year. Last year, the City recorded a one-time event to recognize resources that had accumulated from capital facility fees. Capital facility fees are assessed against developers as a condition of a final plat of subdivision and are used to expand City facilities and/or programs. Ambulance fee revenue declined from the prior year as the City's new ambulance billing and collection vendor worked with patients last year to collect outstanding charges that remained from the previous ambulance billing and collection service. Revenues from building permits also declined as new commercial and residential housing starts remained slow. More motorists complied with local traffic laws in fiscal year 2016, resulting in decreased police fines revenue. Offsetting declines was an increase in revenue for fire rescue services. In December 2015, the City entered into an agreement to provide fire rescue services to the Village of Lakewood. The City was already providing fire rescue services to the Crystal Lake Rural Fire Protection District, as well as to businesses and residents within City limits. Rental income rose as the City entered into a new lease agreement with Verizon Wireless for cell tower space at 1170 Coventry.
- Grants and contributions for fiscal year 2016 totaled \$6,277. Proceeds were used for the purposes of traffic safety enforcement activities, tobacco and drug enforcement activities and to replace bulletproof vests and a fire alerting system, as well as to provide for a multi-purpose pedestrian path near Country Club Road, street resurfacing and roadway improvements along Route 14, Route 176 and South Main Street.
- In November 2014, the City received notice relative to a property tax objection that was filed on behalf of a number of Crystal Lake property owners. The suit alleged that the 2013 tax levy was not valid because the City failed to get four concurring votes of its elected corporate authorities. In December 2015, the Illinois Appellate Court reversed the decision of the lower court that ruled in favor of the taxpayer plaintiffs, citing that the City's 2013 tax levy ordinance was validly adopted. The Illinois Supreme Court chose not to review the case. In 2016, \$1,118 of sequestered property taxes were released by the McHenry County Treasurer then recorded as income by the City (\$355 for Police and Firefighter pensions reported in the General Fund, \$583 for fire protection services reported in the Fire Rescue Fund, \$5 for crossing guard services reported in the Crossing Guard Fund, and \$175 for non-public safety pensions reported in the IMRF/FICA Fund).
- Operating results of other taxes were mixed. Cable franchise fee revenue exceeded that of the previous year due in large part to the findings of an independent consulting firm hired by the City to review the records of cable providers. The consulting firm's review revealed shortages in amounts paid to the City by Comcast Cable and AT&T. Both Comcast and AT&T were billed for the shortages. Cable operators pay franchise fees to the City as compensation for using City-owned right-of-way. Franchise fees are equal to a percentage of the operator's gross revenue. Receipts of telecommunications tax declined as compared to the prior year. Changes in how business and residential customers communicate has resulted in lowering telecommunication tax available to local governments. Data plans and other internet-based communications specifically are exempt from the telecommunications tax.
- Included in intergovernmental revenue is corporate personal property replacement tax, income tax, as well as retail sales and use taxes. The corporate personal property replacement tax is an income tax that is assessed based on the amount of federal taxable income of corporations, business partnerships, trusts and subchapter S corporations and a tax on public utilities. During 2016, the Illinois Department of Revenue (IDOR) discovered

that it had overpaid local municipalities their fair share of the tax. As a result, the IDOR plans to recover \$17 from the City of Crystal Lake. Corporate personal property tax for fiscal year 2016 is net of the amount of the overpayment made by the IDOR. Income tax amounts distributed to local governments by the State rose in fiscal year 2016. The increase is attributed to changes in the percent of tax collections the State must deposit into the Local Government Distributive Fund (LGDF), coupled with decreasing unemployment. Included in collections are capital gains taxes that were paid to the State for 2014. Receipts of retail sales and use taxes also rose in 2016. Much of the increase is related to strong growth in online sales that allow the State to collect use tax (6.25% for general merchandise and 1% for qualifying food and drugs) from online retailers such as Amazon and then distribute a portion of the tax to local municipalities. Use tax is imposed on the privilege of using, in Illinois, any item of tangible personal property that is purchased anywhere at retail. A use tax liability may result when Illinois consumers purchase tangible personal property at retail from out-of-state retailers, from unregistered retailers for use in Illinois without paying tax to the retailer or when Illinois businesses withdraw personal property from the sales inventories for their own use.

- Other revenue increased over the previous year. Included in other revenue is the recovery of \$260 in legal fees arising from a court case involving bleachers at Crystal Lake South High School and an interest income credit of \$234 arising from assets held in trust at the Intergovernmental Risk Management Agency (IRMA). IRMA is an entity that was created under Illinois State law which allows municipal groups to band together in order to pool risk management needs for general liability and workers' compensation insurance. Also included in other income is the recognition of money owed to the City from Special Service Area (SSA) Number 45 participants. In 2012, the City used \$156 of its available resources to pay principal and interest on outstanding SSA #45 bonds because collections of SSA #45 property taxes were insufficient to cover amounts due on February 1, 2012. Efforts to recover money used to fund SSA #45 debt service are ongoing as SSA bonds are not direct obligations of the City.
- General and administrative expenditures increased \$736 or 8.4% from the prior year. Contributing to the increase were legal fees arising from a court case involving bleachers at Crystal Lake South High School. Enhanced sales tax sharing expenses also increased during the year as the City's sharing program expanded to include two area dealerships that came under new management. New car sales remained strong. During fiscal year 2016, the City joined the GIS Consortium, an organization of Chicago-area communities that share resources, information, staffing and technology in order to optimize the value of geographic information systems (GIS). GIS helps communities automate and improve local government business processes, from mapping incidents to supporting infrastructure systems and projects. GIS is a visualization technology that integrates information, uncovers complex information relationships, and supports local government decision-making. Also new for fiscal year 2016 is the implementation of the Government Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions*. This new standard requires that pension expense be reported in the financial statements based on the discounted cost of future pension benefits earned in the current year as opposed to simply reporting amounts paid to fund pension benefits. Pension expense related to the activities of the general government in fiscal year 2016 is \$341.
- Public safety expenditures rose \$1,574 or 6.6% from the prior year as property taxes raised from the 2014 property tax levy were transferred to the pension trust funds. In addition, 2013 taxes were released by the McHenry County Treasurer following the outcome of a taxpayer objection lawsuit. New for fiscal year 2016 is the implementation of the Government Accounting Standards Board (GASB) Statement 68, *Accounting and Financial*

Reporting for Pensions. This new standard requires that pension expense be reported in the financial statements based on the discounted cost of future pension benefits earned in the current year as opposed to simply reporting amounts paid to fund pension benefits. Pension expense related to public safety activities in fiscal year 2016 is \$663. Other increases in public safety expenditures are related to personnel costs.

- Highways and Streets expenditures increased \$1,400 or 14.4% from the prior year. Nearly \$1 million of the increase represents McHenry County's share of costs relating to the widening of South Main Street. The County's reimbursement to the City has been recorded in capital grant income. New for fiscal year 2016 is the implementation of the Government Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions*. This new standard requires that pension expense be reported in the financial statements based on the discounted cost of future pension benefits earned in the current year as opposed to simply reporting amounts paid to fund pension benefits. Pension expense related to highway and streets activities in fiscal year 2016 is \$125. Other increases in highways and streets expenditures are related to the City's program to replace city-owned trees affected by the Emerald Ash Borer (EAB).
- As outstanding bonds associated with Governmental Activities decline, so too does interest expense.
- In November 2014, information was provided to the City from the Illinois Metropolitan Investment Fund (IMET) regarding a potential investment loss that occurred as a result of fraud undertaken by a U.S. Department of Agriculture (USDA) backed financial institution. At the time of the fraud, the City of Crystal Lake and 292 other municipalities and government agencies utilized IMET to invest their intermediate-term dollars. Recovery efforts are now underway by IMET and other parties impacted by the fraudulent activity. At April 30, 2015, the City of Crystal Lake recognized a loss of \$502 and \$86 (asset impairment) in the General Fund and Water and Sewer Fund, respectively, pending the outcome of this case.

Business-type activities: Changes in net assets from the prior year as a result of business-type activities are as follows:

- Charges for services increased \$637 or 6.8% from the prior year. Revenues in the Water and Sewer Fund reflect an 11.4% increase in water and sewer rates that went into effect on September 1. The increase provides a funding mechanism that will allow the Water and Sewer Fund to remain financially independent and provide for some capital investment to maintain water and sewer infrastructure systems. Fiscal year 2016 incorporated the second of five consecutive years of rate increases as recommended by a water and sewer rate study that was commissioned by the City in February 2014. Water and Sewer connection fees have declined from the prior year as new commercial and residential housing starts remain slow. Rental income declined as Sprint terminated their lease agreement for cell tower space at 231 Florence.
- Grants and contributions for fiscal year 2016 totaled \$850. Proceeds represent federal funds given to the Illinois Environmental Protection Agency (EPA). The City will borrow funds from the IEPA for purposes of improving the City's wastewater treatment plants. Under terms of a loan agreement between the City and the IEPA, the City can borrow up to \$14,840. The loan is to be paid on a semi-annual basis over 20 years, including interest at 1.86%, with payments commencing February 6, 2018, and final payment due August 6, 2037.

- Other revenue increased \$132 or 84.6% over the prior year. The increase is largely attributed to a reimbursement the City received in fiscal year 2016 from the Village of Lakewood for replacement of water main along Meridian Lane. Also included in other income are rebates the City received for participating in ComEd's load reduction program.
- Waterworks and sewerage expenditures decreased \$1,423 or 11.3% from the prior year. The decrease is attributed to large projects that were completed in the previous year but were not capitalized as they either were abandoned (Test Well #18), or did not meet the individual dollar cost threshold for capitalization (replacement of sluice gates in the sand filter building and the replacement of the HVAC unit in the lab building at Wastewater Treatment Plant #2, the demolition of digester tank #1, and the restoration of three (3) sludge drying beds, six (6) skimming troughs, and six (6) chlorine tank contacts at Wastewater Treatment Plant #3, the integration of Supervisory Control and Data Acquisition (SCADA) systems at eight (8) lift stations, the replacement of the air conditioner in the electrical room at Water Treatment Plant #3, and the installation of a vacuum priming system at Water Treatment Plant #5). New for fiscal year 2016 is the implementation of the Government Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions*. This new standard requires that pension expense be reported in the financial statements based on the discounted cost of future pension benefits earned in the current year as opposed to simply reporting amounts paid to fund pension benefits. Pension expense related to water and sewer activities in fiscal year 2016 is \$205.
- In November 2014, information was provided to the City from the Illinois Metropolitan Investment Fund (IMET) regarding a potential investment loss that occurred as a result of fraud undertaken by a U.S. Department of Agriculture (USDA) backed financial institution. At the time of the fraud, the City of Crystal Lake and 292 other municipalities and government agencies utilized IMET to invest their intermediate-term dollars. Recovery efforts are now underway by IMET and other parties impacted by the fraudulent activity. At April 30, 2015, the City of Crystal Lake recognized a loss of a loss of \$86 and \$502 (asset impairment) in the Water and Sewer Fund and General Fund, respectively, pending the outcome of this case.

Operating Results

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

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

At the end of the fiscal year 2016, the City's governmental funds reported combined ending fund balances of \$30,552, a decrease of \$56 in comparison with the prior year. Approximately 33.4% of the ending balance or \$10,224 constituted unrestricted fund balance, which would be available to spend at the City's discretion. The remainder of the combined ending fund balance is restricted to indicate that it is not available for spending because it has already been restricted to pay debt service, retirement, street improvements or other specific costs, or is reserved for prepaid items such as insurance and inventories.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, the unassigned fund balance was \$10,224, while the total fund balance was \$13,116. As a measure of the General Fund's capacity to provide a sufficient cash flow for day-to-day operations, offset unanticipated downturns or changes to General Fund revenues or provide an ability to make emergency purchases, it may be useful to compare unassigned fund balance to operating expenditures. The unassigned fund balance represented 38.9% of General Fund operating expenditures.

The ending fund balance of the City's General Fund increased by \$99 at the end of the fiscal year. A key factor attributing to the increase was a reduction in the amount of unassigned fund balance needed for capital and equipment replacement as some projects either were completed under budget, postponed or abandoned. Examples of projects completed under budget, postponed or abandoned include: repairs to brick cross walks in the City's downtown shopping district, upgrade of the City's security camera system, installation of a fiber optic connection to City Hall, engineering associated with the replacement of the underground fuel tank and fuel island at City Hall, the purchase of advanced authentication software for the Police Department, a study of compensation, and a citizen survey.

The ending fund balance in the Motor Fuel Tax Fund is \$5,347. The entire balance is restricted for purposes of roadway improvements. The \$1,480 net decrease in fund balance during the year was due to road resurfacing and construction projects including the widening of South Main Street and a multi-use path near County Club Road.

The ending fund balance in the Fire Rescue Fund is \$3,072, an increase of \$1,263 from the prior year. Key factors leading to the increase include, the McHenry County Treasurer's release of 2013 property taxes that were previously sequestered pending the outcome of a taxpayer objection lawsuit, and new revenue resulting from an intergovernmental agreement to provide fire rescue services to the Village of Lakewood. Terms of the December 1, 2015, agreement require the Village of Lakewood to pay an annual fee to the City based on the Equalized Assessed Value of all properties in the Village multiplied by the total limited rate extended by the McHenry County Clerk upon all property in the Crystal Lake Rural Fire Protection District. The agreement expires on December 31, 2025, but will automatically renew up to four (4) successive five (5) year periods unless either party delivers written notice of nonrenewal. The replacement of an engine, planned for fiscal year 2016, was postponed due to the lead time for delivery. Funds for the purchase of the engine have been re-budgeted for fiscal year 2017.

The ending fund balance in the Home Rule Sales Tax Fund is \$2,751. The net decrease of \$140 from the prior year is largely attributable to partially funding the City's street resurfacing program in the Road and Vehicle License Fund using available resources from the Home Rule Sales Tax Fund. Home Rule Sales Tax also provides funding for the Target Response Unit in the Police Department, enhanced economic development initiatives, flooding mitigation, document management and imaging, repayment of debt for the construction of the Three Oaks Recreation Area and to support City services. Fiscal year 2016 revenue reflects the recognition of money owed to the City from Special Service Area (SSA) #45 participants. In 2012, the City used \$156 of available resources in the Home Rule Sales Tax Fund to pay principal and interest on outstanding SSA #45 bonds because collections of SSA #45 property taxes were insufficient to cover amounts due on February 1, 2012. Efforts to recover money used to fund SSA #45 debt service are ongoing as SSA bonds are not direct obligations of the City.

In aggregate, the Fund Balance of Other Governmental Funds increased \$202 (3.3%) from the previous year. Key factors leading to the increase include the McHenry County Treasurer's release of 2013 property taxes that were previously sequestered pending the outcome of a taxpayer objection lawsuit (IMRF/FICA Fund) and a transfer from available General Fund

resources that will provide for the replacement of a dump truck in fiscal year 2017 (Capital & Equipment Replacement Fund). Originally, the truck was scheduled to be replaced in 2016 but due to long lead times for delivery, the replacement was postponed. Netting against increases were planned uses of available fund balance for the City's street resurfacing program (Road/Vehicle License Fund), replacement of the fire alerting system (Foreign Fire Insurance Tax Fund) and for design engineering to expand parking areas and trails at the Three Oaks Recreation Area (Three Oaks Development Fund).

Proprietary funds. These funds are sometimes referred to as *business-like* funds of a state or local government. Examples of proprietary funds are enterprise funds and internal service funds. The City maintains one proprietary fund. The Waterworks and Sewerage enterprise fund is used to account for the acquisition, operations and maintenance of water and sewer facilities and services and is predominately self-supporting through user charges.

Unrestricted net position of the Waterworks and Sewerage Fund (at the end of the year totaled \$5,785 as net investment in capital assets) declined due both to age of older assets (depreciation) and outstanding debt that was originally issued to acquire, repair or construct capital assets.

General Fund Budgetary Highlights

General Fund Budgetary Highlights Fiscal Year 2016 (In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues and other financing sources:			
Property taxes	\$ 3,638	\$ 3,638	\$ 3,986
Other taxes	2,411	2,411	2,410
Intergovernmental	16,191	16,191	16,447
Other	<u>1,932</u>	<u>1,932</u>	<u>2,709</u>
Total revenues	24,172	24,172	25,552
Expenditures	(27,851)	(27,851)	(26,296)
Other financing sources (uses)	<u>149</u>	<u>149</u>	<u>843</u>
Net change in fund balance	<u>\$ (3,530)</u>	<u>\$ (3,530)</u>	<u>\$ 99</u>

Actual revenues of \$25,552 exceeded amounts budgeted by \$1,380. Expenditures ended the year \$1,555 below budget. Other financing sources (uses) exceeded budget by \$694. During the fiscal year, the City of Crystal Lake Council did not amend the General Fund budget.

Revenues and expenditures that exceeded final budget expectations are listed below.

- Property tax receipts exceeded amounts budgeted as the McHenry County Treasurer released 2013 taxes to the City following the outcome of a property tax objection suit. In November 2014, the City received notice relative to a property tax objection that was filed on behalf of a number of Crystal Lake property owners. The suit alleged that the

2013 tax levy was not valid because the City failed to get four concurring votes of its elected corporate authorities. In December 2015, the Illinois Appellate Court reversed the decision of the lower court that ruled in favor of the taxpayer plaintiffs, citing that the City's 2013 tax levy ordinance was validly adopted. The Illinois Supreme court chose not to review the case.

- Income tax receipts exceeded budget expectations. The variance between budget and actual performance reflects changes in the percent of tax collections the State must deposit into the Local Government Distributive Fund (LGDF), coupled with decreasing unemployment levels. Included in collections are capital gains taxes that were paid to the State for 2014.
- Receipts of Retail Sales and Use Taxes exceeded amounts budgeted. Much of the increase is related to strong growth in online sales that allow the State to collect use tax (6.25% for general merchandise and 1% for qualifying food and drugs) from online retailers such as Amazon and then distribute a portion of the tax to local municipalities. Use tax is imposed on the privilege of using, in Illinois, any item of tangible personal property that is purchased anywhere at retail. A use tax liability may result when Illinois consumers purchase tangible personal property at retail from out-of-state retailers, from unregistered retailers for use in Illinois without paying tax to the retailer or when Illinois businesses withdraw personal property from the sales inventories for their own use.
- Cable franchise fees exceeded budget due in large part to the findings of an independent consulting firm hired by the City to review the records of cable providers. The consulting firm's review revealed shortages in amounts paid to the City by Comcast Cable and AT&T. Both Comcast and AT&T have been billed for the shortages. Cable operators pay franchise fees to the City as compensation for using City-owned right-of-way. Franchise fees are equal to a percentage of the operator's gross revenue.
- Investment earnings exceeded budget expectations. Reflected in earnings is an interest earnings credit of \$234 arising from assets held in trust at the Intergovernmental Risk Management Agency (IRMA). IRMA is an entity that was created under Illinois state law which allows municipalities to band together in order to pool risk management needs for general liability and workers' compensation insurance. In addition to the interest earnings credit, fiscal year 2016 earnings exceeded budget projections due in part to the efforts of Sawyer Falduto Asset Management, LLC, whom the City hired in September, 2015, to actively manage the City's investment portfolio.
- Reimbursements and miscellaneous income exceeded projections as reimbursements for workers' compensation and insurance claims are not budgeted as they cannot be relied upon to support the operations of the General Fund. Proceeds from the sale of fixed assets are also not budgeted. Included in reimbursements for fiscal year 2016 is the recovery of \$260 in legal fees arising from a court case involving bleachers at Crystal Lake South High School.
- Legal fees expenditures exceeded amounts budgeted. Legal expenditures reflect fees charged by counsel to represent the City in various legal matters except those associated with collective bargaining units of the City and for Administrative Adjudication.
- Enhanced sales tax sharing expenses also exceeded budget as the City's sharing program expanded to include two area dealerships that came under new management. New car sales remained strong.

- Pension obligation expenses exceeded amounts budgeted as property taxes raised from the 2014 property tax levy were transferred to pension trust funds. In addition, 2013 taxes were released by the McHenry County Treasurer following the outcome of a taxpayer objection lawsuit.

Revenues and expenditures that did not meet final budget expectations included:

- Proceeds from building permits and plan reviews missed fiscal year 2016 budget expectations as new commercial and residential housing starts remained slow.
- Corporate personal property replacement tax ended the year below budget. During 2016, the Illinois Department of Revenue (IDOR) discovered that it had overpaid local municipalities their fair share of the tax. As a result, IDOR plans to recover \$17 from the City of Crystal Lake. Corporate personal property tax for fiscal year is reported net of the amount of the overpayment made by IDOR.
- Police fines revenue did not meet budget in fiscal year 2016 as more motorists complied with local traffic laws, resulting in decreased revenue.
- Telecommunications tax receipts continue to miss budget expectations. Changes in how business and residential customers communicate has resulted in lowering telecommunication tax available to local governments. Data plans and other internet-based communications specifically are exempt from the telecommunications tax.
- Personnel related expenses ended the year below budget due to vacated positions. Vacated positions will not be filled unless they are critical to City operations. Overtime costs in the Police Department were reduced through chargebacks to organizations utilizing special police services. Overtime costs in the Community Development Department were reduced as a result of process changes. Overtime costs in the Streets and the Fleet & Facility Services Divisions of the Public Works Department also ended the year below budget. The winter of 2015-2016 did not have as many snow and ice events as was anticipated. The favorable winter weather reduced the need for crews to be on duty at night and on weekends.
- Group health insurance expenses are below budget as renewal rates were less than anticipated. Savings in group health insurance was enhanced further as a result of vacated positions.
- Liability insurance expenses ended the year below budget as the City moved to increase its deductible from \$2.5 per occurrence to \$10 per occurrence, thereby reducing the annual cost for liability insurance premiums.
- Postage and freight expenses in the City Administration Department were less than anticipated as the City began transitioning to a new source of data later in the year from which it will extract addresses for its monthly newsletter. The previous source reflected only those addresses that receive water and sewer bills. It did not contain most apartments. As additional addresses are added, additional postage will be needed to mail additional newsletters.
- Professional services in the Information Technology Department ended the year below budget due to timing of payments for Information Technology Managed Services. In March 2016, the City entered into a contract with FutureNet Group, Inc. to support and

assist staff in responding to customer inquiries, maintaining network equipment, preparing and installing new hardware, installing new software and assisting in the completion of special projects.

- Professional services in the Shared Services Division ended the year below budget due to timing of payments to the Geographical Interface Systems (GIS) Consortium. In June 2016, the City joined the GIS Consortium, an organization of Chicago-area communities that share resources, information, staffing and technology in order to optimize the value of GIS. GIS helps communities automate and improve local government business processes, from mapping incidents to supporting infrastructure systems and projects. GIS is a visualization technology that integrates information, uncovers complex information relationships and supports local government decision-making.
- Professional services in the Community Development are below budget. Due to process changes and some development projects that are still in their infancy, funds for consultant and inspection services were not expended.
- Professional services in the Streets Division of the Public Works Department ended the year below budget as the City could not locate a vendor to complete boom mowing operations before the end of the fiscal year.
- Motor fuel costs ended the year below budget as prices for petroleum-based products dropped to their lowest level in four (4) years.
- Transfers from unassigned fund balance to the Capital and Equipment Replacement Fund were reduced as some projects either were completed under budget, postponed or abandoned. Examples of projects that were completed under budget, postponed or abandoned include: repairs to brick cross walks in the City's downtown shopping district, upgrade of the City's security camera system, installation of a fiber optic connection to City Hall, engineering associated with the replacement of the underground fuel tank and fuel island at City Hall, the purchase of advanced authentication software for the Police Department, a study of compensation, and a citizen survey.

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, totaled \$258,391 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, improvements, and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was \$2,903 or 1.1%.

Capital Assets at Year End, Net of Depreciation (In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
Land	\$ 103,540	\$ 103,567	\$ 628	\$ 628	\$ 104,168	\$ 104,195
Construction in progress	4,755	7,657	2,369	3,044	7,124	10,701
Buildings and improvements	23,148	23,033	11,376	10,552	34,524	33,585
Machinery, equipment and vehicles	7,190	6,946	6,375	6,174	13,565	13,120
Infrastructure	46,974	47,652	49,133	49,138	96,107	96,790
Total	\$ 185,607	\$ 188,855	\$ 69,881	\$ 69,536	\$ 255,488	\$ 258,391

Major capital asset acquisitions made during the fiscal year included: the replacement of two response vehicles and six heart monitors (Fire Rescue), five patrol vehicles (Police), one dump truck and three pickup trucks (Public Works), one administrative vehicle (City Administration), one utility vehicle and one pontoon boat (Three Oaks Recreation Area), as well as the replacement of fire alerting systems at Fire Station #1 and Fire Station #4, and expansion of the City's access control proxy card system to include the Public Works garage at City Hall.

In addition to the City's annual street resurfacing program, roadway projects included the widening of South Main Street, phase I engineering for improvements to North Main Street, and reconstruction of the Brink Street Marketplace parking lot. Final payment was made for Crystal Lake Avenue and Briarwood at IL Route 176 improvements.

Included in water and sewer capital expenditures is the rehabilitation of Lift Station #9, replacement of water main in the County Club subdivision (final phase 3), relocation of water main along US Route 14 in advance of the State's roadway widening project and replacement of a channel grinder at Wastewater Treatment Plant #2. Construction of a second digester at the City's Wastewater Treatment Plant #2 commenced. Final payment was made for the relocation of water main along Crystal Lake Avenue.

Additional information on the City's capital assets can be found in Note I.D.3 and III.C of this report.

Long-term Debt. At the end of the current fiscal year, the City had \$38,679 of debt instruments outstanding.

**Long-Term Debt at Year End
Fiscal Year 2016
(In thousands)**

	Balance, May 1, 2015	Additions	Deletions	Balance, April 30, 2016
General obligation bonds	\$ 39,655	\$ -	\$ 3,295	\$ 36,360
Notes payable	-	1,900	-	1,900
Loans payable	-	419	-	419
	<u>\$ 39,655</u>	<u>\$ 2,319</u>	<u>\$ 3,295</u>	<u>\$ 38,679</u>

During the year, the City issued \$1,900 General Obligation Promissory Notes, Series 2015, payable in annual installments ranging from \$175 to \$230 commencing December 15, 2016 with final payment due December 15, 2024. Interest is payable semiannually on June 15 and December 15, commencing June 15, 2016, at 2.151%. Proceeds of the bonds were used to finance infrastructure improvements in the Water & Sewer Fund.

The City also entered into a loan agreement with the Illinois Environmental Protection Agency dated December 11, 2015, which authorizes the City to borrow up to \$14,840 to fund improvements to the City's wastewater treatment plants on a reimbursement basis. The City borrowed \$419 as of April 30, 2016.

Special Service Area (SSA) bond issues outstanding at April 30, 2016, include:

- Special Service Area #45 Bonds, Series 2006 - \$5,440
- Special Service Area #44 Bonds, Series 2007 - \$ 300
- Special Service Area #46 Bonds, Series 2007 - \$2,371

Special Service Area (SSA) bond issues are not direct obligations of the City. Any cash or fund balance are reported in the Special Assessments (Agency) Fund.

On June 7, 2016, Moody's Investor Services (MIS) issued a press release downgrading the City's bond rating to Aa2 from the previous Aa1. Three primary factors lead to this downgrade: City's drawdown of fund reserves for planned capital items, declines in the Equalized Assessed Valuation (EAV) of all property in the City over the past five years, and the City's pension liabilities.

In 2009, which is the last time the City utilized MIS as part of a bond issuance, Moody's upgraded the City's bond rating from an Aa3 to an Aa2, which was subsequently recalibrated to an Aa1 in a global scale change. In 2009, Standard and Poor's rated the City for the first time with an AA+ rating. The AA+ rating was affirmed by Standard and Poor's again in 2012, 2013 and 2014.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City in April, 2016, was 5.0% which is lower than the State's average unemployment rate of 6.6% during that same period. The occupancy rate of the City's central business district was 99% in early 2014, and is now at 98%, which is the expected rate for the foreseeable future. Inflationary trends in the region compare favorably to national indices.

The State of Illinois is in the midst of a budget crisis. A number of scenarios have been discussed, some of which could reduce revenue to local government. As an example, on February 8, 2015, Governor Rauner delivered his first budget address. The most important item for the City of Crystal Lake was his proposal to cut by 50% the Local Government Distributive Fund (LGDF). The LGDF is the mechanism that is used to collect the municipal share of state income tax revenue. Under the Governor's proposal, the City of Crystal Lake would have lost approximately \$2 million per year. The City's share of state income tax revenue accounts for the second largest source of revenue for the General Fund with retail sales tax being the largest.

It is unknown when or how the Illinois General Assembly will address the current budget crises. Governor Rauner delivered his second budget address in February, 2016, despite the fact that, to date, a budget for 2015 had yet to be approved. The City's fiscal year 2017 budget was approved by the City Council on April 21, 2016, and will be reevaluated at a future date if the General Assembly does in fact approve the diversification of local government funds as part of any compromise.

To balance the fiscal year 2017 budget, the City of Crystal Lake will continue to follow spending control measures that include taking advantage of electrical aggregation and other bulk purchasing opportunities through cooperative purchasing agreements, seeking competitive bids and avoiding filling vacated positions unless they are critical to City operations. Whenever possible, grant funding shall be sought to offset program and project costs.

In 2012, the City authorized a Wastewater Master Plan to evaluate both wastewater facilities and determine necessary improvements both in the short-term and long-term. This report was completed in June, 2013. The City further authorized a Water Master Plan in 2013 to address both short-term and long-term improvements required in the City's water production system, treatment process, distribution system and chlorides discharges from water treatment plants. These reports have provided the engineering analysis to identify critically needed improvements.

Finally, the City commissioned a water and sewer rate study, which was completed in February 2014. The study provided a number of options. The fiscal year 2017 budget incorporates the recommended option, which includes an increase of 11.4% for water and sewer services. This increase provides a funding mechanism that will allow the Water and Sewer Fund to continue to be financially independent and provide for capital investment to maintain water and sewer infrastructure systems. This is the third of five consecutive years of rate increases recommended by the study.

Requests for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to George Koczwar, Director of Finance, 100 W. Woodstock Street, Crystal Lake, Illinois 60014.

BASIC FINANCIAL STATEMENTS

City of Crystal Lake, Illinois
Statement of Net Position
April 30, 2016

	Governmental Activities	Business-type Activities	Total	Component Unit
				Crystal Lake Public Library
Assets				
Cash and investments	\$ 23,449,752	\$ 8,134,651	\$ 31,584,403	\$ 5,080,152
Receivables, net:				
Property taxes	11,862,068	-	11,862,068	4,449,574
Accrued interest	180,905	17,618	198,523	-
Accounts	1,901,106	1,772,014	3,673,120	-
Internal balances	392,635	(392,635)	-	-
Due from other governments	5,597,630	-	5,597,630	-
Inventory	179,953	-	179,953	-
Prepaid items and other assets	1,635,026	11,157	1,646,183	-
Total current assets	45,199,075	9,542,805	54,741,880	9,529,726
Noncurrent:				
Capital assets (net of accumulated depreciation):				
Land	103,567,025	628,095	104,195,120	2,074,878
Construction in progress	7,657,391	3,043,705	10,701,096	-
Buildings and improvements	23,032,894	10,552,265	33,585,159	4,668,706
Machinery, equipment and vehicles	6,946,310	6,174,025	13,120,335	76,768
Infrastructure	47,651,773	49,137,874	96,789,647	-
Total noncurrent assets	188,855,393	69,535,964	258,391,357	6,820,352
Total assets	234,054,468	79,078,769	313,133,237	16,350,078
Deferred Outflows				
Pension-related	8,978,900	695,181	9,674,081	677,156
Total assets and deferred outflows	\$ 243,033,368	\$ 79,773,950	\$ 322,807,318	\$ 17,027,234

See accompanying notes.

