



CITY OF  
*Crystal Lake* Illinois

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED APRIL 30, 2017

# CITY OF CRYSTAL LAKE, ILLINOIS

## **Comprehensive Annual Financial Report**

For the Year Ended April 30, 2017

Prepared By Finance Department:

George Koczvara  
Director of Finance

**City of Crystal Lake, Illinois  
Comprehensive Annual Financial Report  
For the Year Ended April 30, 2017**

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## **INTRODUCTORY SECTION**



CITY OF  
*Crystal Lake*  
ILLINOIS

October 10, 2017

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, 2017. 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, 2017.

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, 2017, 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

unmodified (“clean”) opinion that the City of Crystal Lake’s financial statements for the fiscal year ended April 30, 2017, 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.

Since the City has expended more than \$750,000 of federal funds during its fiscal year 2016/2017, the City was required to undergo a 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. The majority of the federal funds were expended from Illinois Water Revolving Fund loan proceeds the City received from the Illinois Environmental Protection Agency (IEPA). Proceeds were used to make necessary improvements at the City’s two Wastewater Treatment Plants. Additional proceeds were expended from the Department of Justice’s Equitable Sharing Program. Funds were used to purchase video surveillance equipment and Tasers.

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 financial 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 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 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. The years 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. In 2016, Crystal Lake achieved the status of zero vacancies for the first time ever in the downtown, as well as filled 738,250 square feet of commercial space consisting of filling 677,566 square feet with new business occupancies.

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. On the other end of the Route 14 retail corridor, construction is already underway for the redevelopment of the former Sears site to build a new Mariano’s store, adding a new major draw to the community.

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, Jersey Mike’s, 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, Taqueria 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. In 2017, the City attracted Park Ward Motors, a classic Rolls-Royce restorer and seller and is working with existing dealerships to expand their operations.

Crystal Lake continues to be an attractive place to live and conduct business. In 2011 through Summer of 2017, new businesses who have either occupied space or leased space and are under construction, or relocated to larger buildings include: Five Below, Ross Dress for Less, 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, LT Nail, Bucky's Convenience Store, Casey's General Store, Tommy's (2<sup>nd</sup> location), That's Amore (2<sup>nd</sup> location), Welders Supply Company, CVS Pharmacy, Subway, White Oak Interiors, Hertz, The Quarry Cable Park, Duke's on the Water, On The Brink Salon, Autol Corporation, Matt's Express Wash, MSupper Club, Carols Mexican Grill, Breaking Bread, Monsters Ink Tattoo, Basic Logistics Inc., Hammortree Financial Services, Brow Boutique, Pink Pearls & Girly Girls, BBC Innovation Corporation, Precision Waterjet Inc., Metro-Graphics, Living Stones, Ultimate Software, Konica Minolta Healthcare, Windy City Cryo, S&T Nails, and Covey Law Firm.

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 the 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 2017/18.

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 visual appeal of the corridor has encouraged the creation of a new restaurant row along Virginia Street. This began with the sale and renovation of 1776, the addition of MSupper Club, a fine dining restaurant, and the purchase of the former Porters site for a new restaurant.

The Vulcan Lakes TIF was enhanced 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 and Duke's on the Water, which is a privately owned and operated restaurant and wake board facility. The Quarry Cable Park 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, 2016. This results in twenty-seven 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 2017 Budget document for the ninth 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.

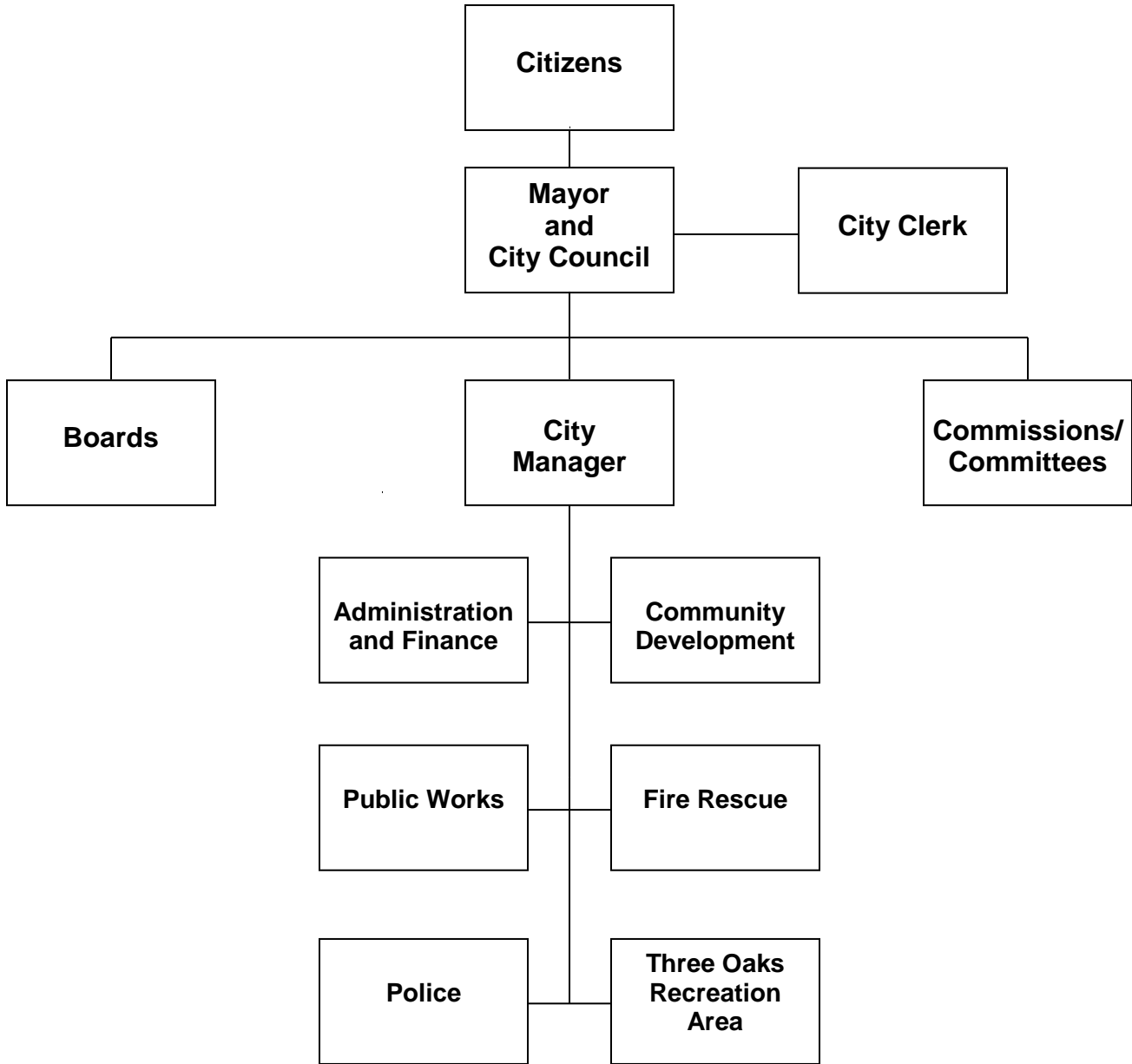


Gary J. Mayerhofer  
City Manager



George J. Koczwar  
Director of Finance/Treasurer

# CITY OF CRYSTAL LAKE ORGANIZATIONAL STRUCTURE



**City of Crystal Lake, Illinois  
Principal Officials  
April 30, 2017**

---

**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 Haleblan, 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 – Michael Magnuson

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, 2016**

Executive Director/CEO

## **FINANCIAL SECTION**

**INDEPENDENT AUDITOR'S REPORT**



# Selden Fox

Accounting for your future

619 Enterprise Drive | Oak Brook, Illinois 60523 | www.seldenfox.com  
p 630.954.1400 | f 630.954.1327 | email@seldenfox.com

## INDEPENDENT AUDITOR'S REPORT

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

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Crystal Lake, Illinois** (City), as of and for the year ended April 30, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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, and the aggregate remaining fund information of the City of Crystal Lake, Illinois, as of April 30, 2017, 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.

## **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-18 and the *Schedules of Funding Progress* (page 82), *Employer Contributions* (pages 83-87), *Changes in the Employer's Net Pension Liability and Related Ratios* (pages 88-92), and *Investment Returns* (page 93), 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 on pages 94-157 and the introductory and statistical section on pages i - xi and 158-189, 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information listed as supplementary information 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated October 10, 2017, on our consideration of the City of Crystal Lake, Illinois', internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Crystal Lake, Illinois', internal control over financial reporting and compliance.

*Selden Fox, Ltd.*

October 10, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis 2017

The City of Crystal Lake 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 (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, 2017. 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 viii 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 \$213,519 (net position).
- 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 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*). The City's net pension liability at April 30, 2017, is \$57,251, an increase of \$11,309 over the prior year, that is largely attributable to changes in mortality rates for police officers and firefighters.