	Governmental Activities	Business-type Activities	Total	Component Unit
				Crystal Lake Public Library
Liabilities				
Current:				
Accounts payable	\$ 2,452,265	\$ 1,279,482	\$ 3,731,747	\$ 175,372
Accrued liabilities	23,111	1,796	24,907	53,819
Recapture fees payable	108,932	-	108,932	-
Deposits payable	120,373	147,785	268,158	-
Interest payable	225,056	290,783	515,839	-
Unearned revenue	80,174	-	80,174	-
General obligation bonds payable	1,426,983	1,968,017	3,395,000	-
Promissory note payable	-	175,000	175,000	-
Compensated absences payable	2,195,019	223,919	2,418,938	94,919
Total current liabilities	6,631,913	4,086,782	10,718,695	324,110
Noncurrent:				
Compensated absences payable	884,326	226,458	1,110,784	38,243
General obligation bonds payable	13,471,267	20,442,983	33,914,250	-
Promissory note payable	-	1,725,000	1,725,000	-
IEPA loan payable	-	419,070	419,070	-
Net pension obligations	43,818,788	2,123,787	45,942,575	2,068,716
Net other post-employment benefit obligation	373,049	-	373,049	-
Total noncurrent liabilities	58,547,430	24,937,298	83,484,728	2,106,959
Total liabilities	65,179,343	29,024,080	94,203,423	2,431,069
Deferred Inflows of Resources				
Property taxes	11,862,068	-	11,862,068	4,449,574
Pension-related	491,472	157,016	648,488	152,945
Total deferred inflows	12,353,540	157,016	12,510,556	4,602,519
Total liabilities and deferred inflows	77,532,883	29,181,096	106,713,979	7,033,588
Net Position				
Net investment in capital assets	173,957,143	44,805,894	218,763,037	6,820,352
Restricted for:				
Working cash	-	-	-	50,329
Highways and streets	5,347,470	-	5,347,470	-
Retirement	1,140,772	-	1,140,772	172,131
Debt service	607,044	-	607,044	-
Unrestricted	(15,551,944)	5,786,960	(9,764,984)	2,950,834
Total net position	\$ 165,500,485	\$ 50,592,854	\$ 216,093,339	\$ 9,993,646

**City of Crystal Lake, Illinois
Statement of Activities
For the Year Ended April 30, 2016**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General and administrative	\$ 9,453,754	\$ 1,015,508	\$ 42,878
Public safety	25,243,996	3,907,398	232,546
Highways and streets	11,137,715	240,659	3,371,612
Culture and recreation	1,158,493	494,003	-
Interest on long-term debt	472,785	-	-
Total governmental activities	47,466,743	5,657,568	3,647,036
Business-type activities - Waterworks and Sewerage	11,161,179	10,048,556	-
Total primary government	\$ 58,627,922	\$ 15,706,124	\$ 3,647,036
Component unit - Crystal Lake Public Library	\$ 4,809,339	\$ 219,922	\$ -

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			Component Unit Crystal Lake Public Library
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (8,395,368)	\$ -	\$ (8,395,368)	\$ -
2,076	(21,101,976)	-	(21,101,976)	-
2,627,832	(4,897,612)	-	(4,897,612)	-
-	(664,490)	-	(664,490)	-
-	(472,785)	-	(472,785)	-
2,629,908	(35,532,231)	-	(35,532,231)	-
849,507	-	(263,116)	(263,116)	-
\$ 3,479,415	(35,532,231)	(263,116)	(35,795,347)	-
\$ -	-	-	-	(4,589,417)

General revenues:				
Taxes:				
Property	13,424,456	-	13,424,456	4,451,761
Home rule sales	5,040,729	-	5,040,729	-
Auto rental	42,515	-	42,515	-
Franchise fees - cable	790,182	-	790,182	-
Telecommunications	1,276,159	-	1,276,159	-
Hotel	301,467	-	301,467	-
Intergovernmental:				
Replacement	133,431	-	133,431	-
State sales and use	12,103,709	-	12,103,709	-
Income	4,167,471	-	4,167,471	-
Investment income	470,909	79,071	549,980	17,350
Gain (loss) on sale of capital assets	(122,962)	6,839	(116,123)	-
Miscellaneous	1,293,161	202,605	1,495,766	15,574

Total general revenues 38,921,227 288,515 **39,209,742** 4,484,685

Changes in net position 3,388,996 25,399 **3,414,395** (104,732)

Net position, beginning of the year:				
As previously reported	194,006,134	51,948,314	245,954,448	11,443,430
Prior period restatement	(31,894,645)	(1,380,859)	(33,275,504)	(1,345,052)
As restated	162,111,489	50,567,455	212,678,944	10,098,378
Net position, end of the year	\$ 165,500,485	\$ 50,592,854	\$ 216,093,339	\$ 9,993,646

See accompanying notes.

City of Crystal Lake, Illinois
Balance Sheet - Governmental Funds
April 30, 2016

	General Fund	Motor Fuel Tax Fund	Special Revenue
			Fire Rescue Fund
Assets			
Cash and investments	\$ 7,106,260	\$ 4,770,338	\$ 2,741,431
Receivables:			
Property taxes, net	3,648,715	-	6,391,263
Interest	84,203	96,702	-
Other	587,938	325,634	537,666
Due from other funds	851,319	262,812	-
Due from other governments	4,363,000	92,723	-
Inventory	179,953	-	-
Prepaid items	1,627,166	-	2,082
Total assets	\$ 18,448,554	\$ 5,548,209	\$ 9,672,442
Liabilities			
Accounts payable	\$ 1,110,302	\$ 83,014	\$ 140,037
Accrued payroll	11,405	-	6,363
Recapture fees payable	866	-	-
Customer deposits	120,373	-	-
Unearned revenue	18,175	-	61,999
Due to other funds	422,202	117,725	-
Total liabilities	1,683,323	200,739	208,399
Deferred Inflows of Resources			
Property taxes	3,648,715	-	6,391,263
Fund Balances			
Nonspendable	1,807,119	-	2,082
Restricted, reported in:			
Restricted for highways and streets	-	5,347,470	-
Restricted for retirement	-	-	-
Restricted for police activities	-	-	-
Restricted for debt service	-	-	-
Restricted for park development	-	-	-
Committed for capital facilities	3,128	-	-
Assigned for next fiscal year expenditures	1,032,200	-	-
Assigned for promotion of tourism	49,974	-	-
Assigned, reported in:			
Special Revenue funds	-	-	3,070,698
Capital Projects funds	-	-	-
Unassigned, reported in:			
General fund	10,224,095	-	-
Total fund balances	13,116,516	5,347,470	3,072,780
Total liabilities, deferred inflows of resources and fund balances	\$ 18,448,554	\$ 5,548,209	\$ 9,672,442

Funds		Total Governmental Funds
Home Rule Sales Tax Fund	Other Governmental Funds	
1,608,959	\$ 7,222,764	\$ 23,449,752
-	1,822,090	11,862,068
-	-	180,905
-	449,868	1,901,106
-	83,766	1,197,897
1,141,907	-	5,597,630
-	-	179,953
-	5,778	1,635,026
\$ 2,750,866	\$ 9,584,266	\$ 46,004,337
\$ -	\$ 1,118,912	\$ 2,452,265
-	5,343	23,111
-	108,066	108,932
-	-	120,373
-	-	80,174
-	265,335	805,262
-	1,497,656	3,590,117
-	1,822,090	11,862,068
-	5,778	1,814,979
-	-	5,347,470
-	-	1,140,772
-	588,840	588,840
-	607,044	607,044
-	97,819	97,819
-	-	3,128
1,319,197	168,856	2,520,253
-	-	49,974
1,431,669	171,303	4,673,670
-	3,484,108	3,484,108
-	-	10,224,095
2,750,866	6,264,520	30,552,152
\$ 2,750,866	\$ 9,584,266	\$ 46,004,337

See accompanying notes.

City of Crystal Lake, Illinois
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
April 30, 2016

Total fund balance - governmental funds (page 8)	\$ 30,552,152
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	188,855,393
<p>Bond premiums are amortized over the life of the issue for governmental activities, but recognized as revenue in the period received in the governmental funds.</p>	(48,095)
<p>Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds. These liabilities consist of:</p>	
General obligation bonds payable	(14,850,155)
Compensated absences payable	(3,079,345)
Net pension liability	(43,818,788)
Net other post-employment benefit obligation	(373,049)
Interest payable	(225,056)
Difference in pension-related items on deferred outflows	8,978,900
Difference in pension-related items on deferred inflows	(491,472)
	(93,881,865)
Net position of governmental activities (page 4)	\$ 165,500,485

See accompanying notes.

City of Crystal Lake, Illinois
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended April 30, 2016

	General Fund	Motor Fuel Tax Fund	Special Revenue	Funds		Total Governmental Funds
			Fire Rescue Fund	Home Rule Sales Tax Fund	Other Governmental Funds	
Revenues:						
Charges for services	\$ 411,382	\$ -	\$ 3,264,595	\$ -	\$ 885,988	\$ 4,561,965
Licenses and permits	305,749	-	-	-	240,659	546,408
Intergovernmental	16,447,489	5,999,444	2,076	-	61,752	22,510,761
Fines and forfeitures	545,063	-	-	-	170,794	715,857
Property taxes	3,986,492	-	6,987,417	-	2,450,547	13,424,456
Other taxes	2,410,323	-	-	5,040,729	-	7,451,052
Investment income	430,735	30,345	4,701	2,555	2,573	470,909
Miscellaneous	1,014,331	-	12,304	156,810	49,266	1,232,711
Total revenues	25,551,564	6,029,789	10,271,093	5,200,094	3,861,579	50,914,119
Expenditures:						
Current:						
General government	7,125,039	-	-	-	888,454	8,013,493
Public safety	14,390,545	-	8,762,416	-	699,948	23,852,909
Highways and streets	4,345,883	415,990	-	-	2,571,503	7,333,376
Culture and recreation	-	-	-	-	618,351	618,351
Debt service:						
Principal retirement	375,711	-	-	-	1,008,256	1,383,967
Interest and fiscal charges	58,606	-	-	-	427,015	485,621
Miscellaneous	-	-	-	-	103,984	103,984
Capital outlay	-	6,226,739	245,566	-	2,705,775	9,178,080
Total expenditures	26,295,784	6,642,729	9,007,982	-	9,023,286	50,969,781
Revenues over (under) expenditures before other financing sources (uses)	(744,220)	(612,940)	1,263,111	5,200,094	(5,161,707)	(55,662)
Other financing sources (uses):						
Transfers in	3,486,151	132,450	-	11,679	5,375,923	9,006,203
Transfers out	(2,643,052)	(1,000,000)	-	(5,351,472)	(11,679)	(9,006,203)
Total other financing sources (uses)	843,099	(867,550)	-	(5,339,793)	5,364,244	-
Net changes in fund balances	98,879	(1,480,490)	1,263,111	(139,699)	202,537	(55,662)
Fund balances, beginning of the year	13,017,637	6,827,960	1,809,669	2,890,565	6,061,983	30,607,814
Fund balances, end of the year	\$ 13,116,516	\$ 5,347,470	\$ 3,072,780	\$ 2,750,866	\$ 6,264,520	\$ 30,552,152

See accompanying notes.

City of Crystal Lake, 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 (pages 5 and 6) are different because:

Net changes in fund balances (deficit) - total governmental funds (page 11).	\$ (55,662)
Governmental funds report capital outlays as expenditures, however, they are capitalized and depreciated in the statement of activities.	6,482,574
Depreciation on capital assets is reported as an expense in the statement of activities.	(3,002,792)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net position.	(231,668)
The issuance of long term debt (bonds) 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. Neither transaction, however, has any effect on net position. This amount represents current year principal paid as there were no proceeds in the current year.	1,383,964
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	17,256
The net effect of changes in the net pension liability is reported as an expense in the statement of activities.	(1,129,463)
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. These activities consist of:	
Decrease in compensated absences payable	78,203
Increase in other post-employment benefit obligation	(166,095)
Decrease in interest payable	12,679
Change in net position of governmental activities (page 6)	<u>\$ 3,388,996</u>

See accompanying notes.

City of Crystal Lake, Illinois
General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Major Funds
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services	\$ 410,160	\$ 410,160	\$ 411,382	\$ 1,222
Licenses and permits	374,000	374,000	305,749	(68,251)
Intergovernmental	16,190,971	16,190,971	16,447,489	256,518
Fines and forfeitures	576,000	576,000	545,063	(30,937)
Property taxes	3,637,684	3,637,684	3,986,492	348,808
Other taxes	2,411,000	2,411,000	2,410,323	(677)
Investment income	105,000	105,000	430,735	325,735
Miscellaneous	467,325	467,325	1,014,331	547,006
Total revenues	24,172,140	24,172,140	25,551,564	1,379,424
Expenditures:				
Current:				
General government	7,978,899	7,978,899	7,125,039	853,860
Public safety	14,636,647	14,636,647	14,390,545	246,102
Highways and streets	4,801,449	4,801,449	4,345,883	455,566
Debt service:				
Principal	375,723	375,723	375,711	12
Interest and fees	58,637	58,637	58,606	31
Total expenditures	27,851,355	27,851,355	26,295,784	1,555,571
Revenues under expenditures before other financing sources (uses)	(3,679,215)	(3,679,215)	(744,220)	2,934,995
Other financing sources (uses):				
Transfers in	3,647,014	3,647,014	3,486,151	(160,863)
Transfers out	(3,498,312)	(3,498,312)	(2,643,052)	855,260
Total other financing sources (uses)	148,702	148,702	843,099	694,397
Net changes in fund balance	\$ (3,530,513)	\$ (3,530,513)	98,879	\$ 3,629,392
Fund balance, beginning of the year			13,017,637	
Fund balance, end of the year			\$ 13,116,516	

See accompanying notes.

City of Crystal Lake, Illinois
Motor Fuel Tax Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Major Funds
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental	\$ 3,220,976	\$ 3,220,976	\$ 5,999,444	\$ 2,778,468
Investment income	25,000	25,000	30,345	5,345
Total revenues	<u>3,245,976</u>	<u>3,245,976</u>	<u>6,029,789</u>	<u>2,783,813</u>
Expenditures - current:				
Highways and street:				
Contractual services	190,063	190,063	77,270	112,793
Supplies and materials	508,000	508,000	338,720	169,280
Capital outlay - streets	7,586,760	7,586,760	6,226,739	1,360,021
Total expenditures	<u>8,284,823</u>	<u>8,284,823</u>	<u>6,642,729</u>	<u>1,642,094</u>
Revenues under expenditures before other financing sources (uses)	<u>(5,038,847)</u>	<u>(5,038,847)</u>	<u>(612,940)</u>	<u>4,425,907</u>
Other financing sources (uses):				
Transfers in	-	-	132,450	132,450
Transfers out	(1,000,000)	(1,000,000)	(1,000,000)	-
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(867,550)</u>	<u>132,450</u>
Net changes in fund balance	<u>\$ (6,038,847)</u>	<u>\$ (6,038,847)</u>	<u>(1,480,490)</u>	<u>\$ 4,558,357</u>
Fund balance, beginning of the year			<u>6,827,960</u>	
Fund balance, end of the year			<u>\$ 5,347,470</u>	

See accompanying notes.

City of Crystal Lake, Illinois
Fire Rescue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Major Funds
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services	\$ 3,051,714	\$ 3,051,714	\$ 3,264,595	\$ 212,881
Intergovernmental	12,000	12,000	2,076	(9,924)
Property taxes	6,415,488	6,415,488	6,987,417	571,929
Investment income	250	250	4,701	4,451
Other	61,000	61,000	12,304	(48,696)
Total revenues	9,540,452	9,540,452	10,271,093	730,641
Expenditures:				
Public safety:				
Personnel services	7,959,286	7,959,286	7,506,204	453,082
Contractual services	1,086,266	1,086,266	999,450	86,816
Materials and supplies	325,302	325,302	256,762	68,540
Capital outlay	1,008,319	1,008,319	245,566	762,753
Total expenditures	10,379,173	10,379,173	9,007,982	1,371,191
Revenues over (under) expenditures	\$ (838,721)	\$ (838,721)	1,263,111	\$ 2,101,832
Fund balance, beginning of the year			1,809,669	
Fund balance, end of the year			\$ 3,072,780	

See accompanying notes.

City of Crystal Lake, Illinois
Home Rule Sales Tax Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Major Funds
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Other taxes - home rule sales tax	\$ 5,109,000	\$ 5,109,000	\$ 5,040,729	\$ (68,271)
Investment income	-	-	2,555	2,555
Miscellaneous	-	-	156,810	156,810
Total revenues	<u>5,109,000</u>	<u>5,109,000</u>	<u>5,200,094</u>	<u>91,094</u>
Other financing sources (uses):				
Transfers in	13,000	13,000	11,679	(1,321)
Transfers out	(5,668,255)	(5,668,255)	(5,351,472)	316,783
Total other financing sources (uses)	<u>(5,655,255)</u>	<u>(5,655,255)</u>	<u>(5,339,793)</u>	<u>315,462</u>
Net changes in fund balance	<u>\$ (546,255)</u>	<u>\$ (546,255)</u>	<u>(139,699)</u>	<u>\$ 406,556</u>
Fund balance, beginning of the year			<u>2,890,565</u>	
Fund balance, end of the year			<u>\$ 2,750,866</u>	

See accompanying notes.

City of Crystal Lake, Illinois
Proprietary Fund - Waterworks and Sewerage Fund
Statement of Net Position
April 30, 2016

Assets	
Current assets:	
Cash and cash equivalents	\$ 8,134,651
Receivables - accounts	1,789,632
Due from other funds	158,957
Prepaid items	11,157
Total current assets	10,094,397
Noncurrent assets:	
Capital assets, net of accumulated depreciation:	
Land	628,095
Construction in progress	3,043,705
Building improvements	10,552,265
Machinery, equipment, and vehicles	6,174,025
Infrastructure	49,137,874
Total noncurrent assets	69,535,964
Total assets	79,630,361
Deferred Outflows	
Pension-related	695,181
Total assets and deferred outflows	\$ 80,325,542

See accompanying notes.

Liabilities	
Current liabilities:	
Accounts payable	\$ 1,279,482
Accrued payroll	1,796
Deposits payable	147,785
Interest payable	290,783
Due to other funds	551,592
General obligation bonds - current	1,968,017
Promissory note payable - current	175,000
Compensated absences payable	223,919
Total current liabilities	4,638,374
Noncurrent liabilities:	
Compensated absences payable	226,458
Net pension obligation	2,123,787
General obligation bonds - noncurrent	20,442,983
Promissory note payable - noncurrent	1,725,000
IEPA loan payable - noncurrent	419,070
Total noncurrent liabilities	24,937,298
Total liabilities	29,575,672
Deferred Inflows	
Pension-related	157,016
Total liabilities and deferred inflows	29,732,688
Net Position	
Net investment in capital assets	44,805,894
Unrestricted	5,786,960
Total net position	\$ 50,592,854

See accompanying notes.

City of Crystal Lake, Illinois
Proprietary Fund - Waterworks and Sewerage Fund
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended April 30, 2016

<hr/>	
Operating revenues:	
Charges for services	\$ 9,633,932
Miscellaneous	<u>202,604</u>
Total operating revenues	9,836,536
Operating expenses - excluding depreciation	<u>7,231,251</u>
Operating income before depreciation	2,605,285
Depreciation	<u>3,263,064</u>
Operating loss	<u>(657,779)</u>
Nonoperating revenue (expense):	
Connection fees	176,864
Interest income	79,071
Rental income	237,760
Interest expense	(666,863)
Gain on sale of capital assets	<u>6,839</u>
Total nonoperating revenue (expense)	<u>(166,329)</u>
Loss before other revenues	(824,108)
Capital contributions - grant revenue	<u>849,507</u>
Change in net position	<u>25,399</u>
Total net position, beginning of the year, as previously reported	51,948,314
Prior period restatement	<u>(1,380,859)</u>
Total net position, beginning of the year, as restated	<u>50,567,455</u>
Total net position, end of the year	<u>\$ 50,592,854</u>

See accompanying notes.

City of Crystal Lake, Illinois
Proprietary Fund - Waterworks and Sewerage Fund
Statement of Cash Flows
For the Year Ended April 30, 2016

Cash flows from operating activities:	
Receipts from customers	\$ 9,574,784
Payments to suppliers and service providers	(3,484,898)
Payments to employees for salaries and benefits	<u>(3,374,884)</u>
Net cash from operating activities	<u>2,715,002</u>
Cash flows from capital and related financing activities:	
Grants received for capital purposes	849,507
Proceeds from sale of equipment	6,839
Capital assets purchased	(2,918,554)
Connection fees	176,864
Proceeds from note payable	2,319,070
Principal paid on general obligation bonds	(1,987,153)
Interest paid on general obligation bonds and notes payable	<u>(653,951)</u>
Net cash from capital and related financing activities	<u>(2,207,378)</u>
Cash flows from noncapital financing activities - advances to other funds	<u>388,087</u>
Cash flows from investing activities - interest and dividends	<u>79,071</u>
Net increase in cash and cash equivalents	974,782
Balance, beginning of the year	<u>7,159,869</u>
Balance, end of the year	<u>\$ 8,134,651</u>

(cont'd)

City of Crystal Lake, Illinois
Proprietary Fund - Waterworks and Sewerage Fund
Statement of Cash Flows (cont'd)
For the Year Ended April 30, 2016

Reconciliation of operating loss to net cash provided
by operating activities:

Operating loss	\$ (657,779)
Adjustments to reconcile operating loss to net cash from operating activities:	
Rental income	237,760
Depreciation expense	3,263,064
Decrease in receivables	(486,676)
Decrease in prepaid items	2,222
Increase in accounts payable	198,694
Increase in deposits payable	9,138
Decrease in accrued payroll	(79,313)
Increase in compensated absences payable	23,129
Increase in pension-related deferred outflows	(695,181)
Increase in pension-related deferred inflows	157,016
Increase in net pension obligation	742,928
	<hr/>
Net cash from operating activities	\$ 2,715,002

See accompanying notes.

City of Crystal Lake, Illinois
Fiduciary Funds - Trust and Agency Funds
Statement of Fiduciary Net Position
April 30, 2016

Assets	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash	\$ 20,753	\$ 190,688
Investments:		
Money market accounts	659,643	-
U.S. government and agency securities	16,089,976	-
Corporate bonds	8,861,194	-
Insurance contracts	1,697,870	-
Municipal bonds	2,137,286	-
Mutual funds - bonds	924,322	-
Mutual funds - stocks	32,066,537	-
Interest receivable	240,795	-
Prepaid expenses	4,390	-
Total assets	<u>\$ 62,702,766</u>	<u>\$ 190,688</u>
Liabilities		
Accounts payable	\$ 9,417	\$ -
Recapture fees payable	-	(81,945)
Funds held for others	-	272,633
Total liabilities	<u>9,417</u>	<u>190,688</u>
Net Position		
Net position restricted for pensions	<u>62,693,349</u>	<u>-</u>
Total liabilities and net position	<u>\$ 62,702,766</u>	<u>\$ 190,688</u>

See accompanying notes.

City of Crystal Lake, Illinois
Fiduciary Funds - Pension Trust Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended April 30, 2016

Additions	
Contributions:	
Employer	\$ 3,988,270
Participant	<u>1,150,468</u>
Total contributions	<u>5,138,738</u>
Investment income (loss):	
Net depreciation in fair value of investments	(2,054,702)
Interest income	2,073,308
Less investment expenses	<u>(309,152)</u>
Total investment income (loss)	<u>(290,546)</u>
Total additions	<u>4,848,192</u>
Deductions	
Pension benefits and refunds	3,544,577
Administrative expenses	<u>49,528</u>
Total deductions	<u>3,594,105</u>
Net increase in fiduciary net position	1,254,087
Net position restricted for pensions:	
Beginning of the year	<u>61,439,262</u>
End of the year	<u>\$ 62,693,349</u>

See accompanying notes.

City of Crystal Lake, Illinois
Notes to the Financial Statements

I. Summary of Significant Accounting Policies

The City of Crystal Lake, Illinois (City) was incorporated in 1914. The City is a home-rule community operating under a Council-Manager form of government and provides services that include: police, fire, water and sewer utility, street maintenance, community development, and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The following is a summary of the more significant accounting policies:

A. The Reporting Entity

As defined by generally accepted accounting principles established by GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

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

Discretely Presented Component Unit – The City's component unit is reported in a separate column to emphasize that it is legally separate from the City.

The Crystal Lake Public Library (Library) is governed by a nine-member Board of Trustees appointed by the Mayor of the City. The Library is financially accountable to the City, as the City's approval is needed for the Library to issue bonded debt. The Library's fiscal year end is the same as the City's. Separate financial statements for the Library are not available.

Other Governmental Entities – Several other governmental entities have operations within the City but are separate legal entities. These entities include School District Nos. 47 and 155, Crystal Lake Civic Center Authority, and the Crystal Lake Park District. The City is not financially accountable for these entities nor is there a financial benefit/burden relationship with these entities, and they are, therefore, not included in the City's reporting entity. In addition, the City does not believe that it is a component unit of any other entity.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

I. **Summary of Significant Accounting Policies (cont'd)**

B. **Government-wide and Fund Financial Statements**

The government-wide statement of net position and statement of activities report the overall financial activity of the City. Eliminations have been made to minimize the double counting of internal activities of the City. However, interfund services provided and used are not eliminated in the process of consolidation. The financial activities of the City consist of governmental activities, which are primarily supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for services.

The statement of net position presents the City's nonfiduciary assets and liabilities with the difference reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use is either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the criteria of the two preceding categories.

The statement of activities demonstrates the degree to which the direct expenses of a given function (i.e., general government, public safety, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (a) charges paid by the recipients of goods or services offered by the programs (including fines and fees), and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fiduciary funds are excluded from the government-wide financial statements.

Fund Financial Statements – 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. The fund financial statements provide information about the City's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The City has the following major governmental funds:

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

I. **Summary of Significant Accounting Policies (cont'd)**

B. **Government-wide and Fund Financial Statements (cont'd)**

General Fund – This 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 services which are administered by the City and accounted for in the General Fund include general government, public safety and public works.

Motor Fuel Tax Fund – This fund accounts for the maintenance and various street improvements in the City. Financing is provided by the City's share of motor fuel tax allotments. State statutes require those allotments to be used to maintain streets.

Fire Rescue Fund – This fund accounts for revenues and expenditures related to fire protection, ambulance response, and emergency rescue operations.

Home Rule Sales Tax Fund – This fund accounts for the collection of a municipal home rule sales tax and the transfers to other funds as approved by the City Council.

All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City administers the following major proprietary fund:

Waterworks and Sewerage Fund – This fund accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, included but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

There are no other enterprise funds.

Fiduciary funds are used to report assets held in a trustee capacity for others, and therefore, cannot be used to support the City's own programs. The City reports the following fiduciary fund types:

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

B. Government-wide and Fund Financial Statements (cont'd)

Trust Funds – The City has two pension trust funds. These funds account for the activities of the Police Pension Plan and the Firefighters' Pension Plan, both of which accumulate resources for pension benefit payments to qualified public safety employees.

Agency Funds – The City reports one agency fund, the Special Assessment Fund, which accounts for the collection of special assessments from property owners and payment of the related special assessment liabilities.

C. 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 and fiduciary fund financial statements other than the agency funds. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include various taxes, state shared revenues and various state, federal and local grants. On an accrual basis, revenues from taxes are recognized when the City has legal claim to the resources. Grants, entitlements, state shared revenues and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds 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 revenues to be available if they are collected within 90 days of the end of the current fiscal year (60 days for property taxes and 180 days for income taxes).

Significant revenue sources which are susceptible to accrual include property taxes, other taxes, state shared revenues, grants, charges for services, and interest. All other revenue sources are considered to be measurable and available only when cash is received.

Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, compensated absences are recorded only when payment is due (upon employee retirement or termination). General capital asset acquisitions are reported as expenditures in governmental funds.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (cont'd)

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

Cash and Cash Equivalents – For purposes of the statement of cash flows, the City's enterprise fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents, including amounts in the Illinois Funds Investment Pool.

Investments – Investments are reported at fair value. Fair value is based on quoted market prices. Under Illinois law, the City (and Library) is restricted to investing funds in specific types of investment instruments. The following generally represents the types of instruments allowable by state law:

- Securities issued or guaranteed by the United States, its agencies and its instrumentalities.
- Interest bearing savings accounts, certificates of deposit, and time deposits for banks and savings and loans insured up to \$250,000 by the Federal Deposit Insurance Corporation.
- Short-term obligations (less than 180 days) of U.S. corporations with assets over \$500,000,000 rated in the highest classification by at least two rating agencies.
- Insured accounts of an Illinois credit union chartered under United States or Illinois law.
- Money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same types of obligations.
- The Illinois Funds Investment Pool.
- Repurchase agreements that meet instrument transaction requirements of Illinois law.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (cont'd)

1. Deposits and Investments (cont'd)

Investments (cont'd)

In addition, Pension Trust Funds are also permitted to invest in the following instruments:

- General accounts of Illinois-licensed life insurance companies.
- Separate accounts of Illinois-licensed insurance companies invested in stocks, bonds, and real estate, limited to 10% of the fund's investments.
- Interest-bearing bonds of the state of Illinois, and bonds or tax anticipation warrants of any county, township, or municipal corporation of the state of Illinois.
- Mutual funds which meet the following requirements: (1) managed by an investment company as defined under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953, (2) mutual fund has been in operation for 5 years, (3) mutual fund has assets of \$250 million or more, (4) mutual fund is comprised of stocks, bonds, or money market instruments, and (5) limited to 35% of net present assets.
- Common and preferred stocks which meet the following requirements: (1) investments must be made through an investment advisor, (2) stocks of U.S. corporations that have been in existence for five years, (3) corporations not in arrears in payment of dividends in last five years, (4) market value of stock in any one corporation does not exceed 5% of cash and invested assets of pension fund, (5) stock in any one corporation does not exceed 5% of total outstanding stock in the corporation, (6) stock listed on national securities exchange or quoted in NASDAQNMS, and (7) limited to 35% of net present assets.