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*. Deferred outflows net of deferred inflows related to pensions totaled \$16,557 at April 30, 2017.

- During the fiscal year, the City invested \$15,998 in capital (buildings, equipment and infrastructure). Major capital asset acquisitions made during the fiscal year included: the replacement of two response vehicles, an ambulance, a pumper engine and five heart monitors (Fire Rescue), five patrol vehicles and one administrative vehicle (Police), one dump

truck, two pickup trucks, a transit van and an administrative vehicle (Public Works), as well as replacement of the phone system (City Hall) video surveillance system (City Hall, Three Oaks Recreation Area, Metra Station and Prairie Path Tunnel) and installation of an additional parking lot (Three Oaks Recreation Area).

In addition to the City's annual street resurfacing program, roadway projects included Phase I engineering for improvements to North Main Street and for the intersections of Main Street at Crystal Lake Avenue and U.S. Route 14 at Virginia Road. The multi-use path near the Country Club subdivision was completed and the final payment was made to the State for the storm sewer relocation project along McHenry Avenue.

Included in water and sewer capital expenditures, is the construction of a second digester at Wastewater Treatment Plant #2, as well as rehabilitation of Wastewater Treatment Plant #3 facilities. The water tower on Poplar was recoated and the motor control center in raw sewage Pump Station #1 was replaced. The sand separator at Well #8 was replaced in addition to the ultraviolet system control panel. Repairs are in progress at Well #16.

- The City 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. As of April 30, 2017, the City borrowed \$10,637.

At the end of the current fiscal year, the City had \$45,327 of debt instruments outstanding.

- Revenues in the Water and Sewer Fund reflect an 11.4% increase in water and sewer rates that went into effect on May 1. The increase provides a funding mechanism that allows the Water and Sewer Fund to remain financially independent and to provide for the necessary capital investment to maintain water and sewer infrastructure. Fiscal year 2017 incorporated the third of five consecutive years of rate increases recommended by a water and sewer rate study that was commissioned by the City in February 2014.
- 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 \$14,500 and \$9,617, respectively. The unassigned fund balance represented 36.8% of General Fund operating expenditures, within the targeted range for fund balance according to City financial policies.

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 a workshop to be held in the first quarter of 2018.

## **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-one 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 seventeen 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 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 – 81 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 82 - 93 of this report.

**Other supplementary information.** This includes combining and individual fund statements and schedules, which can be found beginning on page 94 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 158.



## 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 \$213,519.

### Consolidated Statement of Net Position As of April 30, 2017 (In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2017	2016	2017	2016	2017
Current & other assets	\$ 45,199	\$ 44,276	\$ 9,543	\$ 11,124	\$ 54,742	\$ 55,400
Capital assets	188,855	189,532	69,536	77,278	258,391	266,810
<b>Total assets</b>	<u>234,054</u>	<u>233,808</u>	<u>79,079</u>	<u>88,402</u>	<u>313,133</u>	<u>322,210</u>
<b>Deferred Outflows</b>	<u>8,979</u>	<u>17,246</u>	<u>695</u>	<u>629</u>	<u>9,674</u>	<u>17,875</u>
Long-term liabilities	58,548	69,297	24,937	32,872	83,485	102,169
Other liabilities	6,632	6,131	4,087	4,944	10,719	11,075
<b>Total liabilities</b>	<u>65,180</u>	<u>75,428</u>	<u>29,024</u>	<u>37,816</u>	<u>94,204</u>	<u>113,244</u>
<b>Deferred Inflows</b>	<u>12,353</u>	<u>13,169</u>	<u>157</u>	<u>153</u>	<u>12,510</u>	<u>13,322</u>
Net assets:						
Net investment in capital assets	173,957	176,078	44,806	44,551	218,763	220,629
Restricted	7,095	7,370	-	-	7,095	7,370
Unrestricted	(15,552)	(20,991)	5,787	6,511	(9,765)	(14,480)
<b>Total net position</b>	<u>\$ 165,500</u>	<u>\$ 162,457</u>	<u>\$ 50,593</u>	<u>\$ 51,062</u>	<u>\$ 216,093</u>	<u>\$ 213,519</u>

By far, the largest portion of the City's net position (103.3%) 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 (3.45%) 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, 2017, as the adoption of GASB Statement No. 68 requires the City to recognize net pension liability totaling \$57,251 at April 30, 2017, for its three pension plans.

**Changes in Net Position**  
**For the Fiscal Year Ended April 30, 2017**  
(In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2017	2016	2017	2016	2017
Program revenues:						
Charges for services	\$ 5,658	\$ 6,542	\$ 10,048	\$ 11,182	\$ 15,706	\$ 17,724
Grants and contributions:						
Operating	3,647	1,306	-	-	3,647	1,306
Capital	2,630	329	850	114	3,480	443
General revenues:						
Property	13,424	12,369	-	-	13,424	12,369
Other taxes	7,451	7,252	-	-	7,451	7,252
Intergovernmental	16,405	16,313			16,405	16,313
Other	1,641	1,149	288	85	1,929	1,234
<b>Total revenues</b>	<b>50,856</b>	<b>45,260</b>	<b>11,186</b>	<b>11,381</b>	<b>62,042</b>	<b>56,641</b>
Expenses:						
Governmental activities:						
General government	9,454	9,187	-	-	9,454	9,187
Public safety	25,244	28,676	-	-	25,244	28,676
Highways and streets	11,138	8,803	-	-	11,138	8,803
Culture and recreation	1,158	1,202	-	-	1,158	1,202
Interest on long-term debt	473	435	-	-	473	435
Business-type activities - waterworks and sewerage	-	-	11,161	10,912	11,161	10,912
<b>Total expenses</b>	<b>47,467</b>	<b>48,303</b>	<b>11,161</b>	<b>10,912</b>	<b>58,628</b>	<b>59,215</b>
<b>Revenues over (under)   expenses</b>	<b>3,389</b>	<b>(3,043)</b>	<b>25</b>	<b>469</b>	<b>3,414</b>	<b>(2,574)</b>
Transfers and adjustments	-	-	-	-	-	-
<b>Changes in net position</b>	<b>3,389</b>	<b>(3,043)</b>	<b>25</b>	<b>469</b>	<b>3,414</b>	<b>(2,574)</b>
Net position - beginning of year, as previously reported	194,006	165,500	51,948	50,593	245,954	216,093
Prior period restatement	(31,895)	-	(1,380)	-	(33,275)	-
Net position, beginning of year, as restated	162,111	165,500	50,568	50,593	212,679	216,093
Net position - ending of year	\$ 165,500	\$ 162,457	\$ 50,593	\$ 51,062	\$ 216,093	\$ 213,519

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

- Charges for services increased from the previous year. Fiscal year 2017 receipts reflect a full year of earnings from providing fire rescue services to the Village of Lakewood. 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.

Ambulance fee revenues reflect the third year of four consecutive years of rate increases approved by City Council in 2014.

Rental and admission fees to the Three Oaks Recreation Area rose above those of fiscal year 2016. The City opened the Three Oaks Recreation Area to the public on October 1, 2010. The Three Oaks Recreation Area is a reclaimed quarry that has pristine waters and excellent fishing. Patrons are able to rent rowboats, canoes, kayaks, sailboats and paddleboats from a rental marina. A grass picnic area and various overlooks provides patrons with breathtaking views of the water and lake islands. In addition, the facility offers hiking trails, a playground/spray park, swimming, scuba diving, wakeboarding, concession areas and patios.

New for fiscal year 2017 are Video Gaming Licenses and State Video Gaming Tax. Fees are \$1,000 per video gaming license, \$500 per video gaming terminal and \$1,000 per terminal operator. Each establishment is limited to 3 video gaming terminals while the number of terminal operators is unlimited. Licenses and permits are renewed annually. A tax of 30% is imposed by the State on net income from video gaming terminals. Of the tax collected, one-sixth is distributed to municipalities and counties that have not prohibited video gaming. The amount allocable to each municipality or county is in proportion to tax revenue generated from within each.

- Grants and contributions for governmental activities for fiscal year 2017 totaled \$1,749. Proceeds were used for the purposes of traffic safety enforcement activities, tobacco and drug enforcement activities, replacement of bulletproof vests in the Police Department and for in-squad cameras. Grant proceeds were also used for roadway improvements, a multi-purpose pedestrian path near Country Club Road, and engineering to re-route the Prairie Trail path to a signalized crossing over IL route 176.

Grants and contributions in the previous fiscal year included monies from McHenry County for their share of improvements to 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 fiscal year 2016, \$1,118 (\$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 School Crossing Guard Fund and \$175 for non-public safety pensions reported in the IMRF/FICA Fund), of sequestered property taxes were released by the McHenry County Treasurer then recorded as income by the City.
- Fiscal year 2017 results of other taxes were mixed. Home Rule Sales Tax, Hotel/Motel Tax and Auto Rental Tax receipts exceeded those of the previous year. Receipts of

Telecommunications Tax continued their decline as business and residential customers alike make changes to the way they communicate, abandoning landlines in favor of cell phones and other internet-based communication. Prepaid cellular services and internet-based communications are exempt from certain taxation.

Cable franchise fee revenue declined from the previous year. Findings of a recent audit revealed that Comcast had been remitting to the City franchise fees collected from customers outside of city limits. Comcast has since corrected their records, reducing fees paid to the City.

- 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. While receipts of personal property replacement tax rose over those of fiscal year 2016, receipts of income tax declined. The reduction in income tax receipts is credited to a change in the formula used by the State to allocate collections of tax between income tax and personal property replacement tax. The State's new system allocates payments between income and replacement taxes in "real time" whereas the old system relied on a formula for the split. Both shall be reconciled at the end of the State's fiscal year.

Receipts of retail sales and use taxes rose in 2017. New car sales remained strong. Rising 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 also contribute to increased receipts by the City. 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.

- Receipts of other revenue declined in 2017. Last year's receipts reflect the recovery of \$260 in legal fees arising from a court case involving bleachers at Crystal Lake South High School, as well as 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.

Included in other revenue in fiscal 2016 are collections of debts owed to the City from participants in Special Service Area (SSA) Number 43. SSA #43 was created in 2004 for purposes of extending water and sewer mains in the area of the Crystal Heights subdivision. SSA #43 property taxes are abated for properties whose owners have paid to the City their full share of construction costs.

Other revenue includes interest income credits of \$234 and \$378 for fiscal years 2016 and 2017, respectively. Interest income credits arise 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.

Unrealized investment losses of \$261 were recognized at April 30, 2017, as demand for safe haven investments like U.S. securities falls. Investors are seeking more favorable returns. A

loss doesn't actually occur unless the City sells its investments for less than what it paid to purchase them. During fiscal year 2016, unrealized investment gains of \$73 were recognized.

- General and administrative expenditures declined \$267 or 3.0% from the prior year. Pension expenses of non-public safety personnel declined as earnings on pension investments improved. Group insurance decreased as insurance recoveries were used to offset insurance expenses. Fiscal year 2017 expenses for legal fees ended the year below those of 2016. Last year, litigation against District 155 involving bleachers at Crystal Lake High School reached its conclusion. Offsetting declines are increases in Compensated Absences (value of accrued employee leave) and costs for Information Technology Managed Services. Information Technology Managed Services are provided by FutureNet Group. 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. Fiscal 2017 expenses reflect the first full year for services received from the FutureNet Group.
- Public safety expenditures rose \$3,432 or 13.6% from the prior year. The escalation in expenses is largely the result of an increase in pension expense (\$2,982) as new mortality tables that extend life expectancies were used in the calculation of pension costs related to public safety personnel. Compensated Absences (value of accrued employee leave) also rose. Fiscal year 2017 expenses include acquisition of in-squad cameras. Offsetting increases is a reduction in transfers of property tax to the Police Pension Fund and to the Fire Pension Fund. Fiscal year 2016 transfers included funds previously sequestered by the McHenry County Treasurer in response to a taxpayer objection lawsuit.
- Highways and Streets expenditures decreased \$2,335 or 21.0% from the prior year. \$1,439 that was expended in fiscal year 2016 represented McHenry County's share of costs relating to the widening of South Main Street. The County's reimbursement to the City was recorded in 2016 as capital grant proceeds. Pension expenses of non-public safety personnel declined as earnings on pension investments improved. Funds expended on removing city-owned trees affected by the Emerald Ash Borer (EAB) were reduced. All infected trees have either been removed or are being chemically treated. Replacing trees will continue into future years. Concrete repairs associated with the City's street resurfacing program were completed in the prior year. Funds were not expended again in fiscal year 2017. No funds were expended in fiscal year 2017 for rehabilitation of sidewalks in the downtown shopping district. The final phase of sidewalk rehabilitation will be completed in 2018.
- 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 \$1,134 or 11.3% 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 May 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 2017 incorporated the third 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.

Other revenue declined \$203 or 70.5% over the prior year. Unrealized investment losses of \$64 were recognized at April 30, 2017, as demand for safe haven investments like U.S. securities falls. Investors are seeking more favorable returns. A loss doesn't actually occur unless the City sells its investments for less than what it paid to purchase them. During fiscal year 2016, unrealized investment gains of \$43 were recognized.

- Waterworks and sewerage expenditures declined \$249 or 2.2% from the prior year. Pension expenses of non-public safety personnel declined as earnings on pension investments improved. Compensated absences (value of accrued employee leave) also declined. Utility and chemical costs decreased as aging equipment is improved or replaced.

## 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 2017, the City's governmental funds reported combined ending fund balances of \$29,460, a decrease of \$1,092 from with the prior year. Approximately 32.6% of the ending balance or \$9,616 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 \$9,617, while the total fund balance was \$14,500. 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 36.8% of General Fund operating expenditures. The ending fund balance of the City's General Fund increased by \$1,383, at the end of the fiscal year. Temporary reductions in expenditures including position vacancies, payments for street patching and development projects that were still too early in infancy to require specialized consultant services led to the rise in fund balance at April 30, 2017.

The ending fund balance in the Motor Fuel Tax Fund is \$5,497, an increase of \$149 over the previous year. The entire balance is restricted for purposes of roadway improvements. Expenditures of Motor Fuel Tax dollars require authorization from the Illinois Department of Revenue, as well as the Crystal Lake City Council.

The ending fund balance in the Fire Rescue Fund is \$3,465, an increase of \$393 from the prior year. Leading to the increase are revenues from providing fire rescue services to the Village of Lakewood. Terms of the City's intergovernmental agreement with Lakewood 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-year periods unless either party delivers written notice of nonrenewal.

The ending fund balance in the Home Rule Sales Tax Fund fell \$1,213 to \$1,538. Home Rule Sales Tax 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. Beginning in fiscal year 2018, Home Rule Sales Tax will be reported in the City's General Fund.

In aggregate, Fund Balance of Other Governmental Funds declined \$1,804 (28.8%) from the previous year. To mitigate tax increases, one-time capital and equipment replacement expenditures are funded using unassigned fund balance and/or bond proceeds. 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 a workshop to be held during the first quarter of 2018. Fund balances continue to be maintained in accordance with City financial policies.

**Proprietary funds.** These funds are sometimes referred to as *business-like* funds of a 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 rose \$723 to \$6,511 at April 30, 2017. The increase in unrestricted net position is the result of fiscal year 2017 operations coupled with a decline in net investment in capital assets (asset cost less depreciation, less outstanding debt that was issued to acquire, repair or construct those assets). Net investment in capital assets declined from \$44,806 to \$44,551.

## General Fund Budgetary Highlights

### General Fund Budgetary Highlights Fiscal Year 2017 (In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues and other financing sources:			
Property taxes	\$ 3,686	\$ 3,686	\$ 3,681
Other taxes	2,329	2,329	2,173
Intergovernmental	16,454	16,454	16,343
Other	<u>1,730</u>	<u>1,730</u>	<u>2,490</u>
<b>Total revenues</b>	24,199	<b>24,199</b>	<b>24,687</b>
Expenditures	(28,039)	<b>(28,039)</b>	<b>(26,157)</b>
Other financing sources (uses)	<u>2,808</u>	<u>2,808</u>	<u>2,853</u>
<b>Net change in fund balance</b>	<u>\$ (1,032)</u>	<u>\$ (1,032)</u>	<u>\$ 1,383</u>

Actual revenues of \$24,687 exceeded amounts budgeted by \$488. Expenditures ended the year \$1,882 below budget. Other financing sources (uses) exceeded budget by \$46. 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.

- Zoning & Plan Review Fees exceeded amounts budgeted. The number of permit applications subject to review has risen. For example, applications to add a deck to a residential property require staff to review the City's zoning code before approving or denying the application.
- Building Permit Revenue has exceeded expectations. Included are receipts for three new convenience stores/gas stations and a house of worship.
- Receipts of Retail Sales and Use Taxes exceeded amounts budgeted. New car sales remained strong. Rising 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 also contribute to increased receipts by the City. 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.
- Receipts of Hotel/Motel tax exceeded expectations. It is the practice of City Council to award collections of the 5% tax on net rental receipts to not-for-profit organizations. These awards assist in offsetting costs of programs that attract tourists to the City of Crystal Lake.