The City of Crystal Lake's investment policy (excluding the Pension Trust Funds) further restricts what it may invest in to the following types of investment instruments:

- U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value.
- Interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investment constituting director obligations of any bank that is insured by the Federal Deposit Insurance Corporation.
- Local government investment pools, either state-administered or through joint powers statutes or other intergovernmental agreement legislation.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (cont'd)

1. Deposits and Investments (cont'd)

Investments (cont'd)

The investment policies of the Police and Fire Pension Funds place no further limits on investments beyond those authorized by state statute.

2. Inventory and Prepaid Items

Inventories are accounted for at cost, using the first-in, first-out method. Inventories are accounted for under the consumption method, whereby acquisitions are recorded in inventory accounts initially and charged as expenditures when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and expensed under the consumption method.

3. Capital Assets

Capital assets, which include land, infrastructure (streets, bridges), buildings, water mains and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$10,000 in the governmental activities and an initial, individual cost of more than \$25,000 in the business-type activities and the Waterworks and Sewerage Fund, and an estimated useful life of greater than one year. The City capitalizes all vehicle additions due to the City's intent to monitor their use and existence. Additions or improvements that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Expenditures for asset acquisitions and improvements are stated as capital outlay expenditures in the governmental funds.

As of May 1, 2003, the City completed an inventory of all capital assets, including all infrastructure, regardless of the acquisition date. These assets have been valued at their estimated historical cost, or for donated assets, at their estimated fair market value at the date of donation. All capital asset additions subsequent to May 1, 2003, are recorded at cost, or fair market value as of the date donated, as applicable.

Interest incurred during the construction phase of enterprise fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (cont'd)

3. Capital Assets (cont'd)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Depreciation of capital assets is recorded in the statement of activities with accumulated depreciation reflected in the statement of net position and is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	25 - 50
Machinery, equipment and vehicles	3 - 15
Infrastructure – streets and bridges	50 - 80
Infrastructure – water and sewer system	60

Gains or losses from sales or retirements of capital assets are included in the operations on the statement of activities.

4. Vacation and Sick Leave

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated vacation, and vested sick leave balances for City employees.

Vacation and sick leave are recorded in governmental funds when due (upon employee retirement or termination). The General Fund is typically used to liquidate these liabilities. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, an expenditure/expense is reported and a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" at retirement.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (cont'd)

5. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations, including compensated absences, net pension obligation and net other post-employment benefits obligation, are reported as liabilities in the applicable governmental or business-type activities and proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as expenses/expenditures at the time of issuance.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Debt service funds are specifically established to account for and service the long-term obligations for the governmental funds debt. Enterprise funds individually account for and service the applicable debt that benefits those funds. Long-term debt is recognized as a liability in a governmental fund when due, or when resources have been accumulated for payment early in the following year.

6. Net Position/Fund Balance Classifications

Equity in the government-wide and proprietary fund statements is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on its use either by: (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definitions of “restricted” or “net investment in capital assets.”

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (cont'd)

6. Net Position/Fund Balance Classifications (cont'd)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

In the governmental fund financial statements, governmental funds report fund balance as either nonspendable or spendable. Spendable fund balance is further classified as restricted, committed, assigned or unassigned, based on the relative strength of the constraints that control how specific amounts can be spent. Within the governmental funds, restricted resources are utilized first, followed, as available, by committed, assigned and unassigned.

Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose or externally imposed by outside entities. Committed fund balance is constrained by formal actions of the City Council, which is considered the City's highest level of decision making authority. Formal actions include ordinances approved by the Board. Amounts can be released from commitment in the same manner as they are committed. Assigned fund balance includes all remaining amounts that are reported in governmental funds other than the General Fund not already classified as nonspendable, restricted or committed, and any amount within the General Fund that are intended to be used for a specific purpose. The City Manager and Finance Director are given the authority in the City's fund balance policy to determine the portion of fund balance to be assigned in the annual budget process.

In accordance with the City's fund balance policy, the unassigned General Fund fund balance will be maintained at a target level of 25% - 50% of annual budgeted expenditures. Balances in excess of 50% may be transferred to the Capital Replacement Fund to support future capital projects.

Individual Fund Restrictions, Commitments and Assignments:

General Fund – The City has a portion of the fund balance that is considered nonspendable fund balance. The nonspendable fund balance is intended as an offset to inventory and prepaid items totaling \$179,953 and \$1,627,166, respectively. The City committed \$3,128 of fund balance for capital facilities. The City has assigned a portion of the fund balance (\$49,974) derived from hotel/motel tax revenue for the promotion of tourism. To the extent the City has budgeted a deficit for the next fiscal year, there is an assignment of fund balance.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (cont'd)

6. Net Position/Fund Balance Classifications (cont'd)

Individual Fund Restrictions, Commitments and Assignments (cont'd):

Motor Fuel Tax Fund – The fund balance is considered restricted for the repairs and maintenance of City streets as funding comes from a special tax on the purchase and sale of gasoline by the Illinois state legislature.

Fire Rescue Fund – A portion of the fund balance (\$2,082) is considered nonspendable fund balance and is intended as an offset to prepaid items.

Home Rule Sales Tax Fund – To the extent the City has budgeted a deficit for the next fiscal year, there is an assignment of fund balance.

Nonmajor Governmental Funds – A portion of the fund balance (\$5,778) is considered nonspendable fund balance and is intended as an offset to prepaid items. The fund balance in the Illinois Municipal Retirement Fund is restricted to meeting retirement obligations to City employees. The fund balance in the Restricted Police Fund is considered restricted for police activities. The fund balance in the Debt Service Funds is considered restricted for the payment of long-term debt obligations. The fund balance in the Three Oaks Development (Capital Projects) Fund is restricted for park development.

To the extent the City has budgeted a deficit for the next fiscal year, there is an assignment of fund balance. All other special revenue and capital projects fund balances are considered assigned for the purposes of their respective funds, to the extent those funds have a positive fund balance.

Pension Trust Funds – The City has restricted net position for employees' retirement commitments within the Police and Firefighters' Pension Funds.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (cont'd)

8. Accounting Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from these estimates.

9. Interfund Transactions

The City has the following types of transactions between funds:

Loans – Amounts provided with a requirement for repayment. Interfund loans are reported as due from other funds in lender funds and due to other funds in borrower funds for short-term borrowings, and advances to other funds in lender fund and advances from other funds in borrower funds for long-term borrowings. Amounts are reported as internal balances in the government-wide statement of net position.

Services Provided and Used – Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as due to/from other funds in the fund balance sheets or fund statements of net position.

Reimbursements – Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers – Flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers in/out are reported as a separate category after nonoperating revenues and expenses.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

I. Summary of Significant Accounting Policies (cont'd)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (cont'd)

10. Unbilled Services

Unbilled water revenue of the Waterworks and Sewerage Fund is recognized as earned when the water is consumed.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund, Special Revenue Funds, certain Debt Services Funds, certain Capital Projects Funds, the Enterprise Fund and the Pension Trust Funds. All annual appropriations lapse at fiscal year end.

During the current year, budgets were not adopted for the Special Assessment No. 149 (Debt Service) Fund and the Special Assessment No. 145 (Capital Projects) Fund.

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

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following May 1. The operating budget includes proposed expenditures and the means of financing them. The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except depreciation is not budgeted in the Waterworks and Sewerage Fund.
2. A public hearing is conducted to obtain taxpayer comments.

Prior to May 1, the budget is legally enacted for the General Fund, Special Revenue Funds, Debt Services Funds (exception noted above), Capital Projects Funds (exception noted above), Enterprise Funds and Pension Trust Funds.

3. Expenditures may not legally exceed the total appropriated amounts for each fund. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, expenditures in excess of the total appropriated amount must be approved by the City Council. The City did not amend the budget in the current year. The Library did approve supplemental appropriations.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

II. Stewardship, Compliance and Accountability (cont'd)

A. Budgetary Information (cont'd)

As of April 30, 2016, the following funds had an excess of actual expenditures over budget:

Fund Name	Excess
School Crossing Guard Fund	\$ 29,879
Foreign Fire Insurance Fund	127,826
Three Oaks Recreation Area Fund	54,817
Restricted Police Fund	21,445
Crystal Heights Debt Service Fund	104,827
Three Oaks Development Fund	24,843

III. Detailed Notes For All Funds

A. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds except the pension trust funds, which are held separately. In addition, investments are separately held by several of the City's funds. Income from pooled investments is allocated to the funds based on their proportional share of the investment balance.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy requires that funds on deposit in excess of FDIC limits be secured by some form of collateral. The City shall enter into a collateral agreement with the financial institution; and the agreement shall outline the types of assets that may be utilized as collateral, the amount of collateral required, and the methodology. The amount of collateral provided would not be less than 105% of the fair market value of the net amount of public funds secured. Pledged collateral will be held by the City of Crystal Lake or in safekeeping and evidenced by a written agreement. If collateral is held in safekeeping, it must be held at an independent third party institution. A collateral agreement will preclude the release of the pledged assets, without an authorized signature from the City of Crystal Lake, but the agreement will allow for an exchange of collateral of like value.

The City will accept any of the following assets as collateral:

1. Negotiable obligations of the United States government.
2. Negotiable obligations of any agency or instrumentality of the United States government guaranteed by the full faith and credit of the United States government.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

III. Detailed Notes For All Funds (cont'd)

A. Deposits and Investments (cont'd)

Custodial Credit Risk – Deposits (cont'd)

The Police Pension Plan's investment policy requires all bank balances to be covered by federal depository insurance. The Firefighters' Pension Plan's investment policy requires all bank balances to be covered by federal depository insurance or collateralized by the financial institution.

Investments

As of April 30, 2016, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	\$ 3,886,384	\$ 751,641	\$ 3,134,743	\$ -	\$ -
Mortgage-backed securities	6,216,324	1,802,135	4,414,189	-	-
Other agency securities	8,202,916	1,433,121	6,769,795	-	-
Certificates of deposit	5,701,153	4,954,192	746,961	-	-
Municipal bonds	1,020,723	483,327	537,396	-	-
Illinois Funds Investment Pool*	5,896	5,896	-	-	-
Total investments	\$ 25,033,396	\$ 9,430,312	\$ 15,603,084	\$ -	\$ -

* Weighted average maturity of the fund/pool is less than one year.

As of April 30, 2016, the Pension Trust Funds had the following investments:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	\$ 4,246,343	\$ -	\$ 1,815,857	\$ 2,430,486	\$ -
Fixed Income Money Market funds	659,643	659,643	-	-	-
Mortgage-backed securities	1,228,350	-	733,664	451,610	43,076
Other agency securities	10,615,283	-	2,643,000	7,602,582	369,701
Municipal bonds	2,137,286	75,550	601,095	1,460,641	-
Mutual funds*	32,990,859	32,990,859	-	-	-
Corporate bonds	8,861,194	1,196,572	5,370,358	2,294,264	-
Insurance contracts	1,697,870	1,697,870	-	-	-
Total investments	\$ 62,436,828	\$ 36,620,494	\$ 11,163,974	\$ 14,239,583	\$ 412,777

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

III. Detailed Notes For All Funds (cont'd)

A. Deposits and Investments (cont'd)

Interest Rate Risk – The City's formal investment policy limits the weighted average maturity of the portfolio to no more than two years and limits the maximum maturity of any investment to three years from the date of purchase, unless matched to a specific future cash flow need, as a means of managing its exposure to fair value losses arising from increasing interest rates.

In accordance with their investment policy, both the Police and Firefighters' Pension Funds limits their exposure to interest rate risk by structuring the portfolios to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The investment policy does not limit the maximum maturity length of investments in the Police Pension Fund. The Firefighters' Pension Fund has the following limits on its investment maturities:

<u>Years</u>	<u>Maximum %</u>
0 – 5	100%
6 – 10	75%
10 – 20	50%

Credit Risk – State law limits investment in commercial paper and corporate bonds to the top three ratings issued by nationally recognized statistical rating organizations (NRSROs). The City's policy places no further limits beyond those required by state law.

As of April 30, 2016, the City's investments were rated as follows:

Investment Type	Fair Value	Moody's
Other agency securities	\$ 8,202,916	Aaa to A2
Municipal bonds	1,020,723	Aa1 to Aa3
Illinois Funds Investment Pool	5,896	AAAm

As of April 30, 2016, the Pension Funds' investments were rated as follows:

Investment Type	Fair Value	Moody's
Fixed Income Money Market funds	\$ 659,643	NR
Other agency securities	10,615,283	Aaa
Municipal bonds	2,137,286	Aaa to A3
Corporate bonds	8,861,194	Aa to Baa

NR = Not Rated

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

III. Detailed Notes For All Funds (cont'd)

A. Deposits and Investments (cont'd)

Credit Risk (cont'd)

The Police Pension Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States government, securities issued by agencies of the United States government that are explicitly or implicitly guaranteed by the United States government and investment grade corporate bonds rated at or above BBB- by Moody's. The fixed income securities are rated A1 to Aaa by Moody's. However, certain fixed income securities are not rated.

The Firefighters' Pension Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States government, securities issued by agencies of the United States government that are explicitly or implicitly guaranteed by the United States government and municipal bonds rated at or above Aa3 by Moody's. The fixed income securities are rated A1 to Aaa by Moody's. However, certain fixed income securities and municipal bonds are not rated.

Custodial Credit Risk – 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 investments or collateral securities that are in the possession of an outside party. The City's policy requires that all security transactions, including collateral for repurchase agreements, be held by an independent third party custodian designated by the Finance Director and evidenced by safekeeping receipts and a written custodial agreement. For both the Police and Firefighters' Pension Funds, third party safekeeping is required for all securities owned by the Fund.

Concentration of Credit Risk – The City's investment policy limits the amount the City may invest in any one issuer to 10% of the portfolio. None of the City's investments make up greater than 5% of the City's total investments. There are no investments in the Police Pension Fund (other than those issued or guaranteed by the U.S. government, mutual funds and other pooled investments) representing 5% or more of the net position available for benefits. For the Firefighters' Pension Fund, the following investments (other than those issued or guaranteed by the U.S. government, mutual funds, and other pooled investments) represent 5% or more of net position available for benefits:

<u>Investment Type</u>	<u>% of Net Position</u>
FHLB	13.86%
FFCB	19.94%

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

III. Detailed Notes For All Funds (cont'd)

A. Deposits and Investments (cont'd)

Illinois Metropolitan Investment Fund – During 2015, Illinois Metropolitan Investment Fund (IMET) was informed of defaults in repurchase agreements involving loans which occurred as a result of fraud by an approved lender of the United States Department of Agriculture (USDA). IMET has advised the City of its intent to seek to recover, liquidate and distribute any proceeds received to eligible participants. The City will monitor IMET's recovery efforts. During this process, the City will not have any access to these funds. Based on IMET's unknown certainty of net realizable value of investments affected by fraud, the City has written off their entire balance at IMET, less any current year recoveries.

Other Information – The Illinois Funds Investment Pool (Pool) is not registered with the SEC. The Illinois State Treasury administers the Pool and oversight is provided by the Auditor General's Office of the State of Illinois. The fair value of the positions in this Pool is the same as the value of the Pool shares.

Component Unit – Crystal Lake Public Library – At year end, the Library had investments in the Illinois Funds Investment Pool with a fair value of \$564,151. The weighted average maturity of the Pool is 40 days at April 30, 2016. The Illinois Funds Investment Pool was rated AAAM by Standard & Poors rating service. The Library also invests in nineteen certificates of deposit with an aggregate carrying value of \$3,518,129, of which sixteen certificates of deposit with a carrying value of \$3,111,235 will mature within one year, and three certificates of deposit with a carrying value of \$406,894 will mature in one to three years.

B. Property Taxes

The City's property tax is levied each calendar year on all taxable real property located in the City. Because the 2015 levy is intended to fund the operations of fiscal year 2017, the 2015 property tax levy is recorded as a receivable and the 2015 property tax revenue is reported as a deferred inflow of resources.

The township assessors are responsible for assessment of all taxable real property within McHenry County except for certain railroad property that is assessed directly by the state. The County Clerk computes the annual tax of each parcel of real property and prepares tax books used by the County Collector as a basis for issuing tax bills to all taxpayers in the county.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

III. Detailed Notes For All Funds (cont'd)

B. Property Taxes (cont'd)

Property taxes are collected by the County Collector and are submitted to the County Treasurer, who remits to the units their respective share of the collections. Taxes levied in 2015 become due and payable in two installments in June 2016 and September 2016. The City must file its tax levy by the last Tuesday of December each year. The owner of real property on January 1 in any year is liable for taxes of that year. The lien date for delinquent taxes is the second week in November each year.

Property taxes receivable is shown net of an allowance for doubtful accounts. The property tax receivable allowance is equal to 1.0% of the most recent property tax levy.

In November 2014, the City received notice relative to a property tax objection that was filed on behalf of a number of Crystal Lake property owners. The suit alleged that the 2013 tax levy was not valid because the City failed to get four concurring votes of its elected corporate authorities. In April 2015, the Court entered a summary judgment in favor of the taxpayer plaintiffs. The City filed an appeal. As a result of this initial ruling, \$1,118,311 of property taxes received by the City in the prior fiscal year (\$355,279 for Police and Firefighter pensions reported in the General Fund, \$582,870 for fire protection services reported in the Fire Rescue Fund, \$4,907 for crossing guard services reported in the Crossing Guard Fund and \$175,255 for non-public safety pensions reported in the IMRF/FICA Fund) was not recognized as income in fiscal 2015 but instead, these funds were recorded as a liability at April 30, 2015, pending the outcome of the City's appeal. In the current fiscal year, the City won its appeal, as the Upper Court reversed the lower Court's ruling. The City recognized as income in the current fiscal year the property taxes recorded as a liability at April 30, 2015.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

III. Detailed Notes For All Funds (cont'd)

C. Capital Assets

Governmental Activities – A summary of changes in capital assets for governmental activities of the City for the year ended April 30, 2016, is as follows:

	<u>Balance May 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 103,539,790	\$ 27,235	\$ -	\$ 103,567,025
Construction in progress	<u>4,755,421</u>	<u>4,091,757</u>	<u>1,189,787</u>	<u>7,657,391</u>
	<u>108,295,211</u>	<u>4,118,992</u>	<u>1,189,787</u>	<u>111,224,416</u>
Capital assets being depreciated:				
Buildings and improvements	33,820,191	623,267	-	34,443,458
Machinery, equipment and vehicles	16,993,183	866,728	553,481	17,306,430
Infrastructure	<u>66,000,933</u>	<u>1,875,752</u>	<u>-</u>	<u>67,876,685</u>
	<u>116,814,307</u>	<u>3,365,747</u>	<u>553,481</u>	<u>119,626,573</u>
Less accumulated depreciation for:				
Buildings and improvements	10,672,326	738,238	-	11,410,564
Machinery, equipment and vehicles	9,803,276	1,066,279	509,435	10,360,120
Infrastructure	<u>19,026,637</u>	<u>1,198,275</u>	<u>-</u>	<u>20,224,912</u>
	<u>39,502,239</u>	<u>3,002,792</u>	<u>509,435</u>	<u>41,995,596</u>
Total capital assets being depreciated, net	<u>77,312,068</u>	<u>362,955</u>	<u>44,046</u>	<u>77,630,977</u>
Governmental activities capital assets, net	<u>\$ 185,607,279</u>	<u>\$ 4,481,947</u>	<u>\$ 1,233,833</u>	<u>\$ 188,855,393</u>

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

III. Detailed Notes For All Funds (cont'd)

C. Capital Assets (cont'd)

Business-type Activities – A summary of changes in capital assets for business-type activities of the City for the year ended April 30, 2016 is as follows:

	<u>Balance May 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 628,095	\$ -	\$ -	\$ 628,095
Construction in progress	<u>2,369,137</u>	<u>2,284,680</u>	<u>1,610,112</u>	<u>3,043,705</u>
	<u>2,997,232</u>	<u>2,284,680</u>	<u>1,610,112</u>	<u>3,671,800</u>
Capital assets being depreciated:				
Buildings and improvements	19,730,555	-	-	19,730,555
Machinery, equipment and vehicles	9,221,915	244,309	29,057	9,437,167
Infrastructure	<u>94,771,662</u>	<u>1,999,677</u>	<u>-</u>	<u>96,771,339</u>
	<u>123,724,132</u>	<u>2,243,986</u>	<u>29,057</u>	<u>125,939,061</u>
Less accumulated depreciation for:				
Buildings and improvements	8,355,073	823,217	-	9,178,290
Machinery, equipment and vehicles	2,846,863	445,336	29,057	3,263,142
Infrastructure	<u>45,638,954</u>	<u>1,994,511</u>	<u>-</u>	<u>47,633,465</u>
	<u>56,840,890</u>	<u>3,263,064</u>	<u>29,057</u>	<u>60,074,897</u>
Total capital assets being depreciated, net	<u>66,883,242</u>	<u>(1,019,078)</u>	<u>-</u>	<u>65,864,164</u>
Business-type activities capital assets, net	<u>\$ 69,880,474</u>	<u>\$ 1,265,602</u>	<u>\$ 1,610,112</u>	<u>\$ 69,535,964</u>

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

III. Detailed Notes For All Funds (cont'd)

C. Capital Assets (cont'd)

Component Unit – Crystal Lake Public Library – A summary of changes in capital assets for component unit activities of the City for the year ended April 30, 2016, is as follows:

	<u>Balance May 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30</u>
Component Unit Activities:				
Capital assets not being depreciated – land	\$ 2,074,878	\$ -	\$ -	\$ 2,074,878
Capital assets being depreciated:				
Buildings and improvements	7,890,172	6,360	-	7,896,532
Machinery, equipment and vehicles	431,918	15,675	102,550	345,043
	<u>8,322,090</u>	<u>22,035</u>	<u>102,550</u>	<u>8,241,575</u>
Less accumulated depreciation for:				
Buildings and improvements	3,063,267	164,559	-	3,227,826
Machinery, equipment and vehicles	321,980	48,845	102,550	268,275
	<u>3,385,247</u>	<u>213,404</u>	<u>102,550</u>	<u>3,496,101</u>
Total capital assets being depreciated, net	<u>4,936,843</u>	<u>(191,369)</u>	<u>-</u>	<u>4,745,474</u>
Component unit activities capital assets, net	<u>\$ 7,011,721</u>	<u>\$ (191,369)</u>	<u>\$ -</u>	<u>\$ 6,820,352</u>

Depreciation was charged to functions/activities as follows:

	<u>Primary Government</u>		<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Public Library</u>
General and administrative	\$ 450,725	\$ -	\$ -
Public safety	879,329	-	-
Highways and streets	1,191,757	-	-
Culture and recreation	480,981	-	213,404
Waterworks and sewerage	-	3,263,064	-

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

III. Detailed Notes For All Funds (cont'd)

D. Interfund Receivables, Payables and Transfers

The following interfund receivables and payables as of April 30, 2016, represent amounts deposited into one fund but recorded as revenue in another fund, or expenditures paid on behalf of one fund by another fund, for which reimbursement has not yet taken place. They are expected to be liquidated in the next year during the normal course of operations.

Receivable Fund	Payable Fund	Amount
General	Waterworks and Sewerage	\$ 551,592
General	Motor Fuel Tax	34,392
General	Nonmajor Governmental	265,335
Motor Fuel Tax	General	262,812
Nonmajor Governmental	General	433
Nonmajor Governmental	Motor Fuel Tax	83,333
Waterworks and Sewerage	General	158,957
		<u>\$ 1,356,854</u>

The composition of interfund transfers for the year ended April 30, 2016, is as follows:

Receiving Fund	Paying Fund	Amount
General	Home Rule Sales Tax	\$ 3,486,151
Motor Fuel Tax	General	132,450
Home Rule Sales Tax	Nonmajor Governmental	11,679
Nonmajor Governmental	General	2,510,602
Nonmajor Governmental	Motor Fuel Tax	1,000,000
Nonmajor Governmental	Home Rule Sales Tax	1,865,321
		<u>\$ 9,006,203</u>

The transfers included amounts from the Home Rule Sales Tax Fund to the General Fund for police officers for the Target Response Unit, economic development activities such as "I Shop Crystal Lake," flooding mitigation and control, document imaging, Gateway/Way-finding and signage, and other core services; and to nonmajor governmental funds for road resurfacing and construction, debt payments and recreational costs at Three Oaks.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

III. Detailed Notes For All Funds (cont'd)

E. Long-term Obligations

Governmental Activities – The following is a summary of long-term obligation activity for the City associated with governmental activities for the year ended April 30, 2016:

	Balance May 1	Additions	Deletions	Balance April 30
City:				
General obligation bonds	\$ 16,234,119	\$ -	\$ 1,383,964	\$ 14,850,155
Deferred bond premium	65,351	-	17,256	48,095
Net pension obligation*	2,307,252	41,511,536	-	43,818,788
Net OPEB*	206,954	335,263	169,168	373,049
Compensated absences*	3,157,548	2,012,292	2,090,495	3,079,345
	\$ 21,971,224	\$ 43,859,091	\$ 3,660,883	\$ 62,169,432
Crystal Lake Public Library:				
Compensated absences	\$ 129,308	\$ 174,580	\$ 170,726	\$ 133,162
Net pension obligation	-	2,068,716	-	2,068,716
	\$ 129,308	\$ 2,243,296	\$ 170,726	\$ 2,201,878

* The General Fund is typically used to liquidate these liabilities.

Business-type Activities – The following is a summary of long-term obligation activities for the City associated with business-type activities for the year ended April 30, 2016.

	Balance May 1	Additions	Deletions	Balance April 30
General obligation bonds	\$ 23,420,881	\$ -	\$ 1,911,036	\$ 21,509,845
Promissory note payable	-	1,900,000	-	1,900,000
IEPA loan payable	-	419,070	-	419,070
Deferred bond premium	977,272	-	76,117	901,155
Net pension obligation	-	2,123,787	-	2,123,787
Compensated absences	427,248	223,925	200,796	450,377
	\$ 24,825,401	\$ 4,666,782	\$ 2,187,949	\$ 27,304,234

The current portion of compensated absences for governmental, business-type, and Library activities are \$2,195,019, \$223,919, and \$94,919, respectively.

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding and the current year activity are as follows:

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

III. Detailed Notes For All Funds (cont'd)

E. Long-term Obligations (cont'd)

Issue	Fund Debt Retired by	Balance May 1	Issuances	Retirements	Balance April 30	Due Within One Year
2009 General Obligation Bonds, original principal \$22,110,000 (partial Waterworks and TIF alternate revenue source), due in annual installments of \$900,000 to \$1,450,000 through January 1, 2029; interest at 3.00% to 5.75% payable semi-annually on January 1 and July 1.	General and Debt Service	\$ 13,622,749	\$ -	\$ 998,058	\$ 12,624,691	\$ 1,028,068
	Waterworks and Sewerage	2,377,251	-	341,942	2,035,309	351,932
2012 General Obligation Bonds, original principal \$9,235,000 (partial proceeds for refunding of Series 2004 General Obligation Bonds and remainder for General and Waterworks capital outlay, due in annual installments of \$240,000 to \$845,000 through December 15, 2032; interest at 2.00% to 2.625% payable semi-annually on June 15 and December 15.	General and Debt Service	2,611,370	-	385,908	2,225,462	398,915
	Waterworks and Sewerage	5,043,630	-	404,092	4,639,538	416,085
2013 General Obligation Bonds, original principal \$9,465,000 (proceeds for Wastewater Treatment Plant improvements, due in annual installments of \$360,000 to \$675,000 through December 15, 2033; interest at 3.25% to 4.00% payable semiannually on June 15 and December 15.	Waterworks and Sewerage	9,280,000	-	350,000	8,930,000	360,000
2014 General Obligation Refunding Bonds, original principal \$7,610,000; proceeds for refunding of note payable, due in annual installments of \$480,000 to \$965,000 through December 15, 2022; interest at 3.00% payable semiannually on June 15 and December 15.	Waterworks and Sewerage	6,720,000	-	815,000	5,905,000	840,000
General Obligation Bonds		<u>\$ 39,655,000</u>	<u>\$ -</u>	<u>\$ 3,295,000</u>	<u>\$ 36,360,000</u>	<u>\$ 3,395,000</u>

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

III. Detailed Notes For All Funds (cont'd)

E. Long-term Obligations (cont'd)

	Balance May 1	Issuances	Retirements	Balance April 30	Due Within One Year
Reported in:					
Governmental activities	\$ 16,234,119	\$ -	\$ 1,383,964	\$ 14,850,155	\$ 1,426,983
Business-type activities	23,420,881	-	1,911,036	21,509,845	1,968,017
	<u>\$ 39,655,000</u>	<u>\$ -</u>	<u>\$ 3,295,000</u>	<u>\$ 36,360,000</u>	<u>\$ 3,395,000</u>

The annual requirements to retire all governmental and business-type activities' general obligation bonded debt outstanding of the City as of April 30, 2016, are as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	General Obligation Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 1,426,983	\$ 669,255	\$ 1,968,017	\$ 697,592
2018	1,447,121	622,625	2,012,879	640,134
2019	1,496,630	574,259	2,078,370	581,140
2020	1,151,332	522,321	1,908,668	519,591
2021	801,665	479,664	1,718,335	463,060
2022-2026	4,687,934	1,787,380	5,422,066	1,625,332
2027-2031	3,736,018	431,928	3,943,982	881,729
2032-2035	102,472	3,992	2,457,528	177,783
	<u>\$ 14,850,155</u>	<u>\$ 5,091,424</u>	<u>\$ 21,509,845</u>	<u>\$ 5,586,361</u>

The City issued \$1,900,000 General Obligation Promissory Notes, Series 2015, payable in annual installments ranging from \$175,000 to \$230,000 commencing December 15, 2016, with final payment due December 15, 2024. Interest is payable semiannually on June 15 and December 15, commencing June 15, 2016, at 2.151%. The annual requirements to retire the promissory notes as of April 30, 2016, are as follows:

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

III. Detailed Notes For All Funds (cont'd)

E. Long-term Obligations (cont'd)

Fiscal Year Ending	Principal	Interest
2017	\$ 175,000	\$ 59,714
2018	200,000	37,105
2019	205,000	32,803
2020	210,000	28,393
2021	215,000	23,876
2022 – 2025	895,000	48,505
	\$ 1,900,000	\$ 230,396

The City entered into a loan agreement with the Illinois Environmental Protection Agency (IEPA) dated December 11, 2015. Under terms of the agreement, the City can borrow up to \$14,840,101 to fund improvements to two of the City's waste water treatment plants on a reimbursement basis. The City borrowed \$419,070 as of April 30, 2016. The loan is to be paid on a semi-annual basis over 20 years, including interest at 1.86%, with payments commencing February 6, 2018, and final payment due August 6, 2037.

Special service area bonds outstanding are not a direct responsibility of the City. The City will continue to collect taxes assessed on the SSA bonds and forward to bondholders any payments received. The amounts collected are accounted for in an Agency Fund until they are remitted to the bondholders.

The City has the following SSA bond issues outstanding at April 30, 2016:

Special Service Area No. 45 Bonds, Series 2006 – original principal \$5,935,000, due in annual installments of \$80,000 to \$435,000, commencing February 2007 through February 2031; interest at 4.40% to 5.50% payable semiannually on August 1 and February 1. The outstanding principal balance at April 30, 2016, was \$5,440,000.