- New for fiscal year 2016/2017 are Video Gaming Licenses and State Video Gaming Tax. Fees are \$1,000 per video gaming license, \$500 per video gaming terminal and \$1,000 per terminal operator. Each establishment is limited to 3 video gaming terminals while the number of terminal operators is unlimited. Licenses and permits are renewed annually. A tax of 30% is imposed by the State on net income from video gaming terminals. Of the tax collected, one-sixth is distributed to municipalities and counties that have not prohibited video gaming. The amount allocable to each municipality or county is in proportion to tax revenue generated from within each.
- Investment earnings exceeded budget expectations. Reflected in earnings is an interest earnings credit of \$378 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.
- Host Benefit Fees exceeded amounts budgeted. A host benefit fee is assessed on each ton of municipal waste that is transported out of the waste transfer station facility for permanent disposition. The fee is adjusted on an annual basis by the percent change in the Consumer Price Index.
- 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.
- 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 new car sales remained strong.
- Transfers of Home Rule Sales Tax to the General Fund exceeded budget. A 0.75% Home Rule Sales Tax on general merchandise provides funding for operational services of the City as well to provide for the payment of debt service for the Three Oaks Recreation Area. Beginning in fiscal year 2018, Home Rule Sales Tax will be reported as income in the City's General Fund. In years prior, Home Rule Sales Tax was segregated in its own Fund.

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

- Income tax receipts missed budget expectations. The shortfall is attributed to a change in the formula used by the State for allocating revenues between income tax and personal property replacement tax. The new system allocates payments between income and replacement taxes in "real time" whereas the old system relied on a formula for the split. Both will be reconciled at the end of the State's fiscal year.
- Police Fines revenue did not meet budget in fiscal year 2017 as more motorists complied with local traffic laws, resulting in decreased revenue.

- Cable franchise fees ended the year below budget. A portion of revenue recognized in the previous year was reversed in the current year as the City worked with Comcast to identify customers in City limits.
- 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.
- 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.
- 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 Information Technology Department ended the year below budget due to needs of the department 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 Streets Division of the Public Works Department ended the year below budget due to timing of payments for street patching.
- Motor fuel costs ended the year below budget as prices for petroleum-based products dropped to their lowest level in five (5) years.

### **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, 2017, totaled \$266,810 (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 \$8,419 or 3.3%.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2017	2016	2017	2016	2017
Land	\$ 103,567	\$ 103,585	\$ 628	\$ 628	\$ 104,195	\$ 104,213
Construction in progress	7,657	7,964	3,044	13,165	10,701	21,129
Buildings and improvements	23,033	22,808	10,552	10,433	33,585	33,241
Machinery, equipment and vehicles	6,946	7,475	6,174	5,732	13,120	13,207
Infrastructure	47,652	47,700	49,138	47,320	96,790	95,020
<b>Total</b>	<b>\$ 188,855</b>	<b>\$ 189,532</b>	<b>\$ 69,536</b>	<b>\$ 77,278</b>	<b>\$ 258,391</b>	<b>\$ 266,810</b>

Major capital asset acquisitions made during the fiscal year included: the replacement of two response vehicles, an ambulance, a pumper engine and five heart monitors (Fire Rescue), five patrol vehicles and one administrative vehicle (Police), one dump truck, two pickup trucks, a transit van and an administrative vehicle (Public Works), as well as replacement of the phone system (City Hall) video surveillance system (City Hall, Three Oaks Recreation Area, Metra Station and Prairie Path Tunnel) and installation of an additional parking lot (Three Oaks Recreation Area).

In addition to the City's annual street resurfacing program, roadway projects included phase I engineering for improvements to North Main Street and for the intersections of Main Street at Crystal Lake Avenue and U.S. Route 14 at Virginia Road. The multi-use path near the Country Club subdivision was completed and the final payment was made to the State for the storm sewer relocation project along McHenry Avenue.

Included in water and sewer capital expenditures is the construction of a second digester at Wastewater Treatment Plant #2, as well as rehabilitation of Wastewater Treatment Plant #3 facilities. The water tower on Poplar was recoated and the motor control center in raw sewage pump station #1 was replaced. The sand separator at Well #8 was replaced in addition to the ultraviolet system control panel. Repairs are in progress at Well #16.

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 \$45,327 of debt instruments outstanding.

**Long-Term Debt at Year End  
Fiscal Year 2017  
(In thousands)**

	Balance, May 1, 2016	Additions	Deletions	Balance, April 30, 2017
General obligation bonds	\$ 36,360	\$ -	\$ 3,395	\$ 32,965
Notes payable	1,900	-	175	1,725
Loans payable	419	10,218	-	10,637
	<u>\$ 38,679</u>	<u>\$ 10,218</u>	<u>\$ 3,570</u>	<u>\$ 45,327</u>

The City 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 \$10,637 as of April 30, 2017.

Special Service Area (SSA) bond issues outstanding at April 30, 2017, include:

- Special Service Area Number 45 Bonds, Series 2006 - \$5,440
- Special Service Area Number 44 Bonds, Series 2007 - \$250
- Special Service Area Number 46 Refunding Bonds, Series 2016 - \$2,415

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 University of Michigan's index of consumer sentiment increased to 96.8 in August as compared to 89.8 one year ago in August 2016. Renewed consumer confidence in 2017 is related to low unemployment, inflation and interest rates, as well as gains in the value of homes and in stocks. The national unemployment rate fell from 4.9% one year ago to 4.3% in August. In Illinois, the unemployment rate fell from 5.8% to 4.8%. Nationally, single-family housing starts rose 7% and the yield on the 10-year Treasury note rose 54 basis points, signaling investors' confidence in moving away from assets perceived as safe havens.

In July 2017, the Illinois General Assembly ended a two-year budget impasse by approving a budget package. Included in the budget package was a permanent increase to Illinois income tax rates, as well as a diversion of some state-shared tax revenue from local governments.

As a result of the July 2017 approved State budget, the City of Crystal Lake may experience a decline in future receipts of Home Rule Sales Tax. Beginning in July 2017, 2% of certain sales taxes collected by the state on behalf of municipalities will be retained by the State. Further, a larger share of Personal Property Replacement Tax will be used to fund State programs as opposed to being distributed to local governments. Finally, a one-year, 10% temporary decrease in local governments' share of income tax was also approved. The temporary decrease is anticipated to be offset by the State accelerating payments to local governments. During the State's fiscal year 2018, local governments should anticipate to receive 14 payments of income tax as the State moves to eliminate a 60-day delay in the distribution of tax payments.

To balance the fiscal year 2018 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.

The fiscal year 2018 budget continues funding General Fund services without the use of a General Fund property tax. General Fund services include Police, Community Development, Streets, Storm Sewers, Fleet and Facilities Maintenance, as well as Legal, City Administration and the Three Oaks Recreation Area. In order to mitigate tax increases, one-time capital and equipment replacement expenditures shall continue to be funded using unassigned fund balance and/or bond proceeds. Bonds shall not be used to finance operating deficits and fund balances shall be maintained in accordance with City financial policies.

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 2018 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 fourth of five consecutive years of rate increases recommended by the study.

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 a workshop to be held in the first quarter of 2018.

### **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 Koczvara, 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, 2017**

	Governmental Activities	Business-type Activities	Total	Component Unit
				Crystal Lake Public Library
<b>Assets</b>				
Cash and investments	\$ 22,675,499	\$ 7,534,180	\$ 30,209,679	\$ 5,163,448
Receivables, net:				
Property taxes	12,005,448	-	12,005,448	4,449,590
Accrued interest	85,650	6,235	91,885	-
Accounts	1,627,322	3,521,540	5,148,862	-
Internal balances	(53,160)	53,160	-	-
Due from other governments	5,634,840	-	5,634,840	-
Inventory	176,900	-	176,900	-
Prepaid items and other assets	2,123,708	9,293	2,133,001	-
<b>Total current assets</b>	<b>44,276,207</b>	<b>11,124,408</b>	<b>55,400,615</b>	<b>9,613,038</b>
Noncurrent:				
Capital assets (net of accumulated depreciation):				
Land	103,584,779	628,095	104,212,874	2,363,040
Construction in progress	7,964,417	13,165,095	21,129,512	-
Buildings and improvements	22,808,310	10,432,637	33,240,947	4,505,170
Machinery, equipment and vehicles	7,474,902	5,731,813	13,206,715	42,042
Infrastructure	47,699,524	47,320,472	95,019,996	-
<b>Total noncurrent assets</b>	<b>189,531,932</b>	<b>77,278,112</b>	<b>266,810,044</b>	<b>6,910,252</b>
<b>Total assets</b>	<b>233,808,139</b>	<b>88,402,520</b>	<b>322,210,659</b>	<b>16,523,290</b>
<b>Deferred Outflows</b>				
Pension-related	17,245,802	628,573	17,874,375	603,812
<b>Total assets and deferred outflows</b>	<b>251,053,941</b>	<b>89,031,093</b>	<b>340,085,034</b>	<b>17,127,102</b>

See accompanying notes.

	Governmental Activities	Business-type Activities	Total	Component Unit
				Crystal Lake Public Library
<b>Liabilities</b>				
Current:				
Accounts payable	\$ 2,436,540	\$ 2,109,604	\$ 4,546,144	\$ 167,907
Accrued liabilities	30,166	1,848	32,014	51,950
Recapture fees payable	108,959	-	108,959	-
Deposits payable	157,132	163,544	320,676	-
Interest payable	209,120	252,474	461,594	-
Unearned revenue	77,492	-	77,492	-
General obligation bonds payable	1,447,121	2,012,879	3,460,000	-
Promissory note payable	-	200,000	200,000	-
Compensated absences payable	1,664,034	203,565	1,867,599	82,320
<b>Total current liabilities</b>	<b>6,130,564</b>	<b>4,943,914</b>	<b>11,074,478</b>	<b>302,177</b>
Noncurrent:				
Compensated absences payable	1,664,035	203,564	1,867,599	47,420
General obligation bonds payable	12,006,430	18,351,671	30,358,101	-
Promissory note payable	-	1,525,000	1,525,000	-
IEPA loan payable	-	10,637,279	10,637,279	-
Net pension obligations	55,096,651	2,154,640	57,251,291	2,069,763
Net other post-employment benefit obligation	530,002	-	530,002	-
<b>Total noncurrent liabilities</b>	<b>69,297,118</b>	<b>32,872,154</b>	<b>102,169,272</b>	<b>2,117,183</b>
<b>Total liabilities</b>	<b>75,427,682</b>	<b>37,816,068</b>	<b>113,243,750</b>	<b>2,419,360</b>
<b>Deferred Inflows of Resources</b>				
Property taxes	12,005,447	-	12,005,447	4,449,589
Pension-related	1,164,172	152,796	1,316,968	146,778
<b>Total deferred inflows</b>	<b>13,169,619</b>	<b>152,796</b>	<b>13,322,415</b>	<b>4,596,367</b>
<b>Total liabilities and deferred inflows</b>	<b>88,597,301</b>	<b>37,968,864</b>	<b>126,566,165</b>	<b>7,015,727</b>
<b>Net Position</b>				
Net investment in capital assets	176,078,381	44,551,283	220,629,664	6,910,252
Restricted for:				
Working cash	-	-	-	50,485
Highways and streets	5,496,551	-	5,496,551	-
Retirement	1,337,123	-	1,337,123	206,144
Debt service	535,819	-	535,819	-
Unrestricted	(20,991,234)	6,510,946	(14,480,288)	2,944,494
<b>Total net position</b>	<b>\$ 162,456,640</b>	<b>\$ 51,062,229</b>	<b>\$ 213,518,869</b>	<b>\$ 10,111,375</b>

**City of Crystal Lake, Illinois  
Statement of Activities  
For the Year Ended April 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Crystal Lake Public Library
Governmental activities:								
General and administrative	\$ 9,186,944	\$ 1,151,113	\$ -	\$ 22,132	\$ (8,013,699)	\$ -	\$ (8,013,699)	\$ -
Public safety	28,675,754	4,548,947	240,876	1,000	(23,884,931)	-	(23,884,931)	-
Highways and streets	8,803,178	216,074	1,064,996	305,691	(7,216,417)	-	(7,216,417)	-
Culture and recreation	1,202,081	626,341	-	-	(575,740)	-	(575,740)	-
Interest on long-term debt	434,677	-	-	-	(434,677)	-	(434,677)	-
<b>Total governmental activities</b>	48,302,634	6,542,475	1,305,872	328,823	(40,125,464)	-	(40,125,464)	-
Business-type activities - Waterworks and Sewerage	10,911,625	11,182,267	-	113,616	-	384,258	384,258	-
<b>Total primary government</b>	\$ 59,214,259	\$ 17,724,742	\$ 1,305,872	\$ 442,439	(40,125,464)	384,258	(39,741,206)	-
Component unit - Crystal Lake Public Library	\$ 4,670,851	\$ 213,922	\$ -	\$ -	-	-	-	(4,456,929)
		General revenues:						
		Taxes:						
					12,368,764	-	12,368,764	4,488,692
					5,078,986	-	5,078,986	-
					43,751	-	43,751	-
					615,070	-	615,070	-
					1,155,832	-	1,155,832	-
					320,639	-	320,639	-
					37,133	-	37,133	-
		Intergovernmental:						
					160,573	-	160,573	-
					12,310,138	-	12,310,138	-
					3,841,569	-	3,841,569	-
					484,987	(12,899)	472,088	33,411
					-	(95,982)	(95,982)	-
					664,177	193,998	858,175	52,555
		<b>Total general revenues</b>			37,081,619	85,117	37,166,736	4,574,658
		<b>Changes in net position</b>			(3,043,845)	469,375	(2,574,470)	117,729
		Net position, beginning of the year			165,500,485	50,592,854	216,093,339	9,993,646
		Net position, end of the year			\$ 162,456,640	\$ 51,062,229	\$ 213,518,869	\$ 10,111,375

See accompanying notes.



**City of Crystal Lake, Illinois**  
**Balance Sheet - Governmental Funds**  
**April 30, 2017**

	Special Revenue Funds					Total Governmental Funds
	General Fund	Motor Fuel Tax Fund	Fire Rescue Fund	Home Rule Sales Tax Fund	Other Governmental Funds	
<b>Assets</b>						
Cash and investments	\$ 8,531,028	\$ 5,368,513	\$ 3,170,145	\$ 204,524	\$ 5,401,289	\$ 22,675,499
Receivables:						
Property taxes, net	3,663,466	-	6,466,169	-	1,875,813	12,005,448
Interest	64,700	16,208	4,742	-	-	85,650
Other	810,287	90,156	524,753	-	202,126	1,627,322
Due from other funds	143,182	-	-	156,810	15	300,007
Due from other governments	4,369,088	89,206	-	1,176,546	-	5,634,840
Inventory	176,900	-	-	-	-	176,900
Prepaid items	2,118,785	-	-	-	4,923	2,123,708
<b>Total assets</b>	<b>\$ 19,877,436</b>	<b>\$ 5,564,083</b>	<b>\$ 10,165,809</b>	<b>\$ 1,537,880</b>	<b>\$ 7,484,166</b>	<b>\$ 44,629,374</b>
<b>Liabilities</b>						
Accounts payable	\$ 1,288,212	\$ 67,532	\$ 164,059	\$ -	\$ 916,737	\$ 2,436,540
Accrued payroll	19,546	-	6,244	-	4,376	30,166
Recapture fees payable	866	-	-	-	108,093	108,959
Customer deposits	157,132	-	-	-	-	157,132
Unearned revenue	13,568	-	63,924	-	-	77,492
Due to other funds	234,824	-	-	-	118,343	353,167
<b>Total liabilities</b>	<b>1,714,148</b>	<b>67,532</b>	<b>234,227</b>	<b>-</b>	<b>1,147,549</b>	<b>3,163,456</b>
<b>Deferred Inflows of Resources</b>						
Property taxes	3,663,466	-	6,466,169	-	1,875,812	12,005,447
<b>Fund Balances</b>						
Nonspendable	2,295,685	-	-	-	4,923	2,300,608
Restricted, reported in:						
Restricted for highways and streets	-	5,496,551	-	-	-	5,496,551
Restricted for retirement	-	-	-	-	1,337,123	1,337,123
Restricted for police activities	-	-	-	-	443,437	443,437
Restricted for debt service	-	-	-	-	535,819	535,819
Restricted for park development	-	-	-	-	97,819	97,819
Committed for capital facilities	3,128	-	-	-	-	3,128
Assigned for next fiscal year expenditures	2,534,804	-	-	-	-	2,534,804
Assigned for promotion of tourism	49,307	-	-	-	-	49,307
Assigned, reported in:						
Special Revenue funds	-	-	3,465,413	1,537,880	359,538	5,362,831
Capital Projects funds	-	-	-	-	1,682,146	1,682,146
Unassigned, reported in:						
General fund	9,616,898	-	-	-	-	9,616,898
<b>Total fund balances</b>	<b>14,499,822</b>	<b>5,496,551</b>	<b>3,465,413</b>	<b>1,537,880</b>	<b>4,460,805</b>	<b>29,460,471</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 19,877,436</b>	<b>\$ 5,564,083</b>	<b>\$ 10,165,809</b>	<b>\$ 1,537,880</b>	<b>\$ 7,484,166</b>	<b>\$ 44,629,374</b>

See accompanying notes.