Special Service Area No. 46 Bonds, Series 2007 – original principal \$2,500,000, due in annual installments of \$7,000 to \$240,000, commencing March 2010 through March 2036; interest at 5.75% payable semiannually on September 1 and March 1. The outstanding principal balance at April 30, 2016 was \$2,371,000.

Special Service Area No. 44 Bonds, Series 2007 – original principal \$750,000, due in annual installments of \$50,000 through December 2021; interest at 4.10% to 4.75% payable annually on December 1. The outstanding principal balance at April 30, 2016, was \$300,000.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City accounts for and finances its uninsured risks of loss in the General, Waterworks and Sewerage (Enterprise), and Fire Rescue (Special Revenue) funds. These funds provided coverage for group health and dental coverage up to \$125,000 per claim.

The City purchased commercial insurance for claims in excess of coverage provided by the Funds and for all other risks of loss. There have been no significant reductions in insurance coverage during the current year. Settled claims have not exceeded this commercial coverage in any of the past three years.

The City also participates in the Intergovernmental Risk Management Agency (IRMA). IRMA is an organization of municipalities and special districts in Northeastern Illinois that have formed an association under the Illinois Intergovernmental Cooperation's Statute to pool their risk management needs. The agency administers a mix of self-insurance and commercial services; unemployment claim administration; extensive risk management/loss control consulting and training programs; and a risk information system and financial reporting service for its members. The City's payments to IRMA are displayed on the financial statements as expenditures/expenses in appropriate funds. Each member assumes the first \$2,500 of each occurrence, and IRMA has a mix of self-insurance and commercial insurance at various amounts above that level.

The City bases its self-insurance liability on its estimates of the City's history of claim payments, which includes an estimate of the incurred but not reported claims.

A reconciliation of the total claims liability for the current year and that of the two preceding years is reported below:

Unpaid claims liability – 4/30/13	\$ 218,496
Claims incurred – fiscal year 2014	3,658,543
Claims paid – fiscal year 2014	<u>(3,877,039)</u>
Unpaid claims liability – 4/30/14	-
Claims incurred – fiscal year 2015	3,969,810
Claims paid – fiscal year 2015	<u>(3,969,810)</u>
Unpaid claims liability – 4/30/15	-
Claims incurred – fiscal year 2016	3,977,875
Claims paid – fiscal year 2016	<u>(3,977,875)</u>
Unpaid claims liability – 4/30/16	<u>\$ -</u>

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan

Illinois Municipal Retirement

General Information About the Pension Plan

Plan Description – The City's defined benefit pension plan for Regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. IMRF is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained online at www.imrf.org.

At December 31, 2015, the IMRF Plan membership consisted of:

Retirees and beneficiaries	133
Inactive, non-retired members	123
Active members	<u>179</u>
Total	<u>435</u>

Benefits Provided – IMRF provides two tiers of pension benefits. Participating members hired before January 1, 2011 (Tier 1) who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of their final rate (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2 percent of each year thereafter. Employees with at least 8 years of service may retire at or after age 55 and receive a reduced benefit. For participating members hired on or after January 1, 2011 (Tier 2) who retire at or after age 67 with 10 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1-2/3 percent of their final rate (average of the highest 96 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service, with a maximum salary cap of \$111,572 at January 1, 2015. The maximum salary cap increases each year thereafter. The monthly pension of a member hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 62, by the lesser of 3% or ½ of the consumer price index. Employees with at least 10 years of credited service may retire at or after age 62 and receive a reduced benefit. IMRF also provides death and disability benefits.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Illinois Municipal Retirement (cont'd)

General Information About the Pension Plan (cont'd)

Contributions – As set by statute, Regular plan members are required to contribute 4.5 percent of their annual covered salary. The statutes require the City to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar years 2016 and 2015 was 13.29% and 12.93%, respectively. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute. The City's contribution to the plan totaled \$1,452,892 in the fiscal year ended April 30, 2016, which was equal to its annual required contribution.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. A proportionate share of the net pension liability was allocated to the Library, which is included with the City in the monthly reporting to IMRF.

Actuarial Valuation and Assumptions – The actuarial assumptions used in the December 31, 2015, valuation were based on an actuarial experience study for the period January 11, 2011 – December 31, 2013 using the entry age normal actuarial cost method. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75%
Salary increases	3.75% to 14.5%
Discount rate	7.47%
Investment rate of return	7.48%
Post-retirement benefit increase:	
Tier 1	3.0%-simple
Tier 2	lesser of 3.0%-simple or ½ increase in CPI

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Illinois Municipal Retirement (cont'd)

Net Pension Liability (cont'd)

Actuarial Valuation and Assumptions (cont'd)

The actuarial value of IMRF assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with 20% corridor between the actuarial and market value of assets. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2015 was 26 years.

Mortality Rates – For non-disabled lives, 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 scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that was 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 is the expected rate of return to be earned over the entire trust portfolio based on the asset allocation of the portfolio, using best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities	38%	7.39%
International equities	17%	7.59%
Fixed income	27%	3.00%
Real estate	8%	6.00%
Alternatives:	9%	
Private equity		8.15%
Hedge funds		5.25%
Commodities		2.75%
Cash equivalents	1%	2.25%

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Illinois Municipal Retirement (cont'd)

Net Pension Liability (cont'd)

Single Discount Rate – Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects: (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.57% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15) as of December 31, 2015); and the resulting single discount rate used to measure the total pension liability is 7.47%.

Based on the assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees for the next 68 years.

Allocation – The IMRF net pension liability has been allocated proportionately between governmental activities, business-type activities, and the discretely presented component unit as follows:

Governmental activities	\$	6,197,839
Business-type activities		2,123,787
Total primary government		8,321,626
Discretely presented component unit		2,068,716
Total net pension liability	\$	10,390,342

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Illinois Municipal Retirement (cont'd)

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balance 12/31/14	\$ 58,420,423	\$ 51,234,516	\$ 7,185,907
Changes for the year:			
Service cost	1,211,429	-	1,211,429
Interest	4,343,976	-	4,343,976
Differences between expected and actual experience	(1,001,063)	-	(1,001,063)
Changes in assumptions	79,521	-	79,521
Contributions - employer	-	1,390,362	(1,390,362)
Contributions - employee	-	485,951	(485,951)
Net investment income	-	256,105	(256,105)
Benefit payments, including refunds of employee contributions	(1,903,179)	(1,903,179)	-
Other changes	-	(702,990)	702,990
Net changes	2,730,684	(473,751)	3,204,435
Balances at 12/31/15	\$ 61,151,107	\$ 50,760,765	\$ 10,390,342

Discount Rate Sensitivity – The following presents the net pension liability of the City, calculated using the discount rate of 7.47%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point higher or lower than the current rate:

	1% Decrease (6.47%)	Current Discount Rate (7.47%)	1% Increase (8.47%)
Net pension (asset) liability	\$ 19,093,181	\$ 10,390,342	\$ 3,304,709

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IMRF financial report.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Illinois Municipal Retirement (cont'd)

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 \$1,970,486 in the government-wide financial statements. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 615,237	\$ (615,237)
Changes in assumptions	48,873	-	48,873
Net difference between projected and actual earnings in pension plan investments	2,280,395	-	2,280,395
Subtotal	2,329,268	615,237	1,714,031
Contributions made subsequent to the measurement date	394,660	-	394,660
Total	\$ 2,723,928	\$ 615,237	\$ 2,108,691

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

Year Ending December 31,

2016	\$ 398,401
2017	398,401
2018	398,401
2019	518,828
	\$ 1,714,031

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Illinois Municipal Retirement (cont'd)

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

For the year ended April 30, 2016, the Library recognized pension expense of \$486,083 in the government-wide financial statements. At April 30, 2016, the Library reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 152,945	\$ (152,945)
Changes in assumptions	12,149	-	12,149
Net difference between projected and actual earnings in pension plan investments	<u>566,896</u>	<u>-</u>	<u>566,896</u>
Subtotal	579,045	152,945	426,100
Contributions made subsequent to the measurement date	<u>98,111</u>	<u>-</u>	<u>98,111</u>
Total	<u>\$ 677,156</u>	<u>\$ 152,945</u>	<u>\$ 524,211</u>

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

Year Ending December 31,

2016	\$ 99,040
2017	99,040
2018	99,040
2019	<u>128,980</u>
	<u>\$ 426,100</u>

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Police Pension

General Information About the Pension Plan

Plan Description – Police sworn personnel are covered by the Police Pension Plan, which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. The plan does not issue a stand-alone financial report.

The plan is governed by a five-member Board of Trustees. Two members of the Board of Trustees 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 accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

At April 30, 2015 (consistent with the measurement date), the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	36
Current employees:	
Vested	41
Nonvested	24
	<hr/>
Total	101
	<hr/>

Benefits Provided – The Police Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 2.5% of final salary for each year of service up to 30 years, to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit of 2.5% of final salary for each year of service. Surviving spouses receive 100% of final salary for fatalities resulting from an act of duty, or otherwise the greater of 50% of final salary or the employee's retirement benefit. Employees disabled in the line of duty receive 65% of final salary.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Police Pension (cont'd)

General Information About the Pension Plan (cont'd)

Benefits Provided (cont'd)

The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977 is increased annually, following the first anniversary date of retirement and paid upon reaching the age of at least 55 years, by 3% of the originally granted pension. Beginning with increases granted on or after July 1, 1993, the second and subsequent automatic annual increases shall be calculated as 3% of the amount of the pension payable at the time of the increase.

For employees hired after January 1, 2011, the normal retirement age is attainment of age 55 and completion of 10 years of service; early retirement age is attainment of age 50, completion of 10 years of service and the early retirement factor is 6% per year. The employee's accrued benefit is based on their final 8-year average salary not to exceed \$106,800 (as indexed). Cost of living adjustments are simple increases, not compounded, and are the lesser of 3% or 50% of CPI beginning the later of the anniversary date or age 60. Surviving spouses receive 66.67% of the employee's benefit at the time of death.

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 costs of benefits earned by Plan members as actuarially determined by an enrolled actuary. By the year 2041, the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded. Actuarial valuations are performed annually. For the year ended April 30, 2016, the City's contribution was 31% of covered payroll.

Investment Policy – The pension plan's investment policy was established in accordance with provisions of the Illinois Compiled Statutes (ILCS) for pension plans, and may be amended by the Pension Board of Trustees. It is the policy of the Pension Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The primary policies of the fund, in order of priority are safety, liquidity and return on investment. The following was the Board's adopted asset allocation policy as of April 30, 2016:

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Police Pension (cont'd)

General Information About the Pension Plan (cont'd)

Investment Policy (cont'd)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed income/money market	45%	2.1%
Large Cap Domestic Equities	29%	6.9%
Small Cap Domestic Equities	8%	9.0%
International Equities	18%	7.1%

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

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

Investment Valuations – All investments in the Police Pension Plan are stated at fair value as of the trade date. Fair value is based on quoted market prices at April 30 for debt securities, equity securities and mutual funds. Illinois Funds, an investment pool created by the state legislature under the control of the State Treasurer, is a money market mutual fund that maintains a \$1 per share value.

Investment Concentrations – There are no assets legally reserved for purposes other than the payment of plan member benefits. There are no long-term contracts for contributions.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Police Pension (cont'd)

General Information About the Pension Plan (cont'd)

Investment Rate of Return – For the year ended April 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.32%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The Police Pension Plan's net pension liability was measured as of April 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Valuation and Assumptions – The actuarial assumptions used in the April 30, 2015, valuation were based on an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012. The valuation was done using the entry age normal actuarial cost method and the market value asset valuation method. The total pension liability in the April 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.50%
Salary increases	5.00%
Investment rate of return	7.25%
Retirement age	50 - 70
Mortality	RP 2000 CHBA

The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at April 30, 2015, was 26 years.

Discount Rate – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Police Pension (cont'd)

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balance 4/30/15	\$ 54,343,666	\$ 31,857,107	\$ 22,486,559
Changes for the year:			
Service cost	1,420,407	-	1,420,407
Interest	3,863,133	-	3,863,133
Differences between expected and actual experience	925,823	-	925,823
Changes in assumptions	-	-	-
Contributions - employer	-	1,778,970	(1,778,970)
Contributions - employee	-	568,526	(568,526)
Net investment income	-	1,700,649	(1,700,649)
Benefit payments, including refunds of employee contributions	(2,118,147)	(2,118,147)	-
Administrative expenses	-	(30,088)	30,088
Net changes	4,091,216	1,899,910	2,191,306
Balances at 4/30/16	\$ 58,434,882	\$ 33,757,017	\$ 24,677,865

Discount Rate Sensitivity – The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point higher or lower than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$ 32,693,036	\$ 24,677,865	\$ 18,063,066

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Police Pension (cont'd)

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 to the Police Pension Plan of \$2,620,822. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the Police Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Differences between expected and actual experience	\$ 925,823	\$ -	\$ 925,823
Changes in assumptions	-	-	-
Net difference between projected and actual earnings in pension plan investments	616,215	-	616,215
Subtotal	1,542,038	-	1,542,038
Contributions made subsequent to the measurement date	2,059,342	-	2,059,342
Total	\$ 3,601,380	\$ -	\$ 3,601,380

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

Year Ending April 30,

2017	\$ 301,286
2018	301,286
2019	301,286
2020	301,286
2021	301,286
2022	35,608
	\$ 1,542,038

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Firefighters' Pension

General Information About the Pension Plan

Plan Description – Fire sworn personnel are covered by the Firefighters' Pension Plan, which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits, as well as the employee and employer contributions levels, are mandated by Illinois Compiled Statutes and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. The plan does not issue a stand-alone financial report.

The plan is governed by a five-member Board of Trustees. Two members of the Board of Trustees 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 accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

At April 30, 2015 (consistent with the measurement date), the Firefighters' Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	27
Active plan members	<u>63</u>
Total	<u>90</u>

Benefits Provided – The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held in the fire service at the date of retirement. The pension is increased by one-twelfth of 2.5% of such monthly salary for each additional month over 20 years of service up to 30 years of service to a maximum of 75% of such monthly salary.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Firefighters' Pension (cont'd)

General Information About the Pension Plan (cont'd)

Benefits Provided (cont'd)

Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit ranging from 15% of final salary for 10 years of service to 45.6% for 19 years of service.

Surviving spouses receive 100% of final salary for fatalities resulting from an act of duty, or otherwise the greatest of 54% of final salary or the monthly retirement pension the deceased firefighter was receiving at the time of death. Surviving children receive 12% of final salary. The maximum family survivor benefit is 75% of final salary. Employees disabled in the line of duty receive 65% of final salary.

The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977, is increased annually, following the first anniversary date of retirement and paid upon reaching at least the age of 55, by 3% of the amount of the pension payable at the time of the increase.

For employees hired after January 1, 2011, the annual retirement benefit is 2.5% of final average salary for each year of service up to 30 years, to a maximum of 75% of such salary. The normal retirement age is attainment of age 55 and completion of 10 years of service; early retirement age is attainment of age 50, completion of 10 years of service and the early retirement factor is 6% per year. The employee's accrued benefit is based on their final 8-year average salary not to exceed \$106,800 (as indexed). Cost of living adjustments are simple increases, not compounded, and are the lesser of 3% or 50% of CPI beginning the later of the anniversary date or age 60. Surviving spouses receive 66.67% of the employee's benefit at the time of death.

Contributions – Covered employees are required to contribute 9.455% of their 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 as actuarially determined by an enrolled actuary. By the year 2041, the City's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is fully funded. Actuarial valuations are performed annually.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Firefighters' Pension (cont'd)

General Information About the Pension Plan (cont'd)

Investment Policy – The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Firefighters' Pension Board of Trustees. It is the policy of the Pension Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over a short period of time. The following was the Board's adopted asset allocation policy as of April 30, 2016:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed income/money market	55%	2.1%
Large Cap Domestic Equities	31.5%	6.9%
Small Cap Domestic Equities	9%	9.0%
International Equities	4.5%	7.1%

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

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

Investment Valuations – All investments in the Firefighters' Pension Plan are stated at fair value as of the trade date. Fair value is based on quoted market prices at April 30 for debt securities, municipal bonds, and mutual funds and contract values for insurance contracts. Illinois Funds, an investment pool created by the state legislature under the control of the State Treasurer, is a money market mutual fund that maintains a \$1 per share value.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Firefighters' Pension (cont'd)

General Information About the Pension Plan (cont'd)

Investment Concentrations – There are no assets legally reserved for purposes other than the payment of plan member benefits. There are no long-term contracts for contributions.

Investment Rate of Return – For the year ended April 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.38%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The Firefighters' Pension Plan's net pension liability was measured as of April 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Valuation and Assumptions – The actuarial assumptions used in the April 30, 2015, valuation were based on an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012. The valuation was done using the entry age normal actuarial cost method and the market value asset valuation method. The total pension liability in the April 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.50%
Salary increases	5.00%
Investment rate of return	7.25%
Retirement age	50 - 70
Mortality	RP 2000 CHBA

The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at April 30, 2015, was 26 years.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Firefighters' Pension (cont'd)

Net Pension Liability

Discount Rate – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balance 4/30/15	\$ 36,334,049	\$ 24,958,561	\$ 11,375,488
Changes for the year:			
Service cost	1,458,713	-	1,458,713
Interest	2,591,488	-	2,591,488
Differences between expected and actual experience	1,419,845	-	1,419,845
Changes in assumptions	-	-	-
Contributions - employer	-	1,555,655	(1,555,655)
Contributions - employee	-	539,487	(539,487)
Net investment income	-	1,873,564	(1,873,564)
Benefit payments, including refunds of employee contributions	(1,178,766)	(1,178,766)	-
Administrative expenses	-	(66,256)	66,256
Net changes	4,291,280	2,723,684	1,567,596
Balances at 4/30/16	\$ 40,625,329	\$ 27,682,245	\$ 12,943,084

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Firefighters' Pension (cont'd)

Changes in Net Pension Liability (cont'd)

Discount Rate Sensitivity – The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point higher or lower than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$ 19,057,679	\$ 12,943,084	\$ 7,934,387

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 \$1,899,353 to the Firefighters' Pension Fund. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the Firefighters' Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Differences between expected and actual experience	\$ 1,419,845	\$ -	\$ 1,419,845
Changes in assumptions	-	-	-
Net difference between projected and actual earnings in pension plan investments	-	33,251	(33,251)
Subtotal	1,419,845	33,251	1,386,594
Contributions made subsequent to the measurement date	1,928,928	-	1,928,928
Total	\$ 3,348,773	\$ 33,251	\$ 3,315,522

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Firefighters' Pension (cont'd)

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

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

Year Ending April 30,

2017	\$	199,125
2018		199,125
2109		199,125
2020		199,125
2021		199,124
Thereafter		<u>390,970</u>
	\$	<u>1,386,594</u>

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting – The financial statements are prepared using the accrual basis of accounting. 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.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value.

Administrative costs for both the Police and Firefighters' Pension Plans are financed primarily through investment earnings.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Summary of Significant Accounting Policies and Plan Asset Matters (cont'd)

Pension Plan Statements – The individual pension fund statements for the year ended April 30, 2016, are as follows:

Statement of Fiduciary Net Position	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Assets:		
Cash	\$ 5,379	\$ 15,374
Investments:		
Money market accounts	608,386	51,257
U.S. government and agency securities	3,407,017	12,682,959
Corporate bonds	8,861,194	-
Insurance contracts	-	1,697,870
Municipal bonds	-	2,137,286
Mutual funds – bonds	924,322	-
Mutual funds – stocks	19,636,024	12,430,513
Interest receivable	113,965	126,830
Prepaid expenses	4,390	-
	<u>33,560,677</u>	<u>29,142,089</u>
Total assets		
Liabilities:		
Accounts payable	<u>4,557</u>	<u>4,860</u>
	4,557	4,860
Total liabilities		
	4,557	4,860
Net position restricted for pensions	<u>33,556,120</u>	<u>29,137,229</u>
Total liabilities and net position	<u>\$ 33,560,677</u>	<u>\$ 29,142,089</u>

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Summary of Significant Accounting Policies and Plan Asset Matters (cont'd)

Statement of Changes in Fiduciary Net Position	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Additions:		
Contributions:		
Employer	\$ 2,059,342	\$ 1,928,928
Members	579,535	570,933
	<u>2,638,877</u>	<u>2,499,861</u>
Investment income:		
Net depreciation in fair value of investments	(1,485,684)	(569,018)
Interest income	1,130,906	942,402
Less investment expenses	(204,195)	(104,957)
	<u>(558,973)</u>	<u>268,427</u>
Total additions	<u>2,079,904</u>	<u>2,768,288</u>
Deductions:		
Pension benefits and refunds	2,258,561	1,286,016
Administrative expense	22,240	27,288
Total deductions	<u>2,280,801</u>	<u>1,313,304</u>
Net increase in fiduciary net position	(200,897)	1,454,984
Net position restricted for pensions:		
Beginning of the year	<u>33,757,017</u>	<u>27,682,245</u>
End of the year	<u>\$ 33,556,120</u>	<u>\$ 29,137,229</u>

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

C. Other Post-employment Benefits (OPEB)

Plan Description – The City provides limited health care insurance coverage for its eligible retired employees. Full-time employees who retire and are eligible for a pension under either the IMRF Plan, Police Pension Plan, or Firefighters’ Pension Plan, can elect to continue their medical insurance for life by paying the full price of the insurance under any three of the pension plans offered by the City. They also have the option to continue their dental coverage for 18 months from the date of retirement. The City accounts for the plan in the government-wide financial statements. The plan does not issue a stand-alone financial report.

At April 30, 2016, the OPEB Retiree Healthcare Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	18
Current employees:	
Actives fully eligible to retire	30
Actives not yet fully eligible to retire	217
Total	265

Funding Policy – The retirees are allowed to participate in the same healthcare plan as active employees but must pay their full premium. Premiums are the same for active and retired employees. The contribution requirements for the City are spelled out in the pension plans’ disclosures. The actuarially determined contributions to the pension plans takes into consideration the effect of allowing retirees to continue in the plan at the same premium as active employees.

Annual OPEB Cost and Net OPEB Obligation – The City’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of time 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 the changes in the net OPEB obligation:

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

C. Other Post-employment Benefits (OPEB) (cont'd)

Annual OPEB Cost and Net OPEB Obligation (cont'd)

Annual required contribution	\$ 333,883
Interest on net OPEB obligation	8,278
Adjustment to the ARC	<u>(6,898)</u>
 Annual OPEB cost	 335,263
2016 contribution	<u>169,168</u>
 Increase in net OPEB obligation	 166,095
Net OPEB obligation at April 30, 2015	<u>206,954</u>
 Net OPEB obligation at April 30, 2016	 <u>\$ 373,049</u>

The City has recorded the net pension obligation of \$373,049 in the government-wide statement of net position.

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for the three most recent years available were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
4/30/16	\$ 335,263	50.5 %	\$ 373,049
4/30/15	187,083	56.6	206,954
4/30/14	186,858	56.7	125,833

Funding Status and Funding Progress – The OPEB plan is being funded on a pay-as-you-go basis. At April 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$6,299,174. Annual covered payroll was \$20,030,915 and the ratio of the UAAL to the covered payroll was 31%.

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

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

C. Other Post-employment Benefits (OPEB) (cont'd)

Funding Status and Funding Progress (cont'd)

Actuarial Methods and Assumptions – 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 plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

In the April 30, 2015, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), including a 3.0 percent inflation assumption, projected salary increases of 4.0 percent annually, and an annual healthcare inflation rate of 7.0 percent initially, reduced by decrements to an ultimate rate of 5.5 percent in fiscal year 2023. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2015, was 30 years.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

D. Contingent Liabilities

Litigation – The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's attorney that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

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 Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

E. Joint Venture – SEECOM

The City is a founding member of SEECOM – Southeast Emergency Communication. SEECOM is a municipal corporation and public body politic and corporate established pursuant to the Constitution of the State of Illinois and the Intergovernmental Cooperation Act of the State of Illinois, as amended (the Act). SEECOM is a cooperative joint venture organized for the purpose of providing the equipment, services and other items necessary and appropriate for the establishment, operation and maintenance of the joint public safety communications system for the mutual benefit of the members of SEECOM. The founding members of SEECOM consist of the City of Crystal Lake, Illinois, the Village of Algonquin, Illinois and the Village of Cary, Illinois.

SEECOM is governed by an Executive Board established with the three voting members consisting of the Village Manager/Village Administrator/City Manager, or their respective staff designees, from the three founding communities. Two nonvoting members also consist of one member from the Fire Services Advisory Board and one member from the Law Enforcement Advisory Board. These nonvoting Board members represent other user communities. Each member of the Executive Board is entitled to one vote.

Each of SEECOM's three members paid an initial entry fee as determined and agreed to by SEECOM's Board and the three members. Each member also pays a portion of the initial capital cost financed by the issuance of a bond. Each member's portion of the initial capital costs is based on the actual capital cost multiplied by the member's proportionate share of the number of calls for services from the preceding year. Each member pays a percentage of the operating costs of SEECOM, as determined by the total operational cost less contracted services by each member's proportional share of the calls for service handled by SEECOM. Calls for service are one year in arrears.

All property, real and personal, acquired by SEECOM is owned in common by the members under the intergovernmental agreement. Each of the three members under the intergovernmental agreement are liable for the debts and liabilities of SEECOM. The intergovernmental agreement establishing SEECOM is in effect for a period of 15 years from the effective date of December 2002. Thereafter, it is automatically renewed with no affirmative action by the three members for successive five-year periods commencing May 1 until notice of termination is given. Any terminating member shall remain liable for their share of the capital expenditures incurred prior to the effective date of their termination. Upon termination by any member, SEECOM shall reimburse the terminated member for its share of the undepreciated value of SEECOM's capital assets.

SEECOM is located at 100 Municipal Complex, Crystal Lake, Illinois 60014. A separate audit report for SEECOM is available through its office.

The City reports its activities in SEECOM as a governmental joint venture. In accordance with the joint venture agreement, the Village remitted \$1,347,616 to SEECOM during fiscal year 2016.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

F. Construction Commitments

The City had commitments under construction contracts of approximately \$4,200,000 outstanding at April 30, 2016.

G. Change in Accounting Principle

The City recorded the following change in accounting principle during the year ended April 30, 2016:

	Increase (Decrease)
Governmental activities:	
Write off IMRF net pension obligation	\$ 191,881
Record IMRF net pension liability	(4,029,755)
Write off police pension plan and firefighters' pension plan net pension obligations	2,115,371
Record police pension plan and firefighters' pension plan net pension liabilities	(30,172,142)
Total – governmental activities	\$ (31,894,645)
Business-type activities:	
Record IMRF net pension liability	\$ (1,380,859)
Discretely presented component unit:	
Record IMRF net pension liability	\$ (1,345,052)

With the implementation of GASB Statement No. 68, the City is required to retroactively record the net pension liability and remove the net pension obligation.

H. New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) recently issued the following statements:

Statement No. 72, *Fair Value Measurement and Application*, establishes accounting and financial reporting standards related to fair value measurements, and is effective for the year ending April 30, 2017.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

H. New Governmental Accounting Standards

GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, extends the approach to accounting and financial reporting established by GASB Statement 68 to all pensions and clarifies certain issues from GASB Statement 67 and 68. Sections of this Statement are effective for the years ending April 30, 2017 and 2018.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting standards for OPEB Plans, and is effective for the year ending April 30, 2018.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, establishes new accounting and financial reporting standards for local governments who offer OPEB Plans administered through a trust, and is effective for the year ending April 30, 2019.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies in the context of the current governmental financial reporting format, the sources of accounting principles used to prepare financial statements of local governments in conformity with generally accepted accounting principles, and is effective for the year ending April 30, 2017.

Statement No. 77, *Tax Abatements*, establishes disclosure requirements for governments entering into tax abatement agreements, and is effective for the year ending April 30, 2017.

Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of GASB Statement No. 68, and is effective for the fiscal year ending April 30, 2017.

Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting requirements for certain external investment pools and pool participants, and is effective for the fiscal year ending April 30, 2017.

Statement No. 80, *Blending Requirement for Certain Component Units (an amendment of GASB Statement No. 14)*, requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole member, and is effective for the fiscal year ending April 30, 2018.

City of Crystal Lake, Illinois
Notes to the Financial Statements (cont'd)

IV. Other Information (cont'd)

H. New Governmental Accounting Standards

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, addresses the accounting and financial reporting requirements for irrevocable split-interest agreements, and is effective for the fiscal year ending April 30, 2018.

GASB Statement No. 82, *Pension Issues (an amendment of GASB Statements No. 67, No. 68 and No. 73)*, addresses certain issues raised in the implementation of the new pension reporting standards, and is effective for the year ending April 30, 2018.

Management has not yet completed its assessment of these statements and a determination as to their impact on the overall financial statement presentation has not been made.

REQUIRED SUPPLEMENTARY INFORMATION

City of Crystal Lake, Illinois
Other Post-employment Benefits Retiree Healthcare Plan
Required Supplementary Information -
Schedule of Funding Progress
April 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
04/30/15	\$ -	\$ 6,299,174	\$ 6,299,174	-	\$ 20,030,915	31.45 %
04/30/14	-	5,731,167	5,731,167	-	20,782,938	27.58
04/30/13	-	3,504,041	3,504,041	-	20,782,938	16.86
04/30/12	-	3,504,041	3,504,041	-	17,083,575	20.51
04/30/11	-	1,233,800	1,233,800	-	16,270,071	13.19
04/30/10	-	1,233,800	1,233,800	-	15,495,306	12.56

See independent auditor's report.

**City of Crystal Lake, Illinois
Illinois Municipal Retirement Fund
Required Supplementary Information -
Schedule of Employer Contributions
April 30, 2016**

	Calendar Year Ended 2015
Actuarially Determined Contribution	\$ 1,390,362
Contributions in Relation to Actuarially Determined Contribution	<u>1,390,362</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	<u>\$ 10,752,994</u>
Contributions as a Percentage of Covered-Employee Payroll	12.93%

See independent auditor's report.

**City of Crystal Lake, Illinois
Police Pension Fund
Required Supplementary Information -
Schedule of Employer Contributions
April 30, 2016**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 1,869,923	\$ 1,973,564	\$ 1,860,207	\$ 1,796,004	\$ 1,844,103	\$ 1,392,466	\$ 1,256,062	\$ 1,190,390	\$ 1,113,556	\$ 967,919
Contributions in relation to actuarially determined contribution	1,778,970	1,844,723	1,848,711	1,834,018	1,385,548	1,240,962	1,187,907	1,111,640	1,073,638	966,026
Contribution deficiency (excess)	\$ 90,953	\$ 128,841	\$ 11,496	\$ (38,014)	\$ 458,555	\$ 151,504	\$ 68,155	\$ 78,750	\$ 39,918	\$ 1,893
Covered-employee payroll	\$ 5,773,467	\$ 5,720,770	\$ 5,397,912	\$ 5,410,672	\$ 5,005,867	\$ 4,873,269	\$ 4,115,343	\$ 3,950,211	\$ 3,949,442	\$ 3,662,402
Contributions as a percentage of covered-employee payroll	30.81%	32.25%	34.25%	33.90%	27.68%	25.46%	28.87%	28.14%	27.18%	26.38%

The information directly above is formatted to comply with the requirements of GASB Statement No. 68. Additional information as of the latest actuarial valuation date presented is as follows: the actuarial cost method was entry age normal, the amortization method was level percentage of pay, and the amortization period was 27 years.