**City of Crystal Lake, Illinois**  
**Reconciliation of Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**April 30, 2017**

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Total fund balance - governmental funds (page 8)	\$ 29,460,471
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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.	189,531,932
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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.	(30,379)
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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:

General obligation bonds payable	(13,423,172)
Compensated absences payable	(3,328,069)
Net pension liability	(55,096,651)
Net other post-employment benefit obligation	(530,002)
Interest payable	(209,120)
Difference in pension-related items on deferred outflows	17,245,802
Difference in pension-related items on deferred inflows	<u>(1,164,172)</u>

Net position of governmental activities (page 4)	<u>\$ 162,456,640</u>
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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, 2017**

	General Fund	Special Revenue		Funds	Other Governmental Funds	Total Governmental Funds
		Motor Fuel Tax Fund	Fire Rescue Fund	Home Rule Sales Tax Fund		
Revenues:						
Charges for services	\$ 415,963	\$ -	\$ 3,918,326	\$ -	\$ 925,332	\$ 5,259,621
Licenses and permits	410,804	-	-	-	216,074	626,878
Intergovernmental	16,342,926	1,366,400	7,889	-	229,761	17,946,976
Fines and forfeitures	514,864	-	-	-	-	514,864
Property taxes	3,680,818	-	6,447,301	-	2,240,645	12,368,764
Other taxes	2,172,425	-	-	5,078,986	-	7,251,411
Investment income	422,072	42,919	16,690	2,453	853	484,987
Miscellaneous	726,702	-	81,976	-	100,786	909,464
<b>Total revenues</b>	<b>24,686,574</b>	<b>1,409,319</b>	<b>10,472,182</b>	<b>5,081,439</b>	<b>3,713,451</b>	<b>45,362,965</b>
Expenditures:						
Current:						
General government	7,331,139	-	-	-	845,754	8,176,893
Public safety	13,968,688	-	9,259,703	-	727,867	23,956,258
Highways and streets	4,422,550	342,803	-	-	2,357,601	7,122,954
Culture and recreation	-	-	-	-	736,944	736,944
Debt service:						
Principal retirement	385,984	-	-	-	1,040,999	1,426,983
Interest and fiscal charges	48,545	-	-	-	402,225	450,770
Miscellaneous	-	-	-	-	24,569	24,569
Capital outlay	-	917,435	819,846	-	2,821,994	4,559,275
<b>Total expenditures</b>	<b>26,156,906</b>	<b>1,260,238</b>	<b>10,079,549</b>	<b>-</b>	<b>8,957,953</b>	<b>46,454,646</b>
<b>Revenues over (under) expenditures before other financing sources (uses)</b>	<b>(1,470,332)</b>	<b>149,081</b>	<b>392,633</b>	<b>5,081,439</b>	<b>(5,244,502)</b>	<b>(1,091,681)</b>
Other financing sources (uses):						
Transfers in	3,853,638	-	-	9,595	3,452,032	7,315,265
Transfers out	(1,000,000)	-	-	(6,304,020)	(11,245)	(7,315,265)
<b>Total other financing sources (uses)</b>	<b>2,853,638</b>	<b>-</b>	<b>-</b>	<b>(6,294,425)</b>	<b>3,440,787</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>1,383,306</b>	<b>149,081</b>	<b>392,633</b>	<b>(1,212,986)</b>	<b>(1,803,715)</b>	<b>(1,091,681)</b>
Fund balances, beginning of the year	13,116,516	5,347,470	3,072,780	2,750,866	6,264,520	30,552,152
Fund balances, end of the year	\$ 14,499,822	\$ 5,496,551	\$ 3,465,413	\$ 1,537,880	\$ 4,460,805	\$ 29,460,471

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, 2017**

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Amounts reported for governmental activities in the statement of activities (pages 5 and 6) are different because:

Net changes in fund balances - total governmental funds (page 11).	\$ (1,091,681)
Governmental funds report capital outlays as expenditures, however, they are capitalized and depreciated in the statement of activities.	3,939,594
Depreciation on capital assets is reported as an expense in the statement of activities.	(3,215,237)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net position.	(47,818)
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.	1,426,983
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.	17,716
The net effect of changes in the net pension liability is reported as an expense in the statement of activities.	(3,683,661)
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	(248,724)
Increase in other post-employment benefit obligation	(156,953)
Decrease in interest payable	15,936
Change in net position of governmental activities (page 6)	<u>\$ (3,043,845)</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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
Charges for services	\$ 386,000	\$ 386,000	\$ 415,963	\$ 29,963
Licenses and permits	311,000	311,000	410,804	99,804
Intergovernmental	16,454,000	16,454,000	16,342,926	(111,074)
Fines and forfeitures	561,000	561,000	514,864	(46,136)
Property taxes	3,685,566	3,685,566	3,680,818	(4,748)
Other taxes	2,328,500	2,328,500	2,172,425	(156,075)
Investment income	43,921	43,921	422,072	378,151
Miscellaneous	429,300	429,300	726,702	297,402
<b>Total revenues</b>	<b>24,199,287</b>	<b>24,199,287</b>	<b>24,686,574</b>	<b>487,287</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	8,435,157	8,435,157	7,331,139	1,104,018
Public safety	14,377,802	14,377,802	13,968,688	409,114
Highways and streets	4,792,094	4,792,094	4,422,550	369,544
<b>Debt service:</b>				
Principal	385,984	385,984	385,984	-
Interest and fees	48,588	48,588	48,545	43
<b>Total expenditures</b>	<b>28,039,625</b>	<b>28,039,625</b>	<b>26,156,906</b>	<b>1,882,719</b>
<b>Revenues under expenditures before other financing sources (uses)</b>	<b>(3,840,338)</b>	<b>(3,840,338)</b>	<b>(1,470,332)</b>	<b>2,370,006</b>
<b>Other financing sources (uses):</b>				
Transfers in	3,808,138	3,808,138	3,853,638	45,500
Transfers out	(1,000,000)	(1,000,000)	(1,000,000)	-
<b>Total other financing sources (uses)</b>	<b>2,808,138</b>	<b>2,808,138</b>	<b>2,853,638</b>	<b>45,500</b>
<b>Net changes in fund balance</b>	<b>\$ (1,032,200)</b>	<b>\$ (1,032,200)</b>	<b>1,383,306</b>	<b>\$ 2,415,506</b>
Fund balance, beginning of the year			<b>13,116,516</b>	
Fund balance, end of the year			<b>\$ 14,499,822</b>	

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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,830,719	\$ 1,830,719	\$ 1,366,400	\$ (464,319)
Investment income	10,000	10,000	42,919	32,919
<b>Total revenues</b>	<u>1,840,719</u>	<u>1,840,719</u>	<u>1,409,319</u>	<u>(431,400)</u>
Expenditures - current:				
Highways and street:				
Contractual services	190,063	190,063	88,034	102,029
Supplies and materials	508,000	508,000	254,769	253,231
Capital outlay - streets	2,619,946	2,619,946	917,435	1,702,511
<b>Total expenditures</b>	<u>3,318,009</u>	<u>3,318,009</u>	<u>1,260,238</u>	<u>2,057,771</u>
<b>Net changes in fund balance</b>	<u>\$ (1,477,290)</u>	<u>\$ (1,477,290)</u>	<u>149,081</u>	<u>\$ 1,626,371</u>
Fund balance, beginning of the year			<u>5,347,470</u>	
Fund balance, end of the year			<u>\$ 5,496,551</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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services	\$ 3,823,591	\$ 3,823,591	\$ 3,918,326	\$ 94,735
Intergovernmental	12,000	12,000	7,889	(4,111)
Property taxes	6,466,813	6,466,813	6,447,301	(19,512)
Investment income	250	250	16,690	16,440
Other	222,500	222,500	81,976	(140,524)
<b>Total revenues</b>	<b>10,525,154</b>	<b>10,525,154</b>	<b>10,472,182</b>	<b>(52,972)</b>
Expenditures:				
Public safety:				
Personnel services	7,974,772	7,974,772	7,840,718	134,054
Contractual services	1,147,976	1,147,976	1,130,694	17,282
Materials and supplies	310,093	310,093	288,291	21,802
Capital outlay	970,000	970,000	819,846	150,154
<b>Total expenditures</b>	<b>10,402,841</b>	<b>10,402,841</b>	<b>10,079,549</b>	<b>323,292</b>
<b>Revenues over expenditures</b>	<b>\$ 122,313</b>	<b>\$ 122,313</b>	<b>392,633</b>	<b>\$ 270,320</b>
Fund balance, beginning of the year			<b>3,072,780</b>	
Fund balance, end of the year			<b>\$ 3,465,413</b>	

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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Other taxes - home rule sales tax	\$ 5,109,000	\$ 5,109,000	\$ 5,078,986	\$ (30,014)
Investment income	1,500	1,500	2,453	953
<b>Total revenues</b>	<u>5,110,500</u>	<u>5,110,500</u>	<u>5,081,439</u>	<u>(29,061)</u>
Other financing sources (uses):				
Transfers in	11,677	11,677	9,595	(2,082)
Transfers out	(6,441,374)	(6,441,374)	(6,304,020)	137,354
<b>Total other financing     sources (uses)</b>	<u>(6,429,697)</u>	<u>(6,429,697)</u>	<u>(6,294,425)</u>	<u>135,272</u>
<b>Net changes in fund balance</b>	<u>\$ (1,319,197)</u>	<u>\$ (1,319,197)</u>	<u>(1,212,986)</u>	<u>\$ 106,211</u>
Fund balance, beginning of the year			<u>2,750,866</u>	
Fund balance, end of the year			<u>\$ 1,537,880</u>	

See accompanying notes.



**City of Crystal Lake, Illinois**  
**Proprietary Fund - Waterworks and Sewerage Fund**  
**Statement of Net Position**  
**April 30, 2017**

<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 7,534,180
Receivables:	
Accounts	885,240
IEPA reimbursements	2,642,535
Due from other funds	77,999
Prepaid items	<u>9,293</u>
<b>Total current assets</b>	<u>11,149,247</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation:	
Land	628,095
Construction in progress	13,165,095
Building improvements	10,432,637
Machinery, equipment, and vehicles	5,731,813
Infrastructure	<u>47,320,472</u>
<b>Total noncurrent assets</b>	<u>77,278,112</u>
<b>Total assets</b>	<u>88,427,359</u>
<b>Deferred Outflows</b>	
Pension-related	<u>628,573</u>
<b>Total assets and deferred outflows</b>	<u>\$ 89,055,932</u>

See accompanying notes.

<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 2,109,604
Accrued payroll	1,848
Deposits payable	163,544
Interest payable	252,474
Due to other funds	24,839
General obligation bonds - current	2,012,879
Promissory note payable - current	200,000
Compensated absences payable	<u>203,565</u>
<b>Total current liabilities</b>	<u>4,968,753</u>
Noncurrent liabilities:	
Compensated absences payable	203,564
Net pension liability	2,154,640
General obligation bonds - noncurrent	18,351,671
Promissory note payable - noncurrent	1,525,000
IEPA loan payable - noncurrent	<u>10,637,279</u>
<b>Total noncurrent liabilities</b>	<u>32,872,154</u>
<b>Total liabilities</b>	<u>37,840,907</u>
<b>Deferred Inflows</b>	
Pension-related	<u>152,796</u>
<b>Total liabilities and deferred inflows</b>	<u>37,993,703</u>
<b>Net Position</b>	
Net investment in capital assets	44,551,283
Unrestricted	<u>6,510,946</u>
<b>Total net position</b>	<u>\$ 51,062,229</u>

See accompanying notes.

**City of Crystal Lake, Illinois**  
**Proprietary Fund - Waterworks and Sewerage Fund**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended April 30, 2017**

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Operating revenues:	
Charges for services	\$ 10,742,971
Miscellaneous	<u>193,998</u>
<b>Total operating revenues</b>	10,936,969
Operating expenses - excluding depreciation	<u>7,060,903</u>
<b>Operating income before depreciation</b>	3,876,066
Depreciation	<u>3,230,670</u>
<b>Operating income</b>	<u>645,396</u>
Nonoperating revenue (expense):	
Connection fees	175,585
Investment income (loss)	(12,899)
Rental income	263,711
Interest expense	(620,052)
Loss on sale of capital assets	<u>(95,982)</u>
<b>Total nonoperating revenue (expense)</b>	<u>(289,637)</u>
<b>Income before other revenues</b>	355,759
Capital contributions - grant revenue	<u>113,616</u>
<b>Changes in net position</b>	<u>469,375</u>
Total net position, beginning of the year	<u>50,592,854</u>
Total net position, end of the year	<u>\$ 51,062,229</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, 2017**

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Cash flows from operating activities:	
Receipts from customers	\$ 9,462,537
Payments to suppliers and service providers	(2,764,122)
Payments to employees for salaries and benefits	<u>(3,398,991)</u>
<b>Net cash from operating activities</b>	<u>3,299,424</u>
Cash flows from capital and related financing activities:	
Grants received for capital purposes	113,616
Proceeds from sale of equipment	4,735
Capital assets purchased	(855,324)
Connection fees	175,585
Principal paid on promissory note payable	(175,000)
Principal paid on general obligation bonds	(1,968,017)
Interest paid on general obligation bonds and notes payable	(658,361)
Amortization of deferred bond premium	<u>(78,433)</u>
<b>Net cash from capital and related financing activities</b>	<u>(3,441,199)</u>
Cash flows from noncapital financing activities - advances to other funds	<u>(445,795)</u>
Cash flows from investing activities - interest and dividends	<u>(12,899)</u>
<b>Net decrease in cash and cash equivalents</b>	(600,469)
Balance, beginning of the year	<u>8,134,651</u>
Balance, end of the year	<u><u>\$ 7,534,182</u></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, 2017**

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Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 645,396
Adjustments to reconcile operating income to net cash from operating activities:	
Rental income	263,711
Depreciation expense	3,230,670
Increase in receivables	(1,738,143)
Decrease in prepaid items	1,864
Increase in accounts payable	830,122
Increase in deposits payable	15,759
Increase in accrued payroll	52
Decrease in compensated absences payable	(43,248)
Decrease in pension-related deferred outflows	66,608
Decrease in pension-related deferred inflows	(4,220)
Increase in net pension liability	30,853
<b>Net cash from operating activities</b>	<b>\$ 3,299,424</b>
Supplemental cash flow disclosure:	
Long-term debt incurred for the acquisition of capital assets	\$ 10,218,209

See accompanying notes.

**City of Crystal Lake, Illinois**  
**Fiduciary Funds - Trust and Agency Funds**  
**Statement of Fiduciary Net Position**  
**April 30, 2017**

<b>Assets</b>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash	\$ 20,867	\$ 281,544
Investments:		
Money market accounts	838,935	-
U.S. government and agency securities	16,764,615	-
Corporate bonds	8,005,399	-
Insurance contracts	1,933,820	-
Municipal bonds	2,387,487	-
Mutual funds - stocks	39,144,374	-
Interest receivable	234,334	-
Prepaid expenses	10,240	201,548
<b>Total assets</b>	<u>\$ 69,340,071</u>	<u>\$ 483,092</u>
<b>Liabilities</b>		
Accounts payable	\$ 8,437	\$ -
Recapture fees payable	-	119,632
Funds held for others	-	363,460
<b>Total liabilities</b>	<u>8,437</u>	<u>483,092</u>
<b>Net Position</b>		
Net position restricted for pensions	<u>69,331,634</u>	<u>-</u>
<b>Total liabilities and net position</b>	<u>\$ 69,340,071</u>	<u>\$ 483,092</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, 2017**

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**Additions**

Contributions:		
Employer		\$ 3,680,756
Participant		<u>1,096,144</u>
<b>Total contributions</b>		<u>4,776,900</u>
Investment income:		
Net appreciation in fair value of investments		4,163,390
Interest income		1,979,014
Less investment expenses		<u>(279,714)</u>
<b>Total investment income</b>		<u>5,862,690</u>
<b>Total additions</b>		<u>10,639,590</u>

**Deductions**

Pension benefits and refunds		3,945,316
Administrative expenses		<u>55,989</u>
<b>Total deductions</b>		<u>4,001,305</u>
<b>Net increase in fiduciary net position</b>		6,638,285
Net position restricted for pensions:		
Beginning of the year		<u>62,693,349</u>
End of the year		<u>\$ 69,331,634</u>

See accompanying notes.

## City of Crystal Lake, Illinois Notes to the Financial Statements

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### 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)**

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**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)**

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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)**

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**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)**

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**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. Non-negotiable certificates of deposit and other short-term investments are reported at cost, which approximates fair value. Insurance contracts are measured at cash surrender value. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value, as well as the general classification of such investments pursuant to the valuation hierarchy.

Actively traded mutual funds are valued using quoted market prices. Accordingly, these assets are categorized in Level 1 of the fair value hierarchy.

Corporate and municipal bonds, and government securities are valued using pricing models based on standard inputs. These standard inputs typically include bench mark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data, including market research publications. Accordingly, these types of investments are categorized in Level 2 of the fair value hierarchy.

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

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**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)**

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.

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.

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

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**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)**

- 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.

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.

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

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**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**

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 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.

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.

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

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

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

**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 paid out at retirement. Nonunion employees hired before January 1, 2012, are eligible to be paid for one half of accumulated sick hours in excess of 320 hours, up to a maximum of 480 hours. Fire union participants with at least 20 years of service at retirement/termination are eligible to be paid up to 480 hours of accumulated sick time. Police union participants with a minimum of 320 hours of unused sick time are eligible to be paid out up to 480 hours. Public works union participants hired before May 1, 2013, with a minimum of 320 hours of unused sick time are eligible to be paid out up to 480 hours.

**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 established to account for and service the long-term obligations for the governmental funds debt not reported in the General Fund. 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.

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

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**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**

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.”

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.