Year Ended April 30,	Employer Contributions	Annual Required Contribution (ARC)	Percent Contributed
2015	\$ 1,778,970	\$ 1,869,923	95.14%
2014	1,844,723	1,973,564	93.47%
2013	1,848,711	1,848,711	100.00%
2012	1,834,018	1,834,018	100.00%
2011	1,385,548	1,385,548	100.00%
2010	1,240,962	1,240,962	100.00%

The information directly above is presented in accordance with GASB Statement 68. The information was determined as part of the actuarial valuation as of April 30, 2015.

**City of Crystal Lake, Illinois
Firefighters' Pension Fund
Required Supplementary Information -
Schedule of Employer Contributions
April 30, 2016**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 1,767,761	\$ 1,720,093	\$ 1,649,811	\$ 1,565,764	\$ 1,554,771	\$ 1,139,454	\$ 1,011,052	\$ 910,353	\$ 820,030	\$ 711,840
Contributions in relation to actuarially determined contribution	1,555,655	1,618,264	1,621,810	1,541,610	1,128,846	995,800	904,951	817,496	708,003	707,944
Contribution deficiency (excess)	\$ 212,106	\$ 101,829	\$ 28,001	\$ 24,154	\$ 425,925	\$ 143,654	\$ 106,101	\$ 92,857	\$ 112,027	\$ 3,896
Covered-employee payroll	\$ 5,531,971	\$ 5,278,118	\$ 5,243,555	\$ 5,187,455	\$ 4,617,841	\$ 4,491,808	\$ 3,648,703	\$ 3,344,163	\$ 3,036,863	\$ 2,693,675
Contributions as a percentage of covered-employee payroll	28.12%	30.66%	30.93%	29.72%	24.45%	22.17%	24.80%	24.45%	23.31%	26.28%

The information directly above is formatted to comply with the requirements of GASB Statement No. 68. Additional information as of the latest actuarial valuation date presented is as follows: the actuarial cost method was entry age normal, the amortization method was level percentage of pay, and the amortization period was 27 years.

Year Ended April 30,	Employer Contributions	Annual Required Contribution (ARC)	Percent Contributed
2015	\$ 1,555,655	\$ 1,767,761	88.00%
2014	1,618,264	1,720,093	94.08%
2013	1,621,810	1,621,810	100.00%
2012	1,541,610	1,541,610	100.00%
2011	1,128,846	1,128,846	100.00%
2010	995,800	995,800	100.00%

The information directly above is presented in accordance with GASB Statement 68. The information was determined as part of the actuarial valuation as of April 30, 2015.

City of Crystal Lake, Illinois
Illinois Municipal Retirement Fund
Required Supplementary Information - Schedule of Changes
in the Employer's Net Pension Liability and Related Ratios
Last Ten Calendar Years

	2015
Total pension liability:	
Service cost	\$ 1,211,429
Interest	4,343,976
Changes in benefit terms	-
Differences between expected and actual experience	(1,001,063)
Changes in assumptions	79,521
Benefit payments, including refunds of member contributions	(1,903,179)
Net change in total pension liability	2,730,684
Total pension liability, beginning of year	58,420,423
Total pension liability, end of year	\$ 61,151,107
Plan fiduciary net position:	
Contributions - employer	\$ 1,390,362
Contributions - member	485,951
Net investment income	256,105
Benefit payments, including refunds of member contributions	(1,903,179)
Administrative expense	(702,990)
Net change in plan fiduciary net position	(473,751)
Plan fiduciary net position, beginning of year	51,234,516
Plan fiduciary net position, end of year	\$ 50,760,765
Employer's net pension liability	\$ 10,390,342
Plan fiduciary net position as a percentage of the total pension liability	83.01%
Covered employee payroll	\$ 10,752,994
Employer's net pension liability as a percentage of covered-employee payroll	96.63%

City of Crystal Lake, Illinois
Police Pension Fund
Required Supplementary Information - Schedule of Changes
in the Employer's Net Pension Liability and Related Ratios
April 30,

	<u>2016</u>	<u>2015</u>
Total pension liability:		
Service cost	\$ 1,420,407	\$ 1,427,537
Interest	3,863,133	3,522,872
Changes in benefit terms	-	-
Differences between expected and actual experience	925,823	(850,901)
Changes in assumptions	-	874,435
Benefit payments, including refunds of member contributions	<u>(2,118,147)</u>	<u>(1,914,037)</u>
Net change in total pension liability	4,091,216	3,059,906
Total pension liability, beginning of year	<u>54,343,666</u>	51,283,760
Total pension liability, end of year	<u>\$ 58,434,882</u>	<u>\$ 54,343,666</u>
Plan fiduciary net position:		
Contributions - employer	\$ 1,778,970	\$ 1,844,723
Contributions - member	568,526	553,800
Net investment income	1,700,649	2,835,560
Benefit payments, including refunds of member contributions	<u>(2,118,147)</u>	<u>(1,914,037)</u>
Administrative expense	<u>(30,088)</u>	<u>(156,150)</u>
Net change in plan fiduciary net position	1,899,910	3,163,896
Plan fiduciary net position, beginning of year	<u>31,857,107</u>	28,693,211
Plan fiduciary net position, end of year	<u>\$ 33,757,017</u>	<u>\$ 31,857,107</u>
Employer's net pension liability	<u>\$ 24,677,865</u>	<u>\$ 22,486,559</u>
Plan fiduciary net position as a percentage of the total pension liability	57.77%	58.62%
Covered employee payroll	<u>\$ 5,773,467</u>	<u>\$ 5,720,770</u>
Employer's net pension liability as a percentage of covered-employee payroll	427.44%	393.07%

City of Crystal Lake, Illinois
Firefighters' Pension Fund
Required Supplementary Information - Schedule of Changes
in the Employer's Net Pension Liability and Related Ratios
April 30,

	<u>2016</u>	<u>2015</u>
Total pension liability:		
Service cost	\$ 1,458,713	\$ 1,681,623
Interest	2,591,488	2,454,559
Changes in benefit terms	-	-
Differences between expected and actual experience	1,419,845	(1,823,175)
Changes in assumptions	-	(507,215)
Benefit payments, including refunds of member contributions	<u>(1,178,766)</u>	<u>(1,073,750)</u>
Net change in total pension liability	4,291,280	732,042
Total pension liability, beginning of year	<u>36,334,049</u>	<u>35,602,007</u>
Total pension liability, end of year	<u>\$ 40,625,329</u>	<u>\$ 36,334,049</u>
Plan fiduciary net position:		
Contributions - employer	\$ 1,555,655	\$ 1,618,264
Contributions - member	539,487	522,280
Net investment income	1,873,564	1,596,682
Benefit payments, including refunds of member contributions	(1,178,766)	(1,073,750)
Administrative expense	<u>(66,256)</u>	<u>(88,140)</u>
Net change in plan fiduciary net position	2,723,684	2,575,336
Plan fiduciary net position, beginning of year	<u>24,958,561</u>	<u>22,383,225</u>
Plan fiduciary net position, end of year	<u>\$ 27,682,245</u>	<u>\$ 24,958,561</u>
Employer's net pension liability	<u>\$ 12,943,084</u>	<u>\$ 11,375,488</u>
Plan fiduciary net position as a percentage of the total pension liability	68.14%	68.69%
Covered employee payroll	<u>\$ 5,531,971</u>	<u>\$ 5,278,118</u>
Employer's net pension liability as a percentage of covered-employee payroll	233.97%	215.52%

**City of Crystal Lake, Illinois
Police Pension Fund
Required Supplementary Information
Schedule of Investment Returns
April 30,**

	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	<u>5.32%</u>	<u>5.93%</u>

**City of Crystal Lake, Illinois
Firefighters' Pension Fund
Required Supplementary Information
Schedule of Investment Returns
April 30,**

	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	<u>7.38%</u>	<u>6.94%</u>

SUPPLEMENTARY INFORMATION

City of Crystal Lake, Illinois
General Fund
Schedule of Revenues - Budget and Actual
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Charges for services:				
Zoning and subdivision fees	\$ 28,000	\$ 28,000	\$ 52,590	\$ 24,590
Plan review fees	32,000	32,000	14,484	(17,516)
Parking	206,000	206,000	196,757	(9,243)
Police revenue	125,000	125,000	97,740	(27,260)
Other fees	19,160	19,160	49,811	30,651
	<u>410,160</u>	<u>410,160</u>	<u>411,382</u>	<u>1,222</u>
Licenses and permits:				
Liquor licenses	100,000	100,000	93,304	(6,696)
Miscellaneous licenses and permits	25,000	25,000	23,920	(1,080)
Building permits	243,000	243,000	185,144	(57,856)
Occupancy permits	6,000	6,000	3,381	(2,619)
	<u>374,000</u>	<u>374,000</u>	<u>305,749</u>	<u>(68,251)</u>
Intergovernmental:				
Income tax	4,033,557	4,033,557	4,167,471	133,914
Local use tax	790,414	790,414	957,511	167,097
Replacement tax	173,000	173,000	133,431	(39,569)
State sales tax	11,163,000	11,163,000	11,146,198	(16,802)
Grants	31,000	31,000	42,878	11,878
	<u>16,190,971</u>	<u>16,190,971</u>	<u>16,447,489</u>	<u>256,518</u>
Fines and forfeitures:				
Police fines	516,000	516,000	483,186	(32,814)
Adjudication fines	60,000	60,000	61,877	1,877
	<u>576,000</u>	<u>576,000</u>	<u>545,063</u>	<u>(30,937)</u>
Property taxes	<u>3,637,684</u>	<u>3,637,684</u>	<u>3,986,492</u>	<u>348,808</u>

(cont'd)

City of Crystal Lake, Illinois
General Fund
Schedule of Revenues - Budget and Actual (cont'd)
For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other taxes:				
Auto rental tax	\$ 52,000	\$ 52,000	\$ 42,515	\$ (9,485)
Franchise fees - cable	669,000	669,000	790,182	121,182
Hotel tax	290,000	290,000	301,467	11,467
Telecommunications tax	1,400,000	1,400,000	1,276,159	(123,841)
	<u>2,411,000</u>	<u>2,411,000</u>	<u>2,410,323</u>	<u>(677)</u>
Investment income	<u>105,000</u>	<u>105,000</u>	<u>430,735</u>	<u>325,735</u>
Miscellaneous:				
Rental income	91,825	91,825	91,489	(336)
Host fees	308,000	308,000	303,579	(4,421)
Other	67,500	67,500	619,263	551,763
	<u>467,325</u>	<u>467,325</u>	<u>1,014,331</u>	<u>547,006</u>
Total revenues	<u>\$ 24,172,140</u>	<u>\$ 24,172,140</u>	<u>\$ 25,551,564</u>	<u>\$ 1,379,424</u>

See independent auditor's report.

**City of Crystal Lake, Illinois
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended April 30, 2016**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
General government:				
Executive department:				
Personnel services	\$ 22,800	\$ 22,800	\$ 21,080	\$ 1,720
Contractual services	423,631	423,631	408,285	15,346
	<u>446,431</u>	<u>446,431</u>	<u>429,365</u>	<u>17,066</u>
Legal and judiciary department - contractual services	<u>463,350</u>	<u>463,350</u>	<u>663,440</u>	<u>(200,090)</u>
Administration department:				
Personnel services	1,599,414	1,599,414	1,525,498	73,916
Contractual services	246,613	246,613	194,485	52,128
Supplies and materials	96,068	96,068	74,949	21,119
	<u>1,942,095</u>	<u>1,942,095</u>	<u>1,794,932</u>	<u>147,163</u>
Administrative adjudication department:				
Personnel services	56,538	56,538	53,464	3,074
Contractual services	36,800	36,800	19,083	17,717
Supplies and materials	3,900	3,900	-	3,900
	<u>97,238</u>	<u>97,238</u>	<u>72,547</u>	<u>24,691</u>
Community development:				
Personnel services	2,295,068	2,295,068	2,159,713	135,355
Contractual services	548,739	548,739	249,718	299,021
Supplies and materials	65,407	65,407	37,453	27,954
Sales tax incentives	575,000	575,000	772,786	(197,786)
	<u>3,484,214</u>	<u>3,484,214</u>	<u>3,219,670</u>	<u>264,544</u>
Information technology:				
Personnel services	197,592	197,592	179,693	17,899
Contractual services	97,196	97,196	28,904	68,292
Supplies and materials	49,194	49,194	37,086	12,108
	<u>343,982</u>	<u>343,982</u>	<u>245,683</u>	<u>98,299</u>

(cont'd)

City of Crystal Lake, Illinois
General Fund
Schedule of Expenditures - Budget and Actual (cont'd)
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
General government (cont'd):				
Health services - contractual services	\$ 130,000	\$ 130,000	\$ 106,904	\$ 23,096
Shared services - contractual services	636,657	636,657	585,476	51,181
Special projects department:				
Personnel services	24,700	24,700	4,981	19,719
Contractual services	348,032	348,032	267,664	80,368
Supplies and materials	30,000	30,000	29,860	140
	402,732	402,732	302,505	100,227
Insurance - contractual services	32,200	32,200	(295,483)	327,683
Total general government	7,978,899	7,978,899	7,125,039	853,860
Public safety:				
Police department:				
Personnel services	8,949,614	8,949,614	8,525,468	424,146
Contractual services	1,616,026	1,616,026	1,586,386	29,640
Supplies and materials	401,740	401,740	279,376	122,364
	10,967,380	10,967,380	10,391,230	576,150
Pension contributions	3,637,684	3,637,684	3,986,492	(348,808)
Fire and police commission - contractual services	31,583	31,583	12,823	18,760
Total public safety	14,636,647	14,636,647	14,390,545	246,102

(cont'd)

City of Crystal Lake, Illinois
General Fund
Schedule of Expenditures - Budget and Actual (cont'd)
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Highways and streets:				
Street department:				
Personnel services	\$ 2,024,715	\$ 2,024,715	\$ 1,886,738	\$ 137,977
Contractual services	847,303	847,303	748,673	98,630
Supplies and materials	346,666	346,666	304,185	42,481
	<u>3,218,684</u>	<u>3,218,684</u>	<u>2,939,596</u>	<u>279,088</u>
Water operations:				
Personnel services	384,585	384,585	339,510	45,075
Contractual services	41,701	41,701	29,823	11,878
Supplies and materials	52,499	52,499	28,343	24,156
	<u>478,785</u>	<u>478,785</u>	<u>397,676</u>	<u>81,109</u>
Wastewater treatment:				
Personnel services	267,042	267,042	276,756	(9,714)
Contractual services	27,949	27,949	19,430	8,519
Supplies and materials	15,115	15,115	9,417	5,698
	<u>310,106</u>	<u>310,106</u>	<u>305,603</u>	<u>4,503</u>
Fleet services:				
Personnel services	704,171	704,171	624,646	79,525
Contractual services	49,371	49,371	40,886	8,485
Supplies and materials	40,332	40,332	37,476	2,856
	<u>793,874</u>	<u>793,874</u>	<u>703,008</u>	<u>90,866</u>
Total highways and streets	<u>4,801,449</u>	<u>4,801,449</u>	<u>4,345,883</u>	<u>455,566</u>
Debt service - special projects department:				
Principal	375,723	375,723	375,711	12
Interest and fees	58,637	58,637	58,606	31
Total debt service	<u>434,360</u>	<u>434,360</u>	<u>434,317</u>	<u>43</u>
Total expenditures	<u>\$ 27,851,355</u>	<u>\$ 27,851,355</u>	<u>\$ 26,295,784</u>	<u>\$ 1,555,571</u>

See independent auditor's report.

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for revenues from specific taxes or other earmarked revenue sources which by law are designated to finance particular functions or activities of government and which cannot be diverted to other uses. The nonmajor special revenue funds maintained by the City are as follows:

Illinois Municipal Retirement – To account for revenues derived from a separate tax levy and disbursement of these funds for contributions to the state-sponsored Illinois Municipal Retirement Fund.

Road/Vehicle License – To account for revenues received from the county road and bridge taxes and to account for revenue from vehicle license fees.

School Crossing Guard – To account for expenditures related to school crossing guards.

Foreign Fire Insurance – To account for proceeds of foreign fire insurance tax and for expenses authorized by the Board of Foreign Fire Insurance.

Three Oaks Recreation Area Fund – To account for revenues derived from and expenses incurred from the operation of the Three Oaks Recreation Area.

Restricted Police Fund – To account for revenues derived from narcotic asset seizures and expenses incurred from activities intended to restrict such activities.

Debt Service Funds

Debt service funds are used to account for monies accumulated to retire general long-term debt. The debt service funds maintained by the City are as follows:

Special Assessment No. 149 – To account for the accumulation of resources for, and the payment of, principal and interest on the Special Service Area No. 149 bonds related to the North Shore water and sewer project. Financing is being provided by assessments to property owners in the Service Area No. 149.

Crystal Heights Debt Service – To account for the accumulation of resources to retire principal and interest on the 2004 General Obligation Bonds related to Crystal Heights. Financing is being provided by a property tax levy.

SEECOM Debt Service – To account for the accumulation of resources to retire principal and interest on the 2004 General Obligation Bonds related to the SEECOM central dispatch service. Financing is provided by SEECOM member communities.

Three Oaks Recreation Area Debt Service Fund – To account for the accumulation of resources for, and the payment of, principal and interest on the 2009 General Obligation bonds. Financing is being provided by a property tax levy.

Nonmajor Governmental Funds (cont'd)

Capital Projects Funds

Capital projects funds account for the resources used by the City for the acquisition and/or construction of capital facilities. The capital projects funds maintained by the City are as follows:

Special Assessment No. 145 – To account for the proceeds of special assessment bonds used for capital improvements to the Woodstock Street sanitary sewer and cover lift station.

Main Street TIF Construction – To account for the initial planning and engineering design services of the Main Street TIF, including improvements to the Main Street and Crystal Lake Avenue intersection.

Virginia Street Corridor TIF – To account for the initial planning and engineering design services of the Virginia Street Corridor TIF, intended to spur a comprehensive revitalization of this area.

Capital Replacement – To account for funds set aside from General Fund reserves to provide for future replacements of capital and technological equipment.

Vulcan Lakes TIF – To account for the initial planning and engineering design services of the Vulcan Lakes TIF, intended to spur a comprehensive revitalization of this area and will include residential, retail and recreational facilities.

Three Oaks Capital – To account for funds set aside for the future development of the Three Oaks Recreation Area and for the replacement of capital equipment.

Three Oaks Development – To account for funds from developers set aside for the future development of the Three Oaks Recreation Area.

City of Crystal Lake, Illinois
Combining Balance Sheet -
Nonmajor Governmental Funds
April 30, 2016

	Total	Special Revenue	Debt Service	Capital Projects
Assets				
Cash and investments	\$ 7,222,764	\$ 2,566,471	\$ 542,783	\$ 4,113,510
Receivables:				
Property taxes	1,822,090	1,720,901	85,800	15,389
Other	449,868	20,929	236,671	192,268
Due from other funds	83,766	83,766	-	-
Prepaid items	5,778	5,778	-	-
Total assets	\$ 9,584,266	\$ 4,397,845	\$ 865,254	\$ 4,321,167
Liabilities				
Accounts payable	\$ 1,118,912	\$ 595,367	\$ -	\$ 523,545
Accrued expenses	5,343	5,343	-	-
Recapture fees payable	108,066	-	-	108,066
Due to other funds	265,335	685	172,410	92,240
Total liabilities	1,497,656	601,395	172,410	723,851
Deferred Inflows of Resources				
Property taxes	1,822,090	1,720,901	85,800	15,389
Fund Balances				
Nonspendable	5,778	5,778	-	-
Restricted for retirement purposes	1,140,772	1,140,772	-	-
Restricted for police activities	588,840	588,840	-	-
Restricted for debt service	607,044	-	607,044	-
Restricted for park development	97,819	-	-	97,819
Assigned for next fiscal years expenditures	168,856	168,856	-	-
Assigned, reported in:				
Special Revenue Funds	171,303	171,303	-	-
Capital Projects Funds	3,484,108	-	-	3,484,108
Unassigned	-	-	-	-
Total fund balances	6,264,520	2,075,549	607,044	3,581,927
Total liabilities, deferred inflows of resources and fund balances	\$ 9,584,266	\$ 4,397,845	\$ 865,254	\$ 4,321,167

See independent auditor's report.

City of Crystal Lake, Illinois
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended April 30, 2016

	Total	Special Revenue	Debt Service	Capital Projects
Revenues:				
Charges for services	\$ 885,988	\$ 494,003	\$ 391,985	\$ -
Licenses and permits	240,659	240,659	-	-
Intergovernmental	61,752	61,752	-	-
Fines and forfeitures	170,794	170,794	-	-
Property taxes	2,450,547	2,384,721	53,129	12,697
Interest	2,573	2,058	354	161
Miscellaneous	49,266	40,416	-	8,850
Total revenues	3,861,579	3,394,403	445,468	21,708
Expenditures:				
Current:				
General government	888,454	882,984	5,470	-
Public safety	699,948	699,948	-	-
Highways and streets	2,571,503	2,571,503	-	-
Culture and recreation	618,351	618,351	-	-
Capital outlay	2,705,775	60,000	-	2,645,775
Debt service:				
Principal	1,008,256	-	1,008,256	-
Interest and fees	427,015	-	427,015	-
Miscellaneous	103,984	-	103,984	-
Total expenditures	9,023,286	4,832,786	1,544,725	2,645,775
Deficiency of revenues under expenditures before other financing sources (uses)	(5,161,707)	(1,438,383)	(1,099,257)	(2,624,067)
Other financing sources (uses):				
Transfers in	5,375,923	1,650,931	1,049,851	2,675,141
Transfers out	(11,679)	-	-	(11,679)
Total other financing sources (uses)	5,364,244	1,650,931	1,049,851	2,663,462
Net changes in fund balances	202,537	212,548	(49,406)	39,395
Fund balances, beginning of the year	6,061,983	1,863,001	656,450	3,542,532
Fund balances, end of the year	\$ 6,264,520	\$ 2,075,549	\$ 607,044	\$ 3,581,927

See independent auditor's report.

**City of Crystal Lake, Illinois
Combining Balance Sheet -
Nonmajor Special Revenue Funds
April 30, 2016**

	<u>Total</u>	<u>IMRF/ FICA</u>	<u>Road/ Vehicle License</u>	<u>School Crossing Guard</u>	<u>Foreign Fire Insurance</u>	<u>Three Oaks Recreation Area</u>	<u>Restricted Police</u>
Assets							
Cash and investments	\$ 2,566,471	\$ 1,140,772	\$ 628,011	\$ 83,550	\$ 97,515	\$ 30,731	\$ 585,892
Receivables:							
Property taxes	1,720,901	1,676,222	-	44,679	-	-	-
Other	20,929	-	415	16,076	-	344	4,094
Due from other funds	83,766	-	83,333	-	-	433	-
Prepaid items	5,778	-	4,076	-	-	1,702	-
Total assets	\$ 4,397,845	\$ 2,816,994	\$ 715,835	\$ 144,305	\$ 97,515	\$ 33,210	\$ 589,986
Liabilities							
Accounts payable	\$ 595,367	\$ -	\$ 542,903	\$ 22,458	\$ 1,678	\$ 27,182	\$ 1,146
Accrued expenses	5,343	-	-	-	-	5,343	-
Due to other funds	685	-	-	-	-	685	-
Total liabilities	601,395	-	542,903	22,458	1,678	33,210	1,146
Deferred Inflows of Resources							
Property taxes	1,720,901	1,676,222	-	44,679	-	-	-
Fund Balances							
Nonspendable	5,778	-	4,076	-	-	1,702	-
Restricted for retirement purposes	1,140,772	1,140,772	-	-	-	-	-
Restricted for police activities	588,840	-	-	-	-	-	588,840
Assigned for next fiscal year expenditures	168,856	-	168,856	-	-	-	-
Assigned - reported in Special Revenue Funds	171,303	-	-	77,168	95,837	(1,702)	-
Total fund balances	2,075,549	1,140,772	172,932	77,168	95,837	-	588,840
Total liabilities, deferred inflows of resources and fund balances	\$ 4,397,845	\$ 2,816,994	\$ 715,835	\$ 144,305	\$ 97,515	\$ 33,210	\$ 589,986

See independent auditor's report.

City of Crystal Lake, Illinois
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Special Revenue Funds
For the Year Ended April 30, 2016

	Total	IMRF/ FICA	Road/ Vehicle License	School Crossing Guard	Foreign Fire Insurance	Three Oaks Recreation Area	Restricted Police
Revenues:							
Charges for services	\$ 494,003	\$ -	\$ -	\$ -	\$ -	\$ 494,003	\$ -
Licenses and permits	240,659	-	240,659	-	-	-	-
Intergovernmental	61,752	-	-	-	61,752	-	-
Fines and forfeitures	170,794	-	-	-	-	-	170,794
Property taxes	2,384,721	1,859,400	475,367	49,954	-	-	-
Investment income	2,058	1,110	719	70	110	49	-
Miscellaneous	40,416	-	450	36,260	-	2,706	1,000
Total revenues	3,394,403	1,860,510	717,195	86,284	61,862	496,758	171,794
Expenditures:							
Current:							
General government	882,984	882,984	-	-	-	-	-
Public safety	699,948	344,943	-	92,584	187,976	-	74,445
Highways and streets	2,571,503	318,012	2,253,491	-	-	-	-
Culture and recreation	618,351	-	-	-	-	618,351	-
Capital outlay	60,000	-	60,000	-	-	-	-
Total expenditures	4,832,786	1,545,939	2,313,491	92,584	187,976	618,351	74,445
Excess (deficiency) of revenues over (under) expenditures before other financing sources	(1,438,383)	314,571	(1,596,296)	(6,300)	(126,114)	(121,593)	97,349
Other financing sources - transfers in	1,650,931	-	1,525,000	-	4,338	121,593	-
Net changes in fund balances	212,548	314,571	(71,296)	(6,300)	(121,776)	-	97,349
Fund balances, beginning of the year	1,863,001	826,201	244,228	83,468	217,613	-	491,491
Fund balances, end of the year	\$ 2,075,549	\$ 1,140,772	\$ 172,932	\$ 77,168	\$ 95,837	\$ -	\$ 588,840

See independent auditor's report.

City of Crystal Lake, Illinois
IMRF/FICA Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 1,687,000	\$ 1,687,000	\$ 1,859,400	\$ 172,400
Investment income	100	100	1,110	1,010
Total revenues	<u>1,687,100</u>	<u>1,687,100</u>	<u>1,860,510</u>	<u>173,410</u>
Expenditures - current - personnel services:				
General government	974,071	974,071	882,984	91,087
Public safety	370,945	370,945	344,943	26,002
Highways and streets	341,984	341,984	318,012	23,972
Total expenditures	<u>1,687,000</u>	<u>1,687,000</u>	<u>1,545,939</u>	<u>141,061</u>
Net changes in fund balance	<u>\$ 100</u>	<u>\$ 100</u>	<u>314,571</u>	<u>\$ 314,471</u>
Fund balance, beginning of the year			<u>826,201</u>	
Fund balance, end of the year			<u>\$ 1,140,772</u>	

See independent auditor's report.

City of Crystal Lake, Illinois
Road/Vehicle License Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Licenses and permits	\$ 234,000	\$ 234,000	\$ 240,659	\$ 6,659
Property taxes	476,900	476,900	475,367	(1,533)
Investment income	25	25	719	694
Miscellaneous	-	-	450	450
Total revenues	<u>710,925</u>	<u>710,925</u>	<u>717,195</u>	<u>6,270</u>
Expenditures:				
Highways and streets	2,407,810	2,407,810	2,253,491	154,319
Capital outlay	60,000	60,000	60,000	-
Total expenditures	<u>2,467,810</u>	<u>2,467,810</u>	<u>2,313,491</u>	<u>154,319</u>
Revenues under expenditures before other financing sources	<u>(1,756,885)</u>	<u>(1,756,885)</u>	<u>(1,596,296)</u>	<u>160,589</u>
Other financing sources - transfers in	<u>1,525,000</u>	<u>1,525,000</u>	<u>1,525,000</u>	<u>-</u>
Net changes in fund balance	<u>\$ (231,885)</u>	<u>\$ (231,885)</u>	<u>(71,296)</u>	<u>\$ 160,589</u>
Fund balance, beginning of the year			<u>244,228</u>	
Fund balance, end of the year			<u>\$ 172,932</u>	

See independent auditor's report.

**City of Crystal Lake, Illinois
School Crossing Guard Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2016**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 45,119	\$ 45,119	\$ 49,954	\$ 4,835
Investment income	15	15	70	55
Miscellaneous	17,500	17,500	36,260	18,760
Total revenues	62,634	62,634	86,284	23,650
Expenditures - public safety:				
Personnel services	62,605	62,605	92,584	(29,979)
Materials and supplies	100	100	-	100
Total expenditures	62,705	62,705	92,584	(29,879)
Net changes in fund balance	\$ (71)	\$ (71)	(6,300)	\$ (6,229)
Fund balance, beginning of the year			83,468	
Fund balance, end of the year			\$ 77,168	

See independent auditor's report.

**City of Crystal Lake, Illinois
Foreign Fire Insurance Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2016**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental	\$ 65,000	\$ 65,000	\$ 61,752	\$ (3,248)
Investment income	300	300	110	(190)
Total revenues	<u>65,300</u>	<u>65,300</u>	<u>61,862</u>	<u>(3,438)</u>
Expenditures - public safety:				
Personnel services	1,500	1,500	1,125	375
Contractual services	6,800	6,800	100	6,700
Materials and supplies	51,850	51,850	186,751	(134,901)
Total expenditures	<u>60,150</u>	<u>60,150</u>	<u>187,976</u>	<u>(127,826)</u>
Revenues over (under) expenditures before other financing sources	5,150	5,150	(126,114)	(131,264)
Other financing sources - transfer in	-	-	4,338	4,338
Net changes in fund balance	<u>\$ 5,150</u>	<u>\$ 5,150</u>	<u>(121,776)</u>	<u>\$ (126,926)</u>
Fund balance, beginning of the year			<u>217,613</u>	
Fund balance, end of the year			<u>\$ 95,837</u>	

See independent auditor's report.

City of Crystal Lake, Illinois
Three Oaks Recreation Area Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services	\$ 397,663	\$ 397,663	\$ 494,003	\$ 96,340
Investment income	100	100	49	(51)
Miscellaneous	2,600	2,600	2,706	106
Total revenues	400,363	400,363	496,758	96,395
Expenditures - culture and recreation:				
Personnel services	372,052	372,052	389,763	(17,711)
Contractual services	136,452	136,452	168,913	(32,461)
Materials and supplies	55,030	55,030	59,675	(4,645)
Total expenditures	563,534	563,534	618,351	(54,817)
Revenues under expenditures before other financing sources	(163,171)	(163,171)	(121,593)	41,578
Other financing sources - transfers in	163,171	163,171	121,593	(41,578)
Net changes in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning of the year			-	
Fund balance, end of the year			\$ -	

See independent auditor's report.

City of Crystal Lake, Illinois
Restricted Police Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Fines and forfeitures	\$ 122,300	\$ 122,300	\$ 170,794	\$ 48,494
Miscellaneous	1,000	1,000	1,000	-
Total revenues	123,300	123,300	171,794	48,494
Expenditures - public safety - miscellaneous	<u>53,000</u>	<u>53,000</u>	<u>74,445</u>	<u>(21,445)</u>
Revenues over expenditures	<u>\$ 70,300</u>	<u>\$ 70,300</u>	<u>97,349</u>	<u>\$ 27,049</u>
Fund balance, beginning of the year			<u>491,491</u>	
Fund balance, end of the year			<u>\$ 588,840</u>	

See independent auditor's report.

City of Crystal Lake, Illinois
Combining Balance Sheet -
Nonmajor Debt Service Funds
April 30, 2016

	<u>Total</u>	<u>Special Assess- ment No. 149</u>	<u>Crystal Heights Debt Service</u>	<u>SEECOM Debt Service</u>	<u>Three Oaks Recreation Area Debt Service Fund</u>
Assets					
Cash and investments	\$ 542,783	\$ -	\$ 542,616	\$ 167	\$ -
Receivables:					
Property taxes	85,800	-	85,800	-	-
Other	236,671	236,671	-	-	-
Total assets	\$ 865,254	\$ 236,671	\$ 628,416	\$ 167	\$ -
Liabilities					
Due to other funds	\$ 172,410	\$ 172,410	\$ -	\$ -	\$ -
Total liabilities	172,410	172,410	-	-	-
Deferred Inflows of Resources					
Property taxes	85,800	-	85,800	-	-
Fund Balances					
Restricted for debt service	607,044	64,261	542,616	167	-
Total fund balances	607,044	64,261	542,616	167	-
Total liabilities, deferred inflows of resources and fund balances	\$ 865,254	\$ 236,671	\$ 628,416	\$ 167	\$ -

City of Crystal Lake, Illinois
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Debt Service Funds
For the Year Ended April 30, 2016

	<u>Total</u>	<u>Special Assess- ment No. 149</u>	<u>Crystal Heights Debt Service</u>	<u>SEECOM Debt Service</u>	<u>Three Oaks Recreation Area Debt Service Fund</u>
Revenues:					
Charges for services	\$ 391,985	\$ 19,316	\$ 107,246	\$ 265,423	\$ -
Property taxes	53,129	-	53,129	-	-
Investment income	354	-	354	-	-
Total revenues	445,468	19,316	160,729	265,423	-
Expenditures:					
Current - general government	5,470	-	5,470	-	-
Debt service:					
Principal	1,008,256	-	109,524	240,268	658,464
Interest and fees	427,015	-	11,467	25,155	390,393
Miscellaneous	103,984	-	102,990	-	994
Total expenditures	1,544,725	-	229,451	265,423	1,049,851
Revenues over (under) expenditures before other financing sources	(1,099,257)	19,316	(68,722)	-	(1,049,851)
Other financing sources - transfers in	1,049,851	-	-	-	1,049,851
Net changes in fund balances	(49,406)	19,316	(68,722)	-	-
Fund balances, beginning of the year	656,450	44,945	611,338	167	-
Fund balances, end of the year	\$ 607,044	\$ 64,261	\$ 542,616	\$ 167	\$ -

City of Crystal Lake, Illinois
Crystal Heights Debt Service Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services	\$ 32,000	\$ 32,000	\$ 107,246	\$ 75,246
Property taxes	-	-	53,129	53,129
Investment income	50	50	354	304
Total revenues	32,050	32,050	160,729	128,679
Expenditures:				
Current - general government - contractual services	-	-	5,470	(5,470)
Debt service:				
Principal	109,524	109,524	109,524	-
Interest	15,100	15,100	11,467	3,633
Miscellaneous	-	-	102,990	(102,990)
Total expenditures	124,624	124,624	229,451	(104,827)
Net changes in fund balance	\$ (92,574)	\$ (92,574)	(68,722)	\$ 23,852
Fund balance, beginning of the year			611,338	
Fund balance, end of the year			\$ 542,616	

See independent auditor's report.

City of Crystal Lake, Illinois
SEECOM Debt Service Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Charges for services	\$ 265,423	\$ 265,423	\$ 265,423	\$ -
Total revenues	<u>265,423</u>	<u>265,423</u>	<u>265,423</u>	<u>-</u>
Expenditures:				
Debt service:				
Principal	240,268	240,268	240,268	-
Interest	25,155	25,155	25,155	-
Total expenditures	<u>265,423</u>	<u>265,423</u>	<u>265,423</u>	<u>-</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of the year			<u>167</u>	
Fund balance, end of the year			<u>\$ 167</u>	

See independent auditor's report.

City of Crystal Lake, Illinois
Three Oaks Recreation Area Debt Service Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures:				
Debt Service:				
Principal	\$ 658,464	\$ 658,464	\$ 658,464	\$ -
Interest	392,106	392,106	390,393	1,713
Miscellaneous	-	-	994	(994)
Total expenditures	<u>1,050,570</u>	<u>1,050,570</u>	<u>1,049,851</u>	<u>719</u>
Revenues under expenditures before other financing sources	(1,050,570)	(1,050,570)	(1,049,851)	719
Other financing sources - transfers in	<u>1,050,570</u>	<u>1,050,570</u>	<u>1,049,851</u>	<u>(719)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of the year			<u>-</u>	
Fund balance, end of the year			<u>\$ -</u>	

See independent auditor's report.

**City of Crystal Lake, Illinois
Combining Balance Sheet -
Nonmajor Capital Projects Funds
April 30, 2016**

	Total	Special Assessment No. 145	Main Street TIF Construction	Virginia Street Corridor TIF	Vulcan Lakes TIF District	Capital & Equipment Replacement	Three Oaks Capital	Three Oaks Development
Assets								
Cash and investments	\$ 4,113,510	\$ 117,664	\$ 292,475	\$ -	\$ -	\$ 3,698,836	\$ 4,535	\$ -
Receivables - property taxes	15,389	-	503	12,758	2,128	-	-	-
Receivables - other	192,268	-	-	-	-	-	-	192,268
Total assets	\$ 4,321,167	\$ 117,664	\$ 292,978	\$ 12,758	\$ 2,128	\$ 3,698,836	\$ 4,535	\$ 192,268
Liabilities								
Accounts payable	\$ 523,545	\$ -	\$ -	\$ -	\$ -	\$ 521,336	\$ -	\$ 2,209
Recapture fees payable	108,066	108,066	-	-	-	-	-	-
Due to other funds	92,240	-	-	-	-	-	-	92,240
Total liabilities	723,851	108,066	-	-	-	521,336	-	94,449
Deferred Inflows of Resources								
Property taxes	15,389	-	503	12,758	2,128	-	-	-
Fund Balances								
Restricted for park development	97,819	-	-	-	-	-	-	97,819
Assigned for capital outlay	3,484,108	9,598	292,475	-	-	3,177,500	4,535	-
Total fund balances	3,581,927	9,598	292,475	-	-	3,177,500	4,535	97,819
Total liabilities, deferred inflows of resources and fund balances	\$ 4,321,167	\$ 117,664	\$ 292,978	\$ 12,758	\$ 2,128	\$ 3,698,836	\$ 4,535	\$ 192,268

See independent auditor's report.

City of Crystal Lake, Illinois
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Capital Projects Funds
For the Year Ended April 30, 2016

	Total	Special Assessment No. 145	Main Street TIF Construction	Virginia Street Corridor TIF	Vulcan Lakes TIF District	Capital Equipment Replacement	Three Oaks Capital	Three Oaks Development
Revenues:								
Property taxes	\$ 12,697	\$ -	\$ 520	\$ 12,177	\$ -	\$ -	\$ -	\$ -
Investment income (loss)	161	-	182	2	-	-	6	(29)
Miscellaneous	8,850	-	-	-	-	3,760	-	5,090
Total revenues	21,708	-	702	12,179	-	3,760	6	5,061
Expenditures:								
Capital outlay - public works improvements	1,378,049	-	-	-	-	1,378,049	-	-
Capital outlay - administrative	224,468	-	-	-	-	224,468	-	-
Capital outlay - information technology	101,556	-	-	-	-	101,556	-	-
Capital outlay - police	196,697	-	-	-	-	196,697	-	-
Capital outlay - community development	601,631	-	500	500	500	600,131	-	-
Capital outlay - culture and recreation	143,374	-	-	-	-	-	42,707	100,667
Total expenditures	2,645,775	-	500	500	500	2,500,901	42,707	100,667
Revenues over (under) expenditures before other financing sources (uses)	(2,624,067)	-	202	11,679	(500)	(2,497,141)	(42,701)	(95,606)
Other financing sources (uses):								
Transfers in	2,675,141	-	-	-	500	2,674,641	-	-
Transfers out	(11,679)	-	-	(11,679)	-	-	-	-
Total other financing sources (uses)	2,663,462	-	-	(11,679)	500	2,674,641	-	-
Net changes in fund balances	39,395	-	202	-	-	177,500	(42,701)	(95,606)
Fund balances, beginning of the year	3,542,532	9,598	292,273	-	-	3,000,000	47,236	193,425
Fund balances, end of the year	\$ 3,581,927	\$ 9,598	\$ 292,475	\$ -	\$ -	\$ 3,177,500	\$ 4,535	\$ 97,819

See independent auditor's report.

City of Crystal Lake, Illinois
Main Street TIF Construction Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 1,000	\$ 1,000	\$ 520	\$ (480)
Interest	20	20	182	162
Total revenues	<u>1,020</u>	<u>1,020</u>	<u>702</u>	<u>(318)</u>
Expenditures:				
Capital outlay - community development	500	500	500	-
Total expenditures	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
Net changes in fund balance	<u>\$ 520</u>	<u>\$ 520</u>	<u>202</u>	<u>\$ (318)</u>
Fund balance, beginning of the year			<u>292,273</u>	
Fund balance, end of the year			<u>\$ 292,475</u>	

See independent auditor's report.

City of Crystal Lake, Illinois
Virginia Street Corridor TIF Construction Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 13,500	\$ 13,500	\$ 12,177	\$ (1,323)
Interest	-	-	2	2
Total revenues	<u>13,500</u>	<u>13,500</u>	<u>12,179</u>	<u>(1,321)</u>
Expenditures:				
Capital outlay - community development	500	500	500	-
Total expenditures	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
Revenues over expenditures before other financing uses	13,000	13,000	11,679	(1,321)
Other financing (uses) - transfers out	-	-	(11,679)	(11,679)
Net changes in fund balance	<u>\$ 13,000</u>	<u>\$ 13,000</u>	<u>-</u>	<u>\$ (13,000)</u>
Fund balance, beginning of the year			-	
Fund balance, end of the year			<u>\$ -</u>	

See independent auditor's report.

**City of Crystal Lake, Illinois
Vulcan Lakes TIF District Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2016**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 500	\$ 500	\$ -	\$ (500)
Total revenues	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
Expenditures:				
Capital outlay - community development	500	500	500	-
Total expenditures	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
Revenues under expenditures before other financing sources	-	-	(500)	(500)
Other financing sources - transfers in	-	-	500	500
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of the year			<u>-</u>	
Fund balance, end of the year			<u>\$ -</u>	

See independent auditor's report.

City of Crystal Lake, Illinois
Capital & Equipment Replacement Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Grant proceeds	\$ 40,000	\$ 40,000	\$ -	\$ (40,000)
Miscellaneous	25,000	25,000	3,760	(21,240)
Total revenues	65,000	65,000	3,760	(61,240)
Expenditures:				
Administrative	1,150,350	1,150,350	224,468	925,882
Information technology	-	-	101,556	(101,556)
Police	242,000	242,000	196,697	45,303
Community development	742,962	742,962	600,131	142,831
Public works	1,710,500	1,710,500	1,378,049	332,451
Total expenditures	3,845,812	3,845,812	2,500,901	1,344,911
Revenues under expenditures before other financing sources	(3,780,812)	(3,780,812)	(2,497,141)	1,283,671
Other financing sources - transfers in	3,780,812	3,780,812	2,674,641	(1,106,171)
Net changes in fund balance	\$ -	\$ -	177,500	\$ 177,500
Fund balance, beginning of the year			3,000,000	
Fund balance, end of the year			\$ 3,177,500	

See independent auditor's report.

**City of Crystal Lake, Illinois
Three Oaks Capital Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2016**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Interest income	\$ -	\$ -	\$ 6	\$ 6
Total revenues	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>
Expenditures:				
Capital outlay - culture and recreation	45,529	45,529	42,707	2,822
Total expenditures	<u>45,529</u>	<u>45,529</u>	<u>42,707</u>	<u>2,822</u>
Revenues under expenditures	<u>\$ (45,529)</u>	<u>\$ (45,529)</u>	<u>(42,701)</u>	<u>\$ 2,828</u>
Fund balance, beginning of the year			<u>47,236</u>	
Fund balance, end of the year			<u>\$ 4,535</u>	

See independent auditor's report.

**City of Crystal Lake, Illinois
 Three Oaks Development Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 For the Year Ended April 30, 2016**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 5,090	\$ 5,090
Interest income (loss)	50	50	(29)	(79)
Total revenues	50	50	5,061	5,011
Expenditures:				
Capital outlay - culture and recreation	75,824	75,824	100,667	(24,843)
Total expenditures	75,824	75,824	100,667	(24,843)
Net changes in fund balance	\$ (75,774)	\$ (75,774)	(95,606)	\$ (19,832)
Fund balance, beginning of the year			193,425	
Fund balance, end of the year			\$ 97,819	

See independent auditor's report.

City of Crystal Lake, Illinois
Waterworks and Sewerage Fund
Schedule of Revenues - Budget and Actual
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:				
Charges for services:				
Water sales	\$ 4,636,000	\$ 4,636,000	\$ 4,675,863	\$ 39,863
Sewer sales	4,545,000	4,545,000	4,628,175	83,175
Penalties	321,800	321,800	293,222	(28,578)
Water meter fees	15,000	15,000	23,572	8,572
Water tap fees	-	-	13,100	13,100
Miscellaneous	39,755	39,755	202,604	162,849
Total operating revenues	9,557,555	9,557,555	9,836,536	278,981
Nonoperating revenue:				
Connection fees	149,343	149,343	176,864	27,521
Investment income	10,000	10,000	79,071	69,071
Rental income	279,200	279,200	237,760	(41,440)
Gain on sale of capital assets	-	-	6,839	6,839
Total nonoperating revenues	438,543	438,543	500,534	61,991
Total revenues	\$ 9,996,098	\$ 9,996,098	\$ 10,337,070	\$ 340,972

See independent auditor's report.

City of Crystal Lake, Illinois
Waterworks and Sewerage Fund
Schedule of Operating Expenses, Excluding Depreciation
and Nonoperating Expenses - Budget and Actual
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating expenses, excluding depreciation:				
Administration:				
Personal services	\$ 629,718	\$ 629,718	\$ 560,506	\$ 69,212
Contractual services	190,245	190,245	261,152	(70,907)
Supplies and materials	40,296	40,296	25,444	14,852
Total administration	860,259	860,259	847,102	13,157
Operations:				
Water division:				
Personal services	1,846,956	1,846,956	1,877,559	(30,603)
Contractual services	1,509,101	1,509,101	1,156,086	353,015
Supplies and materials	911,671	911,671	603,952	307,719
Capital outlay	3,051,754	3,051,754	26,776	3,024,978
Total water division	7,319,482	7,319,482	3,664,373	3,655,109
Wastewater division:				
Personal services	1,246,319	1,246,319	1,098,234	148,085
Contractual services	1,206,040	1,206,040	864,021	342,019
Supplies and materials	769,858	769,858	626,584	143,274
Capital outlay	8,578,000	8,578,000	130,937	8,447,063
Total wastewater division	11,800,217	11,800,217	2,719,776	9,080,441
Total operations	19,119,699	19,119,699	6,384,149	12,735,550
Total operating expenses, excluding depreciation	\$ 19,979,958	\$ 19,979,958	\$ 7,231,251	\$ 12,748,707
Nonoperating expenses - interest expense	\$ 1,057,580	\$ 1,057,580	\$ 666,863	\$ (390,717)

See independent auditor's report.

**City of Crystal Lake, Illinois
Pension Trust Funds
Combining Statement of Net Position
April 30, 2016**

Assets	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
Cash	\$ 5,379	\$ 15,374	\$ 20,753
Investments:			
Money market accounts	608,386	51,257	659,643
U.S. government and agency securities	3,407,017	12,682,959	16,089,976
Corporate bonds	8,861,194	-	8,861,194
Insurance contracts	-	1,697,870	1,697,870
Municipal bonds	-	2,137,286	2,137,286
Mutual funds - bonds	924,322	-	924,322
Mutual funds - stocks	19,636,024	12,430,513	32,066,537
Interest receivable	113,965	126,830	240,795
Prepaid expenses	4,390	-	4,390
Total assets	<u>\$ 33,560,677</u>	<u>\$ 29,142,089</u>	<u>\$ 62,702,766</u>
Liabilities and Net Position			
Liabilities - accounts payable	\$ 4,557	\$ 4,860	\$ 9,417
Net position restricted for pensions	<u>33,556,120</u>	<u>29,137,229</u>	<u>62,693,349</u>
Total liabilities and net position	<u>\$ 33,560,677</u>	<u>\$ 29,142,089</u>	<u>\$ 62,702,766</u>

See independent auditor's report.

City of Crystal Lake, Illinois
Pension Trust Funds
Combining Statement of Changes in Net Position
For the Year Ended April 30, 2016

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 2,059,342	\$ 1,928,928	\$ 3,988,270
Members	579,535	570,933	1,150,468
Total contributions	<u>2,638,877</u>	<u>2,499,861</u>	<u>5,138,738</u>
Investment income (loss):			
Net depreciation in fair value of investments	(1,485,684)	(569,018)	(2,054,702)
Interest income	1,130,906	942,402	2,073,308
Less investment expenses	(204,195)	(104,957)	(309,152)
Total investment income (loss)	<u>(558,973)</u>	<u>268,427</u>	<u>(290,546)</u>
Total additions	<u>2,079,904</u>	<u>2,768,288</u>	<u>4,848,192</u>
Deductions:			
Pension benefits and refunds	2,258,561	1,286,016	3,544,577
Administrative expenses	22,240	27,288	49,528
Total deductions	<u>2,280,801</u>	<u>1,313,304</u>	<u>3,594,105</u>
Changes in net position	(200,897)	1,454,984	1,254,087
Net position restricted for pensions:			
Beginning of the year	<u>33,757,017</u>	<u>27,682,245</u>	<u>61,439,262</u>
End of the year	<u>\$ 33,556,120</u>	<u>\$ 29,137,229</u>	<u>\$ 62,693,349</u>

See independent auditor's report.

**City of Crystal Lake, Illinois
Police Pension Fund
Schedule of Changes in Plan
Net Position - Budget and Actual
For the Year Ended April 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Additions:				
Contributions:				
Employer	\$ 1,869,923	\$ 1,869,923	\$ 2,059,342	\$ 189,419
Members	594,000	594,000	579,535	(14,465)
Total contributions	<u>2,463,923</u>	<u>2,463,923</u>	<u>2,638,877</u>	<u>174,954</u>
Investment income (loss):				
Net depreciation in fair value of investments	-	-	(1,485,684)	(1,485,684)
Interest income	1,100,000	1,100,000	1,130,906	30,906
Less investment expenses	(173,500)	(173,500)	(204,195)	(30,695)
Total investment income (loss)	<u>926,500</u>	<u>926,500</u>	<u>(558,973)</u>	<u>(1,485,473)</u>
Total additions	<u>3,390,423</u>	<u>3,390,423</u>	<u>2,079,904</u>	<u>(1,310,519)</u>
Deductions:				
Pension benefits and refunds	2,285,000	2,285,000	2,258,561	26,439
Administrative expenses	23,000	23,000	22,240	760
Total deductions	<u>2,308,000</u>	<u>2,308,000</u>	<u>2,280,801</u>	<u>27,199</u>
Changes in net position	<u>\$ 1,082,423</u>	<u>\$ 1,082,423</u>	<u>(200,897)</u>	<u>\$ (1,283,320)</u>
Net position restricted for pensions:				
Beginning of the year			<u>33,757,017</u>	
End of the year			<u>\$ 33,556,120</u>	

See independent auditor's report.

**City of Crystal Lake, Illinois
Firefighters' Pension Fund
Schedule of Changes in Plan
Net Position - Budget and Actual
For the Year Ended April 30, 2016**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Additions:				
Contributions:				
Employer	\$ 1,767,761	\$ 1,767,761	\$ 1,928,928	\$ 161,167
Members	621,000	621,000	570,933	(50,067)
Total contributions	2,388,761	2,388,761	2,499,861	111,100
Investment income:				
Net depreciation in fair value of investments	-	-	(569,018)	(569,018)
Interest income	900,000	900,000	942,402	42,402
Less investment expenses	(107,000)	(107,000)	(104,957)	2,043
Total investment income	793,000	793,000	268,427	(524,573)
Total additions	3,181,761	3,181,761	2,768,288	(413,473)
Deductions:				
Pension benefits and refunds	1,350,000	1,350,000	1,286,016	63,984
Administrative expenses	27,000	27,000	27,288	(288)
Total deductions	1,377,000	1,377,000	1,313,304	63,696
Changes in net position	\$ 1,804,761	\$ 1,804,761	1,454,984	\$ (349,777)
Net position restricted for pensions:				
Beginning of the year			27,682,245	
End of the year			\$ 29,137,229	

See independent auditor's report.

City of Crystal Lake, Illinois
Agency Fund - Special Assessment Fund
Statement of Changes in Assets and Liabilities
For the Year Ended April 30, 2016

	Balance May 1, 2015	Additions	Deductions	Balance April 30, 2016
Assets				
Cash	\$ 333,934	\$ 243,812	\$ 387,058	\$ 190,688
Other receivables	-	-	-	-
	<u>\$ 333,934</u>	<u>\$ 243,812</u>	<u>\$ 387,058</u>	<u>\$ 190,688</u>
Liabilities				
Recapture fees payable	\$ (82,566)	\$ 621	\$ -	\$ (81,945)
Funds held for others	416,500	243,191	387,058	272,633
	<u>\$ 333,934</u>	<u>\$ 243,812</u>	<u>\$ 387,058</u>	<u>\$ 190,688</u>

See independent auditor's report.

City of Crystal Lake, Illinois
Capital Assets Used in the Operation of Governmental Funds
Schedule of General Fixed Assets - By Source
April 30, 2016

Assets

Governmental funds capital assets:	
Land	\$ 103,567,025
Construction in progress	7,657,391
Buildings and improvements	34,443,458
Machinery, equipment and vehicles	17,306,430
Infrastructure	<u>67,876,685</u>
Total governmental funds capital assets	<u>\$ 230,850,989</u>

Investment in Governmental Funds
Capital Assets By Source

General Fund	\$ 142,417,052
Special Revenue Funds	29,789,671
Capital Projects Funds	19,518,684
Developer contributions	<u>39,125,582</u>
Total governmental funds capital assets	<u>\$ 230,850,989</u>

See independent auditor's report.

City of Crystal Lake, Illinois
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
April 30, 2016

	Land	Construction in Progress	Buildings and Improvements
General government	\$ 103,370,198	\$ 341,894	\$ 11,687,859
Public safety	-	-	15,276,206
Highways and streets	196,827	7,315,497	443,549
Culture and recreation	-	-	7,035,844
	<u>\$ 103,567,025</u>	<u>\$ 7,657,391</u>	<u>\$ 34,443,458</u>

Machinery, Equipment and Vehicles	Infrastructure	Total
\$ 2,530,944	\$ 1,718,041	\$ 119,648,936
7,566,286	-	22,842,492
6,325,993	56,457,913	70,739,779
883,207	9,700,731	17,619,782
<u>\$ 17,306,430</u>	<u>\$ 67,876,685</u>	<u>\$ 230,850,989</u>

See independent auditor's report.

City of Crystal Lake, Illinois
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
April 30, 2016

	Balance May 1, 2015	Additions	Deletions and Transfers	Balance April 30, 2016
General government	\$ 119,508,579	\$ 342,955	\$ 202,598	\$ 119,648,936
Public safety	22,597,713	519,216	274,437	22,842,492
Highways and streets	65,326,282	5,677,566	264,069	70,739,779
Culture and recreation	17,619,782	-	-	17,619,782
	<u>\$ 225,052,356</u>	<u>\$ 6,539,737</u>	<u>\$ 741,104</u>	<u>\$ 230,850,989</u>

See independent auditor's report.

City of Crystal Lake, Illinois
Discretely Presented Component Unit - Crystal Lake Public Library
Reconciliation of Balance Sheet - Governmental Funds
to the Statement of Net Position
April 30, 2016

Total fund balance - governmental funds	\$ 4,850,961
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,820,352
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds. These liabilities consist of:	
Compensated absences payable	(133,162)
Net pension liability	(2,068,716)
Difference in pension-related items on deferred outflows	677,156
Difference in pension-related items on deferred inflows	(152,945)
Net position of governmental activities	\$ 9,993,646

See independent auditor's report.

City of Crystal Lake, Illinois
Discretely Presented Component Unit - Crystal Lake Public Library
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - All Governmental Funds
For the Year Ended April 30, 2016

	Governmental		Funds		Adjustments	Statement of Activities
	General Operating	Special Reserve	Nonmajor Funds	Total		
Expenditures/expenses:						
Culture and recreation	\$ 3,695,504	\$ 98,287	\$ 587,649	\$ 4,381,440	\$ 416,711	\$ 4,798,151
Capital outlay	32,673	550	-	33,223	(22,035)	11,188
Total expenses/expenditures	<u>3,728,177</u>	<u>98,837</u>	<u>587,649</u>	<u>4,414,663</u>	<u>394,676</u>	<u>4,809,339</u>
Program revenues:						
Fines and fees	119,308	-	-	119,308	-	119,308
Rental income	-	-	100,614	100,614	-	100,614
Total program revenues	<u>119,308</u>	<u>-</u>	<u>100,614</u>	<u>219,922</u>	<u>-</u>	<u>219,922</u>
Net program expenditures/expenses	<u>(3,608,869)</u>	<u>(98,837)</u>	<u>(487,035)</u>	<u>(4,194,741)</u>	<u>(394,676)</u>	<u>(4,589,417)</u>
General revenues:						
Property taxes	3,981,014	-	470,747	4,451,761	-	4,451,761
Interest	10,721	1,597	5,032	17,350	-	17,350
Miscellaneous	671	-	14,903	15,574	-	15,574
Total general revenues	<u>3,992,406</u>	<u>1,597</u>	<u>490,682</u>	<u>4,484,685</u>	<u>-</u>	<u>4,484,685</u>
Other financing sources (uses):						
Transfers in	-	560,330	-	560,330	-	560,330
Transfers out	(560,330)	-	-	(560,330)	-	(560,330)
Total other financing sources (uses)	<u>(560,330)</u>	<u>560,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>(176,793)</u>	<u>463,090</u>	<u>3,647</u>	<u>289,944</u>	<u>(394,676)</u>	<u>(104,732)</u>
Fund balances, beginning of the year, as previously reported	2,824,834	918,889	817,294	4,561,017	6,882,413	11,443,430
Prior period restatement	-	-	-	-	(1,345,052)	(1,345,052)
Fund balances, beginning of the year, as restated	<u>2,824,834</u>	<u>918,889</u>	<u>817,294</u>	<u>4,561,017</u>	<u>5,537,361</u>	<u>10,098,378</u>
Fund balances, end of the year	<u>\$ 2,648,041</u>	<u>\$ 1,381,979</u>	<u>\$ 820,941</u>	<u>\$ 4,850,961</u>	<u>\$ 5,142,685</u>	<u>\$ 9,993,646</u>

See independent auditor's report.

City of Crystal Lake, Illinois
Discretely Presented Component Unit - Crystal Lake Public Library
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	\$ 289,944
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$22,035) exceeds depreciation (\$213,403) in the current period.	(191,369)
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. These activities consist of:	
Increase in compensated absences payable	(3,854)
The net effect of changes in the net pension liability is reported as an expense in the statement of activities	(199,453)
Change in net position of governmental activities	\$ (104,732)

See independent auditor's report.

City of Crystal Lake, Illinois
Discretely Presented Component Unit - Crystal Lake Public Library
Combining Balance Sheet - Nonmajor Governmental Funds
April 30, 2016

	Total	Gift and Memorial	Special	Revenue		Capital Project Fund	Permanent Fund
			Ames	IMRF	FICA	Public Library Repair and Construction	Working Cash
Assets							
Cash and investments	\$ 885,598	\$ 36,155	\$ 368,692	\$ 109,649	\$ 71,403	\$ 249,370	\$ 50,329
Property tax receivable	486,282	-	-	299,819	186,463	-	-
Accounts receivable	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Total assets	\$ 1,371,880	\$ 36,155	\$ 368,692	\$ 409,468	\$ 257,866	\$ 249,370	\$ 50,329
Liabilities							
Accrued payroll	\$ 8,921	\$ -	\$ -	\$ 5,569	\$ 3,352	\$ -	\$ -
Accounts payable	55,736	-	-	-	-	55,736	-
Total liabilities	64,657	-	-	5,569	3,352	55,736	-
Deferred Inflows of Resources							
Property taxes	486,282	-	-	299,819	186,463	-	-
Total liabilities and deferred inflows of resources	550,939	-	-	305,388	189,815	55,736	-
Fund balances:							
Restricted	222,460	-	-	104,080	68,051	-	50,329
Assigned	598,481	36,155	368,692	-	-	193,634	-
Total fund balances	820,941	36,155	368,692	104,080	68,051	193,634	50,329
Total liabilities and fund balances	\$ 1,371,880	\$ 36,155	\$ 368,692	\$ 409,468	\$ 257,866	\$ 249,370	\$ 50,329

See independent auditor's report.

City of Crystal Lake, Illinois
Discretely Presented Component Unit - Crystal Lake Public Library
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended April 30, 2016

	Total	Gift and Memorial	Special
			Ames
Revenues:			
Property taxes	\$ 470,747	\$ -	\$ -
Interest	5,032	-	3,202
Capital facilities	-	-	-
Rental income	100,614	-	-
Miscellaneous	14,903	14,568	-
Total revenues	591,296	14,568	3,202
Expenditures - current - culture and recreation	587,649	13,144	-
Revenue over (under) expenditures before other	3,647	1,424	3,202
Fund balances, beginning of the year	817,294	34,731	365,490
Fund balances, end of the year	\$ 820,941	\$ 36,155	\$ 368,692

Revenue		Capital Project Fund	Permanent Fund
IMRF	FICA	Public Library Repair and Construction	Working Cash
\$ 288,091	\$ 182,656	\$ -	\$ -
348	164	1,193	125
-	-	-	-
-	-	100,614	-
-	-	335	-
288,439	182,820	102,142	125
286,630	175,314	112,561	-
1,809	7,506	(10,419)	125
102,271	60,545	204,053	50,204
\$ 104,080	\$ 68,051	\$ 193,634	\$ 50,329

See independent auditor's report.

City of Crystal Lake, Illinois
Discretely Presented Component Unit - Crystal Lake Public Library -
General Operating Fund - Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 4,289,818	\$ 4,106,951	\$ 3,981,014	\$ (125,937)
Intergovernmental	101,858	101,858	-	(101,858)
Fines and forfeitures	137,000	131,000	119,308	(11,692)
Interest	3,000	3,000	10,721	7,721
Miscellaneous	30,500	28,000	671	(27,329)
Total revenues	4,562,176	4,370,809	4,111,714	(259,095)
Expenditures:				
Culture and recreation:				
Personal services	3,061,564	2,989,050	2,712,453	276,597
Contractual services	565,112	544,891	377,496	167,395
Supplies and materials	1,349,042	1,250,410	605,555	644,855
Capital outlay:				
Operating equipment	86,458	86,458	32,673	53,785
Total expenditures	5,062,176	4,870,809	3,728,177	1,142,632
Excess (deficiency) of revenues over (under) expenditures before other financing uses	(500,000)	(500,000)	383,537	883,537
Other financing uses - transfers out	-	-	(560,330)	(560,330)
Net changes in fund balance	\$ (500,000)	\$ (500,000)	(176,793)	\$ 323,207
Fund balance, beginning of the year			2,824,834	
Fund balance, end of the year			\$ 2,648,041	

See independent auditor's report.

City of Crystal Lake, Illinois
Discretely Presented Component Unit - Crystal Lake Public Library -
Special Reserve Fund (Special Revenue Fund) - Schedule of
of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues - interest income	\$ -	\$ -	\$ 1,597	\$ 1,597
Expenditures:				
Culture and recreation:				
Contractual services	433,800	433,800	85,360	348,440
Maintenance	-	35,000	12,927	22,073
Capital outlay	750,000	500,000	550	499,450
Contingency	316,200	531,200	-	531,200
Total expenditures	1,500,000	1,500,000	98,837	1,401,163
Revenues under expenditures before other financing sources	(1,500,000)	(1,500,000)	(97,240)	1,402,760
Other financing sources - transfers in	-	-	560,330	560,330
Net changes in fund balance	\$ (1,500,000)	\$ (1,500,000)	463,090	\$ 1,963,090
Fund balance, beginning of the year			918,889	
Fund balance, end of the year			\$ 1,381,979	

See independent auditor's report.

City of Crystal Lake, Illinois
Discretely Presented Component Unit - Crystal Lake Public Library -
Gift and Memorial Fund - Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Miscellaneous	\$ 26,750	\$ 35,000	\$ 14,568	\$ (20,432)
Total revenues	<u>26,750</u>	<u>35,000</u>	<u>14,568</u>	<u>(20,432)</u>
Expenditures:				
Culture and recreation:				
Contractual services	60,900	69,150	704	68,446
Supplies and materials	16,850	16,850	12,440	4,410
Total expenditures	<u>77,750</u>	<u>86,000</u>	<u>13,144</u>	<u>72,856</u>
Changes in fund balance	<u>\$ (51,000)</u>	<u>\$ (51,000)</u>	<u>1,424</u>	<u>\$ 52,424</u>
Fund balance, beginning of the year			<u>34,731</u>	
Fund balance, end of the year			<u>\$ 36,155</u>	

See independent auditor's report.

City of Crystal Lake, Illinois
Discretely Presented Component Unit - Crystal Lake Public Library -
IMRF Fund - Schedule of Revenues, Expenditures and
and Changes in Fund Balance - Budget and Actual
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 273,777	\$ 302,845	\$ 288,091	\$ (14,754)
Interest	-	-	348	348
Total revenues	273,777	302,845	288,439	(14,406)
Expenditures - culture and recreation - personnel services	273,777	312,374	286,630	25,744
Excess of revenues over expenditures	\$ -	\$ (9,529)	1,809	\$ 11,338
Fund balance, beginning of the year			102,271	
Fund balance, end of the year			\$ 104,080	

See independent auditor's report.

City of Crystal Lake, Illinois
Discretely Presented Component Unit - Crystal Lake Public Library -
FICA Fund - Schedule of Revenues, Expenditures and
and Changes in Fund Balance - Budget and Actual
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 187,425	\$ 188,343	\$ 182,656	\$ (5,687)
Interest	-	-	164	164
Total revenues	187,425	188,343	182,820	(5,523)
Expenditures - culture and recreation - personnel services	187,425	188,343	175,314	13,029
Excess of revenues over expenditures	\$ -	\$ -	7,506	\$ 7,506
Fund balance, beginning of the year			60,545	
Fund balance, end of the year			\$ 68,051	

See independent auditor's report.

City of Crystal Lake, Illinois
Discretely Presented Component Unit - Crystal Lake Public Library -
Public Library Repair and Construction Fund (Capital Project Fund) - Schedule of
of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended April 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Interest	\$ -	\$ -	\$ 1,193	\$ 1,193
Capital facilities	24,500	12,750	-	(12,750)
Rental income	84,960	102,624	100,614	(2,010)
Miscellaneous	-	-	335	335
Total revenues	<u>109,460</u>	<u>115,374</u>	<u>102,142</u>	<u>(13,232)</u>
Expenditures - culture and recreation - contractual services	<u>134,460</u>	<u>140,374</u>	<u>112,561</u>	<u>27,813</u>
Net changes in fund balance	<u>\$ (25,000)</u>	<u>\$ (25,000)</u>	<u>(10,419)</u>	<u>\$ 14,581</u>
Fund balance, beginning of the year			<u>204,053</u>	
Fund balance, end of the year			<u>\$ 193,634</u>	

See independent auditor's report.

STATISTICAL SECTION

This part of the City of Crystal Lake's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and wellbeing have changed over time.	155 – 166
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	167 – 173
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	174 – 178
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place, and to help make comparisons over time and with other governments.	179 – 180
Operating Information These schedules contain information about the City's operations and resources, to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	181– 186

**City of Crystal Lake, Illinois
Net Position By Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Year				Ended April 30,					
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities:										
Net investment in capital assets	\$ 173,957,143	\$ 169,307,809	\$ 166,610,233	\$ 164,606,919	\$ 151,485,526	\$ 146,630,784	\$ 145,238,182	\$ 142,698,809	\$ 139,028,556	\$ 136,717,137
Restricted	7,095,286	8,310,611	9,326,916	8,563,063	10,050,248	12,072,057	11,709,762	11,517,858	11,321,941	10,846,684
Unrestricted	<u>(15,551,944)</u>	<u>16,387,714</u>	<u>17,142,358</u>	<u>20,479,784</u>	<u>22,599,394</u>	<u>26,752,202</u>	<u>25,921,333</u>	<u>24,480,259</u>	<u>25,848,488</u>	<u>25,819,335</u>
Total governmental activities	<u>\$ 165,500,485</u>	<u>\$ 194,006,134</u>	<u>\$ 193,079,507</u>	<u>\$ 193,649,766</u>	<u>\$ 184,135,168</u>	<u>\$ 185,455,043</u>	<u>\$ 182,869,277</u>	<u>\$ 178,696,926</u>	<u>\$ 176,198,985</u>	<u>\$ 173,383,156</u>
Business-type activities:										
Net investment in capital assets	\$ 44,805,894	\$ 45,482,321	\$ 43,238,913	\$ 47,890,962	\$ 51,149,367	\$ 50,388,323	\$ 48,443,665	\$ 51,853,939	\$ 52,187,382	\$ 52,830,550
Unrestricted	<u>5,786,960</u>	<u>6,465,993</u>	<u>11,414,079</u>	<u>8,600,766</u>	<u>3,360,482</u>	<u>3,963,636</u>	<u>5,677,672</u>	<u>4,406,249</u>	<u>5,178,987</u>	<u>5,185,544</u>
Total business-type activities	<u>\$ 50,592,854</u>	<u>\$ 51,948,314</u>	<u>\$ 54,652,992</u>	<u>\$ 56,491,728</u>	<u>\$ 54,509,849</u>	<u>\$ 54,351,959</u>	<u>\$ 54,121,337</u>	<u>\$ 56,260,188</u>	<u>\$ 57,366,369</u>	<u>\$ 58,016,094</u>
Primary government:										
Net investment in capital assets	\$ 218,763,037	\$ 214,790,130	\$ 209,849,146	\$ 212,497,881	\$ 202,634,893	\$ 197,019,107	\$ 193,681,847	\$ 194,552,748	\$ 191,215,938	\$ 189,547,687
Restricted	7,095,286	8,310,611	9,326,916	8,563,063	10,050,248	12,072,057	11,709,762	11,517,858	11,321,941	10,846,684
Unrestricted	<u>(9,764,984)</u>	<u>22,853,707</u>	<u>28,556,437</u>	<u>29,080,550</u>	<u>25,959,876</u>	<u>30,715,838</u>	<u>31,599,005</u>	<u>28,886,508</u>	<u>31,027,475</u>	<u>31,004,879</u>
Total primary government	<u>\$ 216,093,339</u>	<u>\$ 245,954,448</u>	<u>\$ 247,732,499</u>	<u>\$ 250,141,494</u>	<u>\$ 238,645,017</u>	<u>\$ 239,807,002</u>	<u>\$ 236,990,614</u>	<u>\$ 234,957,114</u>	<u>\$ 233,565,354</u>	<u>\$ 231,399,250</u>

Source: Audited financial statements.

Note - The City adopted GASB Statement No. 68 in the fiscal year ended April 30, 2016, and recorded a restatement to reduce unrestricted governmental and business-type net assets of \$31,894,645 and \$1,380,859, respectively.

See independent auditor's report.

**City of Crystal Lake, Illinois
Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	Fiscal Year				Ended April 30,					
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:										
Governmental activities:										
General and administrative	\$ 9,453,754	\$ 9,219,290	\$ 9,433,013	\$ 8,982,683	\$ 10,447,524	\$ 7,646,123	\$ 8,652,289	\$ 8,609,775	\$ 8,124,338	\$ 7,410,758
Public safety	25,243,996	23,670,546	23,491,319	23,061,425	24,157,329	21,620,519	20,113,957	19,574,409	17,132,484	17,180,813
Highways and streets	11,137,715	9,738,091	8,923,262	7,755,990	7,848,907	7,892,328	6,934,366	7,820,886	7,250,516	6,100,201
Culture and recreation	1,158,493	1,045,576	1,020,029	1,020,428	1,400,906	1,482,797	664,816	323,582	299,181	251,717
Interest on long-term debt	472,785	531,492	629,055	773,768	625,751	663,220	751,000	766,112	741,136	646,250
Total governmental activities expenses	47,466,743	44,204,995	43,496,678	41,594,294	44,480,417	39,304,987	37,116,428	37,094,764	33,547,655	31,589,739
Business-type activities - waterworks/sewerage										
Total business-type activities expenses	11,161,179	12,584,450	11,573,150	10,092,510	9,907,476	9,399,817	9,599,893	9,110,643	8,905,333	8,605,569
Total expenses	\$ 58,627,922	\$ 56,789,445	\$ 55,069,828	\$ 51,686,804	\$ 54,387,893	\$ 48,704,804	\$ 46,716,321	\$ 46,205,407	\$ 42,452,988	\$ 40,195,308
Program revenues:										
Governmental activities:										
Charges for services:										
General and administrative	\$ 1,015,508	\$ 1,185,748	\$ 1,137,583	\$ 1,154,208	\$ 1,001,950	\$ 955,184	\$ 798,578	\$ 869,769	\$ 1,344,296	\$ 1,418,677
Public safety	3,907,398	3,888,838	3,542,573	3,592,630	3,656,295	3,149,558	3,089,958	3,122,362	2,565,009	2,966,666
Highways and streets	240,659	234,750	232,521	247,139	240,339	232,567	236,273	248,958	220,544	220,926
Culture and recreation	494,003	406,991	407,383	445,580	488,712	93,247	-	-	-	-
Operating grants and contributions:										
Highways and streets	3,371,612	1,446,094	1,206,621	1,342,940	1,178,089	1,305,141	1,190,741	1,077,248	1,150,479	1,213,479
Other activities	275,424	658,469	111,147	636,459	132,808	253,015	116,891	76,141	169,777	211,743
Capital grants and contributions:										
Highways and streets	2,627,832	1,226,760	142,398	2,023,692	3,723,623	981,926	2,269,918	-	-	-
Other activities	2,076	243,238	359,298	262,863	-	11,016	12,478	17,631	-	-
Total governmental activities program revenues	11,934,512	9,290,888	7,139,524	9,705,511	10,421,816	6,981,654	7,714,837	5,412,109	5,450,105	6,031,491
Business-type activities:										
Charges for services - waterworks/sewerage	10,048,556	9,411,316	9,231,762	11,127,180	8,230,935	7,900,283	7,206,334	7,528,983	7,388,909	7,718,993
Capital grants and contributions	849,507	312,550	167,250	65,842	101,311	15,683	183,500	-	-	-
Total business-type activities program revenues	10,898,063	9,723,866	9,399,012	11,193,022	8,332,246	7,915,966	7,389,834	7,528,983	7,388,909	7,718,993
Total program revenues	\$ 22,832,575	\$ 19,014,754	\$ 16,538,536	\$ 20,898,533	\$ 18,754,062	\$ 14,897,620	\$ 15,104,671	\$ 12,941,092	\$ 12,839,014	\$ 13,750,484

(cont'd)

City of Crystal Lake, Illinois
Change in Net Position (cont'd)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				Ended April 30,					
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net (expense) revenue:										
Governmental activities	\$(35,532,231)	\$(34,914,107)	\$(36,357,154)	\$(31,888,783)	\$(34,058,601)	\$(32,323,333)	\$(29,401,591)	\$(31,682,655)	\$(28,097,550)	\$(25,558,248)
Business-type activities	(263,116)	(2,860,584)	(2,174,138)	1,100,512	(1,575,230)	(1,483,851)	(2,210,059)	(1,581,660)	(1,516,424)	(886,576)
Total net (expense) revenue	\$(35,795,347)	\$(37,774,691)	\$(38,531,292)	\$(30,788,271)	\$(35,633,831)	\$(33,807,184)	\$(31,611,650)	\$(33,264,315)	\$(29,613,974)	\$(26,444,824)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property	\$ 13,424,456	\$ 11,054,823	\$ 11,165,180	\$ 11,327,721	\$ 11,061,961	\$ 11,880,834	\$ 11,364,280	\$ 11,527,194	\$ 10,364,823	\$ 9,187,482
Home rule	5,040,729	5,084,373	5,000,073	4,756,678	4,710,538	4,574,657	4,546,821	3,833,890	-	-
Auto rental	42,515	47,986	43,174	36,185	35,281	29,429	28,204	30,560	26,807	26,677
Franchise fees - cable	790,182	692,094	645,315	640,472	604,233	566,979	501,544	474,377	433,134	403,659
Telecommunications	1,276,159	1,381,207	1,559,980	1,746,976	1,824,479	1,693,257	1,831,489	1,925,732	2,022,417	1,911,745
Hotel	301,467	298,471	272,587	278,356	281,817	251,417	230,880	313,289	241,208	157,955
Intergovernmental:										
Replacement	133,431	156,255	152,358	142,418	139,013	154,893	135,686	144,517	171,107	162,583
State sales and use	12,103,709	11,903,296	11,326,567	10,662,042	10,736,957	10,200,357	9,944,402	10,748,033	11,471,956	11,680,593
Income	4,167,471	4,104,684	3,890,892	3,854,999	3,451,994	3,079,075	3,068,722	3,503,952	3,748,680	3,431,732
Investment earnings	470,909	179,247	213,842	354,263	367,609	974,115	1,081,644	1,345,422	1,794,262	1,902,500
Miscellaneous	1,170,199	938,298	1,504,447	814,168	1,222,460	782,343	840,270	735,643	1,271,781	1,633,322
Release of commitment of SSA debt	-	-	-	8,155,975	-	-	-	-	-	-
Transfers	-	-	12,480	(848,275)	(1,697,616)	(1,252,036)	-	(402,017)	(632,796)	(6,616,359)
Total governmental activities	38,921,227	35,840,734	35,786,895	41,921,978	32,738,726	32,935,320	33,573,942	34,180,592	30,913,379	23,881,889
Business-type activities:										
Investment earnings	79,071	39,673	40,184	2,382	5,062	48,105	30,986	59,519	222,720	215,259
Miscellaneous	209,444	116,233	307,698	30,710	30,442	(2,751)	40,222	13,943	11,183	26,515
Transfers	-	-	(12,480)	848,275	1,697,616	1,252,036	-	402,017	632,796	6,616,359
Total business-type activities	288,515	155,906	335,402	881,367	1,733,120	1,297,390	71,208	475,479	866,699	6,858,133
Total	\$ 39,209,742	\$ 35,996,640	\$ 36,122,297	\$ 42,803,345	\$ 34,471,846	\$ 34,232,710	\$ 33,645,150	\$ 34,656,071	\$ 31,780,078	\$ 30,740,022
Change in net position:										
Governmental activities	\$ 3,388,996	\$ 926,627	\$ (570,259)	\$ 10,033,195	\$ (1,319,875)	\$ 611,987	\$ 4,172,351	\$ 2,497,937	\$ 2,815,829	\$ (1,676,359)
Business-type activities	25,399	(2,704,678)	(1,838,736)	1,981,879	157,890	(186,461)	(2,138,851)	(1,106,181)	(649,725)	5,971,557
Total change in net position	\$ 3,414,395	\$ (1,778,051)	\$ (2,408,995)	\$ 12,015,074	\$ (1,161,985)	\$ 425,526	\$ 2,033,500	\$ 1,391,756	\$ 2,166,104	\$ 4,295,198

Source: Audited financial statements.

See independent auditor's report.

City of Crystal Lake, Illinois
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2016				Fiscal Year Ended April 30,					
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,675,549	\$ 677,431	\$ 611,212
Unreserved	-	-	-	-	-	-	-	19,485,158	21,744,305	19,788,129
Nonspendable	1,807,119	1,578,916	3,237,798	2,845,081	2,910,564	2,859,443	3,028,759	-	-	-
Committed	3,128	3,128	-	-	-	-	-	-	-	-
Assigned	1,082,174	3,615,389	2,419,158	3,660,817	2,452,902	3,000,000	5,050,000	-	-	-
Unassigned	10,224,095	7,820,204	10,024,692	11,123,805	12,539,460	15,338,381	13,531,107	-	-	-
Total General Fund	\$ 13,116,516	\$ 13,017,637	\$ 15,681,648	\$ 17,629,703	\$ 17,902,926	\$ 21,197,824	\$ 21,609,866	\$ 22,160,707	\$ 22,421,736	\$ 20,399,341
All other governmental funds:										
Reserved:										
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 448,696	\$ 434,922	\$ 398,899
Unreserved, reported in:										
Special Revenue Funds	-	-	-	-	-	-	-	18,621,408	16,396,284	15,231,274
Debt Service Funds	-	-	-	-	-	-	-	836,020	806,392	1,262,516
Capital Projects Funds	-	-	-	-	-	-	-	(503,734)	2,437,541	4,037,027
Nonspendable, reported in:										
Special Revenue Funds	7,860	7,392	429	82,460	150,365	174,629	472,933	-	-	-
Restricted, reported in:										
Special Revenue Funds	7,077,082	8,145,652	8,662,682	8,521,260	9,082,375	9,760,597	10,822,453	-	-	-
Debt Service Funds	607,044	656,450	664,234	44,827	969,634	850,866	906,392	-	-	-
Capital Projects Funds	97,819	193,425	349,145	-	-	-	-	-	-	-
Assigned, reported in:										
Special Revenue Funds	6,161,723	5,239,772	5,489,662	6,069,521	7,008,252	10,935,899	10,188,580	-	-	-
Capital Projects Funds	3,484,108	3,349,107	3,431,874	3,994,997	4,200,746	2,032,886	6,328,647	-	-	-
Unassigned, reported in:										
Special Revenue Funds	-	(1,621)	-	-	-	-	-	-	-	-
Debt Service Funds	-	-	-	(3,024)	(1,761)	(1,795)	(5,410)	-	-	-
Capital Projects Funds	-	-	(2,039,724)	(1,841,925)	(1,797,070)	(1,318,932)	-	-	-	-
Total all other governmental funds	\$ 17,435,636	\$ 17,590,177	\$ 16,558,302	\$ 16,868,116	\$ 19,612,541	\$ 22,434,150	\$ 28,713,595	\$ 19,402,390	\$ 20,075,139	\$ 20,929,716

Note - The City adopted GASB Statement No. 54 in the fiscal year ended April 30, 2010.

Source: Audited financial statements.

See independent auditor's report.

City of Crystal Lake, Illinois
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

					Fiscal Year Ended April 30,					
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Charges for services	\$ 4,561,965	\$ 4,255,331	\$ 3,976,998	\$ 4,151,306	\$ 4,252,140	\$ 3,360,819	\$ 3,231,973	\$ 3,377,812	\$ 3,160,600	\$ 4,288,313
Licenses and permits	546,408	594,261	689,030	681,467	603,915	571,338	623,399	687,478	860,051	1,210,611
Intergovernmental	22,510,761	19,178,195	17,210,359	18,897,440	18,468,845	15,699,908	1,255,501	15,518,767	16,655,508	16,927,272
Fines and forfeitures	715,857	1,186,481	593,493	581,230	681,590	615,032	637,172	626,212	501,930	663,780
Property taxes	13,424,456	11,054,823	11,165,179	11,327,721	11,061,961	11,880,834	11,364,280	11,527,194	10,364,823	7,709,144
Other taxes	7,451,052	7,504,131	7,521,129	7,458,667	8,349,987	7,401,254	20,352,032	6,626,604	2,780,057	2,479,577
Interest	470,909	179,247	213,846	354,263	367,608	974,114	1,081,644	1,345,426	1,794,262	1,902,500
Miscellaneous	1,232,711	1,037,793	1,595,211	865,199	1,128,819	686,785	497,962	321,738	971,674	1,289,021
Total revenues	50,914,119	44,990,262	42,965,245	44,317,293	44,914,865	41,190,084	39,043,963	40,031,231	37,088,905	36,470,218
Expenditures:										
Current:										
General government	8,013,493	8,433,073	8,442,528	8,134,756	7,325,941	7,196,049	7,554,253	7,632,258	7,356,181	6,696,934
Public safety	23,852,909	22,521,524	22,065,741	21,638,535	21,396,677	19,821,689	18,943,799	18,172,027	16,060,090	15,186,465
Highways and streets	7,333,376	8,248,411	5,908,318	5,962,709	5,439,262	5,949,059	5,578,194	6,384,188	5,390,757	5,035,142
Culture and recreation	618,351	563,450	542,720	550,698	546,814	1,124,645	1,805,834	1,471,775	299,181	251,717
Capital outlay	9,178,080	4,943,965	6,371,060	8,723,799	12,104,347	10,016,441	10,206,702	5,887,597	5,991,202	9,192,871
Debt service:										
Principal	1,383,967	1,338,673	1,325,384	1,343,197	1,460,345	1,305,074	3,677,000	680,000	830,000	1,040,000
Interest and fees	589,605	545,577	579,843	974,494	1,060,370	1,216,578	754,475	771,991	743,676	559,090
Total expenditures	50,969,781	46,594,673	45,235,594	47,328,188	49,333,756	46,629,535	48,520,257	40,999,836	36,671,087	37,962,219
Revenues over (under) expenditures before other financing sources (uses)	(55,662)	(1,604,411)	(2,270,349)	(3,010,895)	(4,418,891)	(5,439,451)	(9,476,294)	(968,605)	417,818	(1,492,001)
Other financing sources (uses):										
Transfers in	9,006,449	10,011,992	8,751,359	6,354,136	15,343,341	4,265,805	2,498,031	2,557,818	234,945	3,856,920
Transfers out	(9,006,449)	(10,039,717)	(8,738,879)	(7,273,393)	(17,040,957)	(5,517,841)	(2,498,031)	(2,522,991)	(234,945)	(3,856,920)
General obligation bonds	-	-	-	3,389,792	-	-	18,175,000	-	-	-
Bond premium	-	-	-	123,227	-	-	61,658	-	-	-
Payment to refunded bond escrow	-	-	-	(2,600,517)	-	-	-	-	-	-
SSA bonds issued	-	-	-	-	-	-	-	-	750,000	8,435,000
Total other financing sources (uses)	-	(27,725)	12,480	(6,755)	(1,697,616)	(1,252,036)	18,236,658	34,827	750,000	8,435,000
Net changes in fund balances	\$ (55,662)	\$ (1,632,136)	\$ (2,257,869)	\$ (3,017,650)	\$ (6,116,507)	\$ (6,691,487)	\$ 8,760,364	\$ (933,778)	\$ 1,167,818	\$ 6,942,999
Debt service as a percentage of noncapital expenditures	4.20%	4.39%	4.50%	5.78%	6.10%	6.86%	10.25%	3.94%	4.61%	4.63%

Source: Audited financial statements.

See independent auditor's report.

City of Crystal Lake, Illinois
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2016	2015	2014	2013
Property tax	\$ 13,424,456	\$ 11,054,823	\$ 11,165,179	\$ 11,327,721
Replacement tax	133,431	156,225	152,358	142,418
State sales tax	11,146,198	11,075,104	10,608,131	10,016,056
Home rule sales tax	5,040,729	5,084,373	5,000,073	4,756,678
Auto rental tax	42,515	47,986	43,174	36,185
Income	4,167,471	4,104,684	3,890,892	3,854,999
Franchise fees - cable	790,182	692,094	645,315	640,472
Telecommunications	1,276,159	1,381,207	1,559,980	1,746,976
Hotel	301,467	298,471	272,587	278,356
Local use	957,511	828,192	718,436	645,986
	\$ 37,280,119	\$ 34,723,159	\$ 34,056,125	\$ 33,445,847

	Fiscal Year Ended April 30,					
	2012	2011	2010	2009	2008	2007
	\$ 11,061,961	\$ 11,880,834	\$ 11,364,280	\$ 11,527,194	\$ 10,364,823	\$ 7,709,144
	139,013	154,893	135,686	144,517	171,107	142,124
	10,137,309	9,627,149	9,467,834	10,189,283	10,915,086	11,168,510
	4,710,538	4,574,657	4,546,821	3,833,890	-	-
	35,281	29,429	28,204	30,560	26,807	26,677
	3,451,994	3,079,075	3,068,722	3,503,952	3,748,680	3,431,732
	604,233	566,979	501,544	474,377	433,134	403,659
	1,824,479	1,693,257	1,831,489	1,925,732	2,022,417	1,911,745
	281,817	251,417	230,880	313,289	241,208	157,955
	599,648	573,208	476,568	558,750	556,870	512,083
	\$ 32,846,273	\$ 32,430,898	\$ 31,652,028	\$ 32,501,544	\$ 28,480,132	\$ 25,463,629

See independent auditor's report.

City of Crystal Lake, Illinois
Assessed Value and Actual Value of Taxable Property
Last Ten Levy Years

Levy Year	Farm Property	Residential Property	Commercial Property	Industrial Property	Mineral Property	Rail Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Percentage of Assessed Value
2006	\$ 1,273,866	\$ 924,013,250	\$ 292,876,714	\$ 74,250,686	\$ 537,447	\$ 509,716	\$ 1,293,461,679	0.6962	\$ 3,880,385,037	33.33%
2007	1,301,267	998,313,489	303,911,661	78,105,425	553,367	779,271	1,382,964,480	0.7056	4,148,893,440	33.33%
2008	1,350,877	1,028,670,946	326,161,997	82,471,180	451,126	582,126	1,439,688,252	0.7021	4,319,064,756	33.33%
2009	1,433,073	1,014,220,209	323,715,883	81,742,371	451,126	695,565	1,422,258,227	0.7370	4,266,774,681	33.33%
2010	1,437,002	917,883,229	312,815,076	81,683,777	451,126	862,324	1,315,132,534	0.7574	3,945,397,602	33.33%
2011	1,457,426	851,992,597	272,387,226	70,992,705	779,823	914,093	1,198,523,870	0.8590	3,595,571,610	33.33%
2012	2,406,232	770,473,587	246,203,281	64,005,237	784,880	1,030,667	1,084,903,884	0.9797	3,254,711,652	33.33%
2013	2,266,748	706,627,435	222,999,035	57,052,844	766,260	1,268,185	990,980,507	1.1786	2,972,941,521	33.33%
2014	1,275,219	682,859,738	215,592,383	56,205,928	766,260	1,320,683	958,020,211	1.2351	2,874,060,633	33.33%
2015	1,404,385	699,260,973	217,281,136	59,020,112	844,076	1,581,706	979,392,388	1.2130	2,938,177,164	33.33%

Source: McHenry County Clerk.

Note: Property in the City is assessed using a multiplier of 33.3%, therefore the estimated actual taxable values are equal to assessed values times 3. Tax rates are per \$100 of assessed value.

See independent auditor's report.

City of Crystal Lake, Illinois
Property Tax Rates - Direct and Overlapping Governments
Last Ten Levy Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating:										
City of Crystal Lake	\$ 1.2130	\$ 1.2351	\$ 1.1786	\$ 0.9797	\$ 0.8590	\$ 0.7574	\$ 0.7370	\$ 0.7021	\$ 0.7056	\$ 0.6962
Crystal Lake Public Library	0.4589	0.4670	0.4436	0.3878	0.3471	0.3145	0.2773	0.2773	0.2773	0.2773
McHenry County	1.0781	1.1412	1.0960	0.9958	0.8879	0.7927	0.7157	0.7014	0.6871	0.7060
District 47	4.3488	4.3867	4.1626	3.7347	3.2520	2.9484	2.6374	0.2588	2.5283	2.8974
District 155	2.9060	2.9721	2.8118	2.5090	2.1864	1.9577	1.7711	1.7395	1.6992	2.1707
Debt service:										
McHenry County	-	-	-	-	-	-	-	-	-	-
District 47	0.2103	0.2655	0.2446	0.2129	0.1815	0.1591	0.0912	0.0863	0.1313	0.1330
District 155	0.1196	0.1227	0.1495	0.1360	0.1115	0.0770	0.1344	0.1253	0.1221	0.1230
Other	-	-	-	-	-	-	-	-	-	1.2152
Total tax rate:										
City of Crystal Lake	1.2130	1.2351	1.1786	0.9797	0.8590	0.7574	0.7370	0.7021	0.7056	0.6962
Crystal Lake Public Library	0.4589	0.4670	0.4436	0.3878	0.3471	0.3145	0.2773	0.2773	0.2773	0.2773
McHenry County	1.0781	1.1412	1.0960	0.9958	0.8879	0.7927	0.7157	0.7014	0.6871	0.7060
District 47	4.5591	4.6522	4.4072	3.9476	3.4335	3.1075	2.7286	0.3451	2.6596	3.0304
District 155	3.0256	3.0948	2.9613	2.6450	2.2979	2.0347	1.9055	1.8648	1.8213	2.2937
Other	-	-	-	-	-	-	-	-	-	1.2152
Other:										
College District	0.4348	0.4453	0.4306	0.3921	0.3395	0.3039	0.2740	0.2686	0.2634	0.2741
McHenry County Conservation	0.2766	0.2840	0.2748	0.2481	0.2191	0.1956	0.1775	0.1732	0.1738	0.1425
Crystal Lake Park District	0.5535	0.5582	0.5193	0.4605	0.4135	0.3758	0.3519	0.3463	0.3431	0.3536
Township (Algonquin)	0.0828	0.0851	0.0821	0.0742	0.0659	0.0577	0.0532	0.0522	0.0510	0.0523
Road and Bridge (Algonquin)	0.1862	0.1913	0.1827	0.1627	0.1450	0.1270	0.1171	0.1151	0.1124	0.1154

Source: McHenry County Clerk.

See independent auditor's report.

**City of Crystal Lake, Illinois
Principal Property Taxpayers
Current Year and Nine Years Ago**

Taxpayer	Type of Business
Skyridge Partners II LLC	Residential housing
Crystal Point LLC	Shopping
Bradley Oper. Ltd. Partnership	Shopping
Cobalt Industrial	Industrial
Tyco Healthcare Group	Manufacturing
Walmart Real Estate Business	Shopping
Watermark Crystal Lake	Residential housing
Northern Illinois Medical Center	Medical
Crystal Lake LP	Shopping
Inland Bohl Farm	Shopping
Sunrise Residential Housing	Residential housing
Inland Real Estate Corp.	Shopping
Chicago Title	Shopping
Rose SPE 1 LP	Shopping
Darlington Court Apartments	Shopping
Inland Commercial Property Management	Shopping

2015			2006		
Taxable Assessed Value	Rank	Percent of Total District Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total District Taxable Assessed Value
\$ 7,615,368	1	0.78%	\$ 4,792,007	7	0.37%
6,812,945	2	0.70%	9,612,566	2	0.74%
5,660,041	3	0.58%	9,745,286	1	0.75%
5,352,777	4	0.55%	-	-	-
4,306,670	5	0.44%	5,674,310	4	0.44%
3,992,485	6	0.41%	-	-	-
3,357,186	7	0.34%	-	-	-
3,281,087	8	0.34%	-	-	-
3,051,408	9	0.31%	-	-	-
2,687,383	10	0.27%	-	-	-
-		-	6,518,246	3	0.50%
-		-	5,594,811	5	0.43%
-		-	4,799,155	6	0.37%
-		-	4,560,744	8	0.35%
-		-	4,533,540	9	0.35%
-		-	4,528,682	10	0.35%
\$ 46,117,350		4.72%	\$ 60,359,347		4.65%

Source: McHenry County Treasurer.

Note: Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers listed contain multiple parcels, and it is possible that some parcels and their valuations have been overlooked.

See independent auditor's report.

**City of Crystal Lake, Illinois
Property Tax Extensions and Collections
Last Ten Fiscal Years**

Fiscal Year Ended April 30,	Taxes Extended for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Extension		Amount	Percentage of Extension
2007	\$ 7,774,180	\$ 7,749,837	99.69 %	-	\$ 7,749,837	99.69 %
2008	8,891,222	8,882,151	99.90	-	8,882,151	99.90
2009	9,629,102	9,619,778	99.90	-	9,619,778	99.90
2010	10,047,908	9,960,624	99.13	-	9,960,624	99.13
2011	10,419,656	10,400,728	99.82	-	10,400,728	99.82
2012	9,897,101	9,879,869	99.83	-	9,879,869	99.83
2013	10,259,592	10,231,277	99.72	-	10,231,277	99.72
2014	11,634,049	10,565,666	90.82	-	10,565,666	90.82
2015	11,785,312	11,622,227	98.62	-	11,622,227	98.62
2016	11,879,677	11,765,244	99.04	-	11,765,244	99.04

Note: Above schedule excludes taxes levied and collected on special service areas.
There is a two-year difference between the levy year and the fiscal year for which the taxes are levied.

Source: McHenry County Clerk.

See independent auditor's report.

City of Crystal Lake, Illinois
Ratios of Outstanding Debt - By Type
Last Ten Fiscal Years

Fiscal Year Ended April 30,	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	SSA Bonds	General Obligation Bonds	Notes Payable			
2007	\$ 8,340,000	\$ 8,435,000	\$ 4,975,000	\$ 13,865,098	\$ 35,615,098	3.42 %	\$ 895.12
2008	7,560,000	9,135,000	4,660,000	12,474,889	33,829,889	3.25	850.25
2009	7,010,000	9,005,000	4,325,000	11,753,090	32,093,090	2.30	707.69
2010	21,650,000	8,863,000	6,185,000	11,012,866	47,710,866	3.77	1,052.08
2011	20,564,926	8,643,000	5,710,074	10,253,758	45,171,758	3.97	1,108.70
2012	19,377,905	8,409,000	5,201,419	9,475,286	42,463,610	3.73	1,042.23
2013	19,053,973	-	8,856,825	8,676,955	36,587,753	3.21	898.01
2014	17,707,947	-	26,264,962	-	43,972,909	3.86	1,079.28
2015	16,299,470	-	24,398,153	-	40,697,623	2.84	998.89
2016	14,898,250	-	22,411,000	1,900,000	39,209,250	2.76	962.36

Note: Population and personal income data can be found at page 179, Demographic and Economic Statistics.

Note 2: Effective in the fiscal year ended April 30, 2013, the City will no longer be a secondary source for repayment for the SSA bonds. These bonds have been removed from the above schedule beginning with the fiscal year ended April 30, 2013.

See independent auditor's report.

City of Crystal Lake, Illinois
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended April 30,	General Obligation Debt	Less Amounts Available in Debt Service Funds	Net Bonded Debt	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2007	\$ 13,315,000	\$ 1,262,516	\$ 12,052,484	0.93%	\$ 302.92
2008	12,220,000	806,392	11,413,608	0.83%	286.86
2009	11,335,000	836,020	10,498,980	0.73%	231.52
2010	27,835,000	906,392	26,928,608	1.89%	593.81
2011	26,275,000	850,866	25,424,134	1.93%	624.01
2012	24,579,324	967,874	23,611,450	1.97%	579.52
2013	27,910,798	41,803	27,868,995	2.57%	684.02
2014	43,972,909	664,234	43,308,675	4.37%	1,062.97
2015	40,697,623	656,449	40,041,174	4.18%	982.77
2016	37,309,250	607,044	36,702,206	3.75%	900.82

Note: Population data can be found at page 179, Demographic and Economic Statistics.
Property value data can be found at pages 167 and 168, Assessed Value and
Actual Value of Taxable Property.

See independent auditor's report.

City of Crystal Lake, Illinois
Direct and Overlapping Governmental Activities Debt
April 30, 2016

Governmental Unit	Outstanding Debt	Applicable to the City	
		Percent	Amount
City of Crystal Lake	\$ 14,898,250	100.00 %	\$ 14,898,250
Total direct debt	14,898,250		14,898,250
Overlapping:			
School District Number 47	22,100,000	61.03	13,487,630
School District Number 155	19,400,000	39.41	7,645,540
College District Number 528	3,865,000	15.23	588,640
School District Number 46	3,955,000	8.65	342,108
School District Number 200	112,671,940	1.24	1,397,132
School District Number 300	350,760,000	0.01	35,076
McHenry County	18,225,000	13.85	2,524,163
McHenry County Conservation District	104,580,000	13.85	14,484,330
Crystal Lake Park District	1,248,720	74.09	925,177
Cary Park District	4,939,043	0.03	1,482
Huntley Park District	4,712,294	0.74	34,871
LITH Sanitary District	-	7.24	-
Algonquin Township	670,603	25.89	173,619
Dorr Township	-	2.95	-
Grafton Township	-	14.99	-
Nunda Township Cemetery	-	21.05	-
Nunda Township	-	21.05	-
Total overlapping debt	\$ 647,127,600		41,639,768
Total direct and overlapping debt			\$ 56,538,018

Source: McHenry County Clerk, local government entity or comprehensive annual report.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the boundaries of the government and dividing it by the government's total taxable assessed value.

See independent auditor's report.

**City of Crystal Lake, Illinois
Legal Debt Margin Information
Last Ten Fiscal Years**

The City is a home rule municipality. To date, the General Assembly has set no limits for home-rule municipalities.

Article VII, Section 6(k) of the 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 percentage amounts."

See independent auditor's report.

**City of Crystal Lake, Illinois
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year Ended April 30,	Estimated Population (1)	Personal Income	Per Capita Personal Income	School Enrollment (4)	Unemployment Rate (2)
2007	39,788	\$ 1,040,297,048	\$ 26,146 (3)	16,011	4.1%
2008	39,788	1,040,297,048	26,146 (3)	16,215	4.9%
2009	45,349	1,395,706,173	30,777 (1)	16,008	9.6%
2010	45,349	1,267,051,060	27,940 (5)	15,471	10.3%
2011	40,743	1,138,359,420	27,940 (5)	15,829	8.3%
2012	40,743	1,138,359,420	27,940 (5)	15,312	8.2%
2013	40,743	1,267,051,060	27,940 (5)	14,937	8.6%
2014	40,743	1,138,359,420	27,940 (5)	14,716	6.3%
2015	40,743	1,434,275,829	35,203 (5)	14,336	4.9%
2016	40,743	1,420,912,125	31,133 (5)	14,020	5.0%

Sources:

- (1) Link on Crystal Lake website to Demographics Now.
- (2) Local Area Unemployment Statistics website.
- (3) U.S. Census.
- (4) Elementary and high school - obtained from school districts.
- (5) Retail Marketplace Profile.

See independent auditor's report.

**City of Crystal Lake, Illinois
Principal Employers
Current Year**

Employer	Employees	Rank	% of Total City Population
CL Elementary School District 47	1100	1	2.70%
McHenry County College	856	2	2.10%
Consolidated High School District 155	798	3	1.96%
Aptar Group	545	4	1.34%
Crystal Lake Park District	480	5	1.18%
Knaack Manufacturing	381	6	0.94%
Wal-mart	350	7	0.86%
Covidien	350	7	0.86%
City of Crystal Lake	285	9	0.70%
Jewel Foodstores	220	10	0.54%
	5,365		13.18%

Information is not readily available for previous years.

Source: Crystal Lake Website, Demographic Data & Statistics, Labor Statistics

See independent auditor's report.

**City of Crystal Lake, Illinois
Full-time Equivalent Employees
Last Ten Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Government	43	42	43	43	43	45	45	45	44	44
Public Safety:										
Police	70	75	75	73	78	79	78	79	71	71
Fire	66	66	64	63	67	66	70	64	55	51
Highways and Streets:										
Engineering	8	8	9	10	10	11	11	12	12	11
Maintenance	17	17	18	18	19	20	20	22	23	23
Sanitation	12	13	12	8	8	7	9	10	10	12
Waterworks and Sewerage	17	18	18	22	23	21	23	24	23	28
	<u>233</u>	<u>239</u>	<u>239</u>	<u>237</u>	<u>248</u>	<u>249</u>	<u>256</u>	<u>256</u>	<u>238</u>	<u>240</u>

Note - Full-time equivalent employment is calculated by dividing total labor hours by 2,080.

Source: City records.

See independent auditor's report.

**City of Crystal Lake, Illinois
Operating Indicators
Last Ten Fiscal Years**

	Fiscal Year				Ended April 30,					
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police:										
Physical arrests	935	1,010	918	979	1,089	956	1,170	1,660	1,717	1,123
Parking violations	4,131	5,406	4,569	5,018	7,173	7,019	8,569	8,824	8,978	12,412
Traffic violations	9,820	5,877	5,914	5,067	6,185	6,287	7,614	7,093	6,631	7,933
Fire:										
Number of calls answered	5,833	5,695	5,452	5,475	5,357	5,069	4,940	5,116	5,207	4,991
Inspections	833	1,104	1,060	1,077	976	879	970	749	600	600
Highways and Streets:										
Street resurfacing (miles)	6.0	6.9	8.1	8.8	6.2	3.8	7.6	6.5	8.2	8
Water:										
New connections	5	23	7	7	15	14	15	50	118	195
Water main breaks	18	29	34	23	34	28	31	27	29	18
Average daily consumption (millions of gallons)	3,910	3,930	4,400	4,140	4,060	4,300	4,650	4,940	4,860	5
Wastewater:										
Average daily sewage treatment (in gallons)	5,378	5,092	4,800	4,167	4,793	3,934	5,000	5,870	6,092	4,500

Source: City records.

N/A - Information not readily available.

See independent auditor's report.

**City of Crystal Lake, Illinois
Capital Asset Statistics
Last Ten Fiscal Years**

	Fiscal Year					Ended April 30,				
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	21	24	24	23	23	23	23	22	31	31
Fire stations	3	3	3	3	3	3	3	3	3	3
Highways and Streets:										
Streets (miles)	160	160	160	160	160	160	160	163	163	163
Streetlights	1,996	1,996	1,996	1,996	1,996	1,996	1,996	1,996	1,996	1,996
Traffic signals	31	31	31	31	31	31	31	29	29	29
Culture and Recreation:										
Parks acreage	1,393	1,393	1,423	1,423	1,423	1,423	1,393	1,393	1,393	1,393
Parks	45	45	46	46	46	46	45	44	44	44
Tennis courts	30	30	30	30	30	30	30	30	30	30
Community centers	8	8	8	8	8	8	8	8	8	8
Water:										
Water mains (miles)	230	230	230	175	175	229	175	175	175	210
Fire hydrants	3,124	3,093	3,093	2,859	2,859	3,110	3,045	3,017	2,859	2,795
Maximum daily capacity (millions of gallons)	8.70	8.70	8.70	10.00	10.00	8.26	8.37	9.20	9.20	8.45
Sewer:										
Sanitary sewers (miles)	162	120	120	120	120	160	120	120	127	126
Storm sewers (miles)	61	60	60	60	60	60	60	60	62	60
Maximum daily treatment (thousands of gallons)	18,552	18,552	17,569	15,209	16,500	9,109	12,600	12,854	12,825	19,500

Source: City records.

See independent auditor's report.

Selden Fox, LTD.

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 4, 2016

Honorable Mayor and City Council Members
City of Crystal Lake
Crystal Lake, Illinois

We have audited the financial statements of the **City of Crystal Lake, Illinois** (City) for the year ended April 30, 2016, and have issued our report thereon dated October 4, 2016. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 30, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. The financial statements are the responsibility of management with your oversight. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management prior to field work beginning on May 2, 2016, and in our engagement letter dated April 30, 2016.

We address significant risks of material misstatement, whether due to error or fraud, by performing analytical procedures, making inquiries of those charged with governance, by observation and inspection, and by brainstorming with our audit team members. We use judgment to determine what a user of the financial statements would consider to be material in assessing the risk of misstatement. We also use judgment to determine our approach to internal control and further audit procedures relevant to significant audit areas. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Crystal Lake, Illinois are described in Note 1 to the financial statements. As discussed in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. No other new accounting policies were adopted and the application of existing policies was not changed during the year ended April 30, 2016.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of capital assets is based on management's plans and experience with similar assets. We evaluated the key factors and assumptions used to develop the useful lives for capital assets in determining that it is reasonable in relation to the financial statements as a whole. Management's determination that an allowance for uncollectible property taxes of 1% is appropriate based on past collection history. Management's valuation of its net pension obligation is based on actuarial studies. Management's determination that a liability for estimated claims incurred but not reported at April 30, 2016, in the government-wide financial statements is not needed is based on funds on deposit with the Illinois Risk Management Agency.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Adjusting journal entries are included in Exhibit I. Management has corrected all such misstatements. Adjustments to convert the accounts to the full accrual basis for the government-wide financial statements are included in Exhibit II. Passed adjusting journal entries are included in Exhibit III. Management has represented to us that the uncorrected adjustments are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Significant Audit Findings (cont'd)

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 4, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

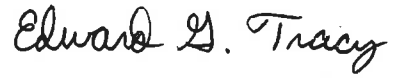
Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Mayor, City Council and management of the City of Crystal Lake, Illinois and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

SELDEN FOX, LTD.

A handwritten signature in cursive script that reads "Edward G. Tracy".

Edward G. Tracy
Vice President

EGT/cr

City of Crystal Lake, Illinois
Adjusting Journal Entries
For the Year Ended April 30, 2016

Account	Description	Debit	Credit	Income Increase (Decrease)
Adjusting Journal Entry JE # 1				
Adjust cable franchise fee revenue for results of franchise fee compliance examinations over Comcast and AT&T franchise agreements.				
10100000015120	Accounts Receivable - Misc.	\$ 32,254.00	\$ -	\$ -
10100000021020	Accounts Payable		27,852.00	
10100000048500	Franchise Fees - Cable		4,402.00	4,402.00
Adjusting Journal Entry JE # 2				
Defer revenue for May 2016 fire protection services received from the Village of Lakewood.				
23000000045550	Intergovernmental Services	61,998.69		
23000000025200	Deferred Revenue		61,998.69	(61,998.69)
Adjusting Journal Entry JE # 3				
Reclassify bond proceeds as liability in enterprise fund.				
62800000010010	Cash - Operating Account	1,900,000.00		
65000000049010	Bond Proceeds	1,900,000.00		
62800000027110	Notes Payable - S/t		175,000.00	
62800000027115	Note Payable - L/t		1,725,000.00	
65000000010010	Cash - Operating Account		1,900,000.00	(1,900,000.00)
Adjusting Journal Entry JE # 4				
Record Library property tax receivable and deferred inflows.				
94000000013190	Property Tax Receivable - Library	4,003,325.15		
94300000013190	Property Tax Rec - Library - IMRF/FICA	302,847.71		
94800000013190	Property Tax Rec. - FICA	188,346.95		
94000000013010	Property Tax Receivable - PY		40,033.25	
94000000026190	Deferred Property Tax - Library - IMRF/FICA		3,963,291.90	
94300000013010	Prop Tax Rec - PY Library - IMRF/FICA		3,028.48	
94300000026190	Def Property Tax - Library - IMRF/FICA		299,819.23	
94800000013010	Property Tax Rec. - PY		1,883.47	
94800000026190	Deferred Property Tax - FICA		186,463.48	-

(cont'd)

City of Crystal Lake, Illinois
Adjusting Journal Entries (cont'd)
For the Year Ended April 30, 2016

Account	Description	Debit	Credit	Income Increase (Decrease)
Adjusting Journal Entry JE # 5				
Record Library interfund transfer.				
94099601058860	Transfer to Special Reserve	\$ 560,329.64	\$ -	\$ -
94400000049953	Transfer from Library Fund		560,329.64	-
Adjusting Journal Entry JE # 6				
Accrue property tax expense on Library owned property.				
94500000058235	Property Tax-91 Crystal Lk Ave	12,649.97		
94500000058236	Property Tax-81 Crystal Lk Ave	5,836.16		
94500000058237	Property Taxes-1 McHenry Ave	8,824.83		
94500000058238	Property Taxes-94 Paddock St.	6,257.83		
94560601058234	Property Taxes - 17 McHenry	10,987.76		
94500000024100	Escrow - Property Taxes		44,556.55	(44,556.55)
Adjusting Journal Entry JE # 7				
Reclassify investment income within Firefighters' Pension Fund.				
83900000047010	Interest Income	323,241.99		
83900000047990	Unrealized Gain/Loss on Investments		323,241.99	-
Adjusting Journal Entry JE # 8				
Correct client adjustment to set up compensated absences payable in the enterprise fund.				
69925411054999	Change in Compensated Absences	5,129.00		
69900000029015	Compensated Absences Payable		5,129.00	(5,129.00)
Adjusting Journal Entry JE # 9				
Client adjustment to record ICMA fiscal year 2017 dues as a prepaid expense at April 30, 2016.				
10100000019010	Prepaid Expenses	2,604.32		
10100000031010	Unreserved Fund Balance	2,604.32		
10100000031310	Nonspendable Prepaid Expenses		2,604.32	
10105121055220	Dues and Subscriptions		2,604.32	2,604.32

(cont'd)

City of Crystal Lake, Illinois
Adjusting Journal Entries (cont'd)
For the Year Ended April 30, 2016

Account	Description	Debit	Credit	Income Increase (Decrease)
Adjusting Journal Entry JE # 10				
Client adjustment to reclassify payment for April 2016 fire protection services to proper account.				
23000000048990	Miscellaneous Income	\$ 61,998.69	\$ -	\$ -
23000000045550	Intergovernmental Services		61,998.69	-
Adjusting Journal Entry JE # 11				
Client adjustment to reclassify McHenry County fines and miscellaneous revenue to proper account.				
10100000044300	Police Fines	737.75		
10100000045300	Parking Fees	1.50		
10100000045400	Police Services	35,639.07		
10100000044300	Police Fines		1.50	
10100000044300	Police Fines		35,639.07	
10100000045300	Parking Fees		737.75	-
Adjusting Journal Entry JE # 12				
Client adjustment to transfer between Home Rule Sales Tax Fund and Three Oaks Recreation Area Fund to bring Three Oaks Recreation Area Fund to breakeven for the fiscal year.				
10200000010010	Cash - Operating Account	5,256.50		
29700000049102	Transfer from Home Rule Tax	5,256.50		
10299150058297	Transfer to Three Oaks Rec Fund		5,256.50	
29700000010010	Cash - Operating Account		5,256.50	-
Net effect of adjusting journal entries				<u>\$ (2,004,677.92)</u>

City of Crystal Lake, Illinois
GASB 34 Adjusting Entries
For the Year Ended April 30, 2016

Account	Description	Debit	Credit	Income Increase (Decrease)
GASB 34 Adjusting Entry # 1				
Record opening liabilities in governmental activities for net pension obligations, net OPEB obligations, and accrued interest payable.				
19900000031010	Unreserved Fund Balance	\$ 2,751,941.00	\$ -	\$ -
19900000025001	Net Pension Obligation - IMRF		191,881.00	
19900000025002	Net Pension Obligation - Police		867,655.00	
19900000025003	Net Pension Obligation - Fire		1,247,716.00	
19900000025010	Net OPEB Obligation		206,954.00	
19900000027010	Interest Payable		237,735.00	-
GASB 34 Adjusting Entry # 2				
Record GASB 68 adjustment for IMRF within business-type activities at April 30, 2016.				
69900000019990	Deferred Outflows - Actuarial	594,459.00		
69900000019991	Deferred Outflows - Contributions	100,722.00		
69900000033900	Prior Period Adjustment	1,380,859.00		
69925411054302	Pension Expense - GASB 68 - Admin	31,705.00		
69925431054302	Pension Expense -GASB 68 - Water Ops	110,419.00		
69925701054302	Pension Expense - GASB 68 - WW	62,639.00		
69900000029030	Net Pension Obligation - IMRF		2,123,787.00	
69900000029031	Deferred Inflows - Actuarial		157,016.00	(204,763.00)
GASB 34 Adjusting Entry # 3				
Record GASB 68 adjustment for IMRF within governmental activities at April 30, 2016.				
19900000019500	Deferred Outflows - Actuarial	1,734,809.00		
19900000019510	Deferred Outflows - Contributions	293,938.00		
19900000031799	Prior Period Adjustment	4,029,755.00		
19900000053000	Pension Expense - GASB 68 - General	340,608.00		
19900000053001	Pension Expense - GASB 68 - Public Safety	131,463.00		
19900000053002	Pension Expense - GASB 68 - Public Works	125,487.00		
19900000025001	Net Pension Obligation - IMRF		6,197,839.00	
19900000029500	Deferred Inflows - Actuarial		458,221.00	(597,558.00)

(cont'd)

City of Crystal Lake, Illinois
GASB 34 Adjusting Entries (cont'd)
For the Year Ended April 30, 2016

Account	Description	Debit	Credit	Income Increase (Decrease)
GASB 34 Adjusting Entry # 4				
Record GASB 68 adjustment for IMRF within Library activities at April				
99800000019000	Deferred Outflows - Actuarial	\$ 579,045.00	\$ -	\$ -
99800000019001	Deferred Outflows - Contributions	98,111.00		
99800000032000	Prior Period Adjustment	1,345,052.00		
99800000051000	Pension Expense - GASB 68 IMRF	199,453.00		
99800000025000	Net Pension Obligation - GASB 68 IMRF		2,068,716.00	
99800000025001	Deferred Inflows - Actuarial		152,945.00	(199,453.00)
GASB 34 Adjusting Entry # 5				
Reverse beginning net pension obligations no longer reported under GASB Statement No. 68.				
19900000025001	Net Pension Obligation - IMRF	191,881.00		
19900000025002	Net Pension Obligation - Police	867,655.00		
19900000025003	Net Pension Obligation - Fire	1,247,716.00		
19900000031799	Prior Period Adjustment		2,307,252.00	-
GASB 34 Adjusting Entry # 6				
Adjust governmental activities depreciation expense to actual.				
19900000018395	Accumulated Depreciation-Infra	50,758.01		
19905121057999	Depreciation Expense		50,758.01	50,758.01
GASB 34 Adjusting Entry # 7				
Record GASB 68 adjustment for police and firefighters' pensions within governmental activities at April 30, 2016.				
19900000019501	Deferred Outflows - Actuarial - Police	1,542,038.00		
19900000019502	Deferred Outflows - Actuarial - Fire	1,419,845.00		
19900000019511	Deferred Outflows - Contributions - Police	2,059,342.00		
19900000019512	Deferred Outflows - Contributions - Fire	1,928,928.00		
19900000031799	Prior Period Adjustment	30,172,142.00		
19900000053001	Pension Expense - GASB 68 - Public Safety	531,905.00		
19900000025002	Net Pension Obligation - Police		24,677,865.00	
19900000025003	Net Pension Obligation - Fire		12,943,084.00	
19900000029502	Deferred Inflows - Actuarial - Fire		33,251.00	(531,905.00)

(cont'd)

**City of Crystal Lake, Illinois
 GASB 34 Adjusting Entries (cont'd)
 For the Year Ended April 30, 2016**

Account	Description	Debit	Credit	Income Increase (Decrease)
GASB 34 Adjusting Entry # 8				
Adjust governmental activities net OPEB obligation to actual.				
99910000053010	OPEB - General Government	\$ 166,095.00	\$ -	\$ -
99910000025010	OPEB Obligation Liability		166,095.00	(166,095.00)
GASB 34 Adjusting Entry # 9				
Record beginning Library capital asset activity.				
99800000010100	Library - Land	2,074,877.22		
99800000010200	Library - Buildings and Improvements	7,896,531.84		
99800000010300	Library - Equipment	345,041.45		
99800000050000	Library - Depreciation	213,403.47		
99800000011200	Library - Accumulated Depreciation - Buildings		3,227,824.45	
99800000011300	Library - Accumulated Depreciation - Equipment		268,273.58	
99800000030100	Library - Net Assets Invested in Capital Assets		7,011,721.20	
99800000057999	Library Activities - Capital Asset Additions		22,034.75	(191,368.72)
GASB 34 Adjusting Entry # 10				
Record compensated absences payable in the Library activities.				
94000000031010	Unreserved Fund Balance	129,308.03		
94060601054125	Vacation Benefits Used	3,855.49		
94000000029010	Compensated Absences Payable - Current		94,918.95	
94000000029015	Compensated Absences Payable - Noncurrent		38,244.57	(3,855.49)
Net effect of GASB 34 adjusting entries				<u>\$ (1,844,240.20)</u>

**City of Crystal Lake, Illinois
Proposed Adjusting Entries
For the Year Ended April 30, 2016**

Account	Description	Debit	Credit	Income Increase (Decrease)
Proposed Journal Entry # 1				
Adjust various tax receivable and revenue to actual.				
10100000014045	Local Use Tax Receivable	\$ 8,147.19	\$ -	\$ -
10100000014050	Telecommunications Tax Receivable	2,794.61		
10100000041045	Use Tax - II	12,132.66		
10100000031010	Unreserved Fund Balance		11,163.67	
10100000040300	Telecommunications Tax		11,910.79	(221.87)
Proposed Journal Entry # 2				
Properly recognize Library subscription fee revenue in the fiscal year in which it is earned.				
94000000021020	Vouchers Payable	10,550.00		
94000000031010	Unreserved Fund Balance		2,500.00	
94060601056440	Electronic Reserve - Adult Reference		8,050.00	<u>8,050.00</u>
Net effect of passed adjusting journal entries				\$ <u>7,828.13</u>

Selden Fox, LTD.

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October 4, 2016

Honorable Mayor, City Council
Members and Management
City of Crystal Lake
Crystal Lake, Illinois

We have audited the financial statements of the **City of Crystal Lake, Illinois (City)** as of and for the year ended April 30, 2015, and have issued our report thereon dated October 4, 2016. During our audit, we noted the following operational or administrative matters we believe to be of potential benefit to you.

Future Accounting and Auditing Pronouncements

The Governmental Accounting Standards Board (GASB) has issued a number of pronouncements that become effective in future years that may impact the City. Those recently issued statements which may have an impact on the City are detailed below:

GASB Statement 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value investments. The Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value, and requires disclosure of the level of the fair value hierarchy and valuation techniques for investments held by the local government. Statement No. 72 is effective for the year ending April 30, 2017.

GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, extends the approach to accounting and financial reporting established by GASB Statement 68 to all pensions and clarifies certain issues from GASB Statement 67 and 68. Sections of this Statement are effective for the years ending April 30, 2017 and 2018.

GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* establishes new accounting and financial reporting requirements for governments whose employees are provided other postemployment benefits (OPEB) administered through trusts meeting certain criteria. The Statement requires new disclosures in the notes to the financial statements and in required supplementary information. Statement No. 74 is effective for the year ending April 30, 2018.

GASB Statement 75, *Financial Reporting for Postemployment Benefit Other Than Pension Plans* establishes new accounting and financial reporting requirements for governments for OPEB that is provided to state and local government employees. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expenses, and also requires new disclosures in the notes to the financial statements and in required supplementary information. Statement No. 75 is effective for the year ending April 30, 2019.

Future Accounting and Auditing Pronouncements (cont'd)

GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies in the context of the current governmental financial reporting format, the sources of accounting principles used to prepare financial statements of local governments in conformity with generally accepted accounting principles. Statement No. 76 is effective for the year ending April 30, 2017.

GASB Statement 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about both a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the City's tax revenues. Statement No. 77 is effective for the year ending April 30, 2017.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of GASB Statement No. 68. Statement No. 78 is effective for the fiscal year ending April 30, 2017.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting requirements for certain external investment pools and pool participants. The Statement allows an external investment pool, and all its participants, that meet certain criteria to measure their investments at amortized cost. Statement No. 79 is effective for the fiscal year ending April 30, 2017.

Statement No. 80, *Blending Requirement for Certain Component Units (an amendment of GASB Statement No. 14)*, requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole member. Statement No. 80 is effective for the fiscal year ending April 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, addresses the accounting and financial reporting requirements for irrevocable split-interest agreements. Statement No. 81 is effective for the fiscal year ending April 30, 2018.

GASB Statement No. 82, *Pension Issues (an amendment of GASB Statements No. 67, No. 68 and No. 73)*, addresses certain issues raised in the implementation of the new pension reporting standards. Statement No. 82 is effective for the year ending April 30, 2018.

This letter is intended solely for the information and use of the Mayor and members of the City Council, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Seelden Fox, Ltd.