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

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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)**

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 \$176,900 and \$2,118,785, respectively. The City committed \$3,128 of fund balance for capital facilities. The City has assigned a portion of the fund balance (\$49,307) 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 of \$2,534,804.

**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** – The fund balance is considered assigned for the purpose of the fund.

**Home Rule Sales Tax Fund** – The fund balance is considered assigned for the purpose of the fund.

**Nonmajor Governmental Funds** – A portion of the fund balance (\$4,923) 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.

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

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**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):**

**Nonmajor Governmental Funds (cont'd)** – 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.

**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.

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

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

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

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.

10. **Unbilled Services**

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

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

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**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)**

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

**A. Budgetary Information (cont'd)**

As of April 30, 2017, the following funds had an excess of actual expenditures over budget:

Fund Name	Excess
School Crossing Guard Fund	\$ 8,092
Three Oaks Recreation Area Fund	35,165
Crystal Heights Debt Service Fund	28,227
SEECOM Debt Service Fund	10,175
Main Street TIF Construction Fund	200
Police Pension Fund	75,475

**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.

At April 30, 2017, the total deposits collateralized by financial institutions totaled approximately \$9,270,000. All deposits for the Police and Firefighter Pension Plans and the Library were fully insured.

**Investments**

As of April 30, 2017, the City had the following investments:

Investment Type	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	\$ 2,777,555	\$ 1,673,289	\$ 1,104,266	\$ -	\$ -
Mortgage-backed securities	9,552,037	1,612,115	7,939,922	-	-
Other agency securities	2,355,610	946,954	1,408,656	-	-
Certificates of deposit	3,946,203	2,568,513	1,377,690	-	-
Municipal bonds	2,014,225	445,744	1,568,481	-	-
<b>Total investments</b>	<b>\$ 20,645,630</b>	<b>\$ 7,246,615</b>	<b>\$ 13,399,015</b>	<b>\$ -</b>	<b>\$ -</b>

The City had the following recurring fair value measurements as of April 30, 2017:

Investment Type	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury securities	\$ 2,777,555	\$ -	\$ 2,777,555	\$ -
Mortgage-backed securities	9,552,037	-	9,552,037	-
Other agency securities	2,355,610	-	2,355,610	-
Municipal bonds	2,014,225	-	2,014,225	-
<b>Total investments</b>	<b>\$ 16,699,427</b>	<b>\$ -</b>	<b>\$ 16,699,427</b>	<b>\$ -</b>

**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)**

As of April 30, 2017, the Pension Trust Funds had the following investments:

Investment Type	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	\$ 5,184,821	\$ 372,497	\$ 1,300,813	\$ 2,873,411	\$ 638,100
Fixed income money market funds	838,935	838,935	-	-	-
Mortgage-backed securities	1,298,207	-	991,251	270,260	36,696
Other agency securities	10,281,588	252,101	2,500,178	7,072,891	456,418
Municipal bonds	2,387,487	-	739,618	1,539,946	107,923
Mutual funds	39,144,374	39,144,374	-	-	-
Corporate bonds	8,005,398	1,291,209	5,144,335	1,569,854	-
Insurance contracts	1,933,820	1,933,820	-	-	-
<b>Total investments</b>	<b>\$ 69,074,630</b>	<b>\$ 43,832,936</b>	<b>\$ 10,676,195</b>	<b>\$ 13,326,362</b>	<b>\$ 1,239,137</b>

The Pension Funds had the following recurring fair value measurements as of April 30, 2017:

Investment Type	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury securities	\$ 5,184,821	\$ -	\$ 5,184,821	\$ -
Mortgage-backed securities	1,298,207	-	1,298,207	-
Other agency securities	10,281,588	-	10,281,588	-
Municipal bonds	2,387,487	-	2,387,487	-
Mutual funds	39,144,374	39,144,374	-	-
Corporate bonds	8,005,398	-	8,005,398	-
<b>Total investments</b>	<b>\$ 66,301,875</b>	<b>\$ 39,144,374</b>	<b>\$ 27,157,501</b>	<b>\$ -</b>

**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.

**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 (cont'd)**

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 investment policy indicates the average maturity/duration of the portfolio will be managed based on the existing interest rate environment, and under most circumstances will be maintained at approximately 5 years and will range from 2-7 years.

**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, 2017, the City's investments were rated as follows:

Investment Type	Fair Value	Moody's
U.S Treasury securities	\$ 2,777,555	NR
Mortgage-backed securities	9,552,037	NR
Other agency securities	2,355,610	Aaa
Certificates of deposit	3,946,203	NR
Municipal bonds	2,014,225	Aaa to Aa3

As of April 30, 2017, the Pension Funds' investments were rated as follows:

Investment Type	Fair Value	Moody's
U.S Treasury securities	\$ 5,184,821	NR
Fixed income money market funds	838,935	NR
Mortgage-backed securities	1,298,207	NR
Other agency securities	10,281,588	Aaa
Municipal bonds	2,387,487	Aaa to Baa1
Mutual funds	39,144,374	NR
Corporate bonds	8,005,398	Aaa to Baa3
Insurance contracts	1,933,820	NR

NR = Not Rated



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

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**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 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 Aaa to A1 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 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	12.72%
FFCB	16.19%

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

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

**A. Deposits and Investments (cont'd)**

**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 Illinois Funds meets the criteria contained in GASB Statement No. 79, *Certain Investment Pools and Pool Participants*. This allows the Illinois Funds and those local governments investing in it to measure its investment at amortized cost. The criteria contained in GASB Statement No. 79 address how the pool interacts with participants, requirements for portfolio maturity, quality, diversification and liquidity, and calculation and requirements of a shadow price.

**Component Unit – Crystal Lake Public Library** – At year end, the Library had investments in the Illinois Funds Investment Pool totaling \$564,151, measured at amortized cost. The weighted average maturity of the Pool is 40 days at April 30, 2017. 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 \$3,505,267, of which sixteen certificates of deposit with a carrying value of \$3,254,384 will mature within one year, and three certificates of deposit with a carrying value of \$250,883 will mature in one to five 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 2016 levy is intended to fund the operations of fiscal year 2018, the 2016 property tax levy is recorded as a receivable and the 2016 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.

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 2016 become due and payable in two installments in June 2017 and September 2017. 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.

**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, 2017, is as follows:

	Balance May 1	Additions	Deletions	Balance April 30
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 103,567,025	\$ 17,754	\$ -	<b>\$ 103,584,779</b>
Construction in progress	7,657,391	1,265,043	958,017	<b>7,964,417</b>
	111,224,416	1,282,797	958,017	<b>111,549,196</b>
Capital assets being depreciated:				
Buildings and improvements	34,443,458	541,715	-	<b>34,985,173</b>
Machinery, equipment and vehicles	17,306,430	1,744,284	521,968	<b>18,528,746</b>
Infrastructure	67,876,685	1,328,815	-	<b>69,205,500</b>
	119,626,573	3,614,814	521,968	<b>122,719,419</b>
Less accumulated depreciation for:				
Buildings and improvements	11,410,564	766,299	-	<b>12,176,863</b>
Machinery, equipment and vehicles	10,360,120	1,167,874	474,150	<b>11,053,844</b>
Infrastructure	20,224,912	1,281,064	-	<b>21,505,976</b>
	41,995,596	3,215,237	474,150	<b>44,736,683</b>
<b>Total capital assets being depreciated, net</b>	<b>77,630,977</b>	<b>399,577</b>	<b>47,818</b>	<b>77,982,736</b>
Governmental activities capital assets, net	<b>\$ 188,855,393</b>	<b>\$ 1,682,374</b>	<b>\$ 1,005,835</b>	<b>\$ 189,531,932</b>

**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, 2017, is as follows:

	Balance May 1	Additions	Deletions	Balance April 30
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 628,095	\$ -	\$ -	\$ 628,095
Construction in progress	3,043,705	10,147,956	26,566	13,165,095
	3,671,800	10,147,956	26,566	13,793,190
Capital assets being depreciated:				
Buildings and improvements	19,730,555	740,621	-	20,471,176
Machinery, equipment and vehicles	9,437,167	-	20,965	9,416,202
Infrastructure	96,771,339	211,522	423,565	96,559,296
	125,939,061	952,143	444,530	126,446,674
Less accumulated depreciation for:				
Buildings and improvements	9,178,290	860,249	-	10,038,539
Machinery, equipment and vehicles	3,263,142	442,212	20,965	3,684,389
Infrastructure	47,633,465	1,928,209	322,850	49,238,824
	60,074,897	3,230,670	343,815	62,961,752
<b>Total capital assets being depreciated, net</b>	<b>65,864,164</b>	<b>(2,278,527)</b>	<b>100,715</b>	<b>63,484,922</b>
Business-type activities capital assets, net	<b>\$ 69,535,964</b>	<b>\$ 7,869,429</b>	<b>\$ 127,281</b>	<b>\$ 77,278,112</b>

**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, 2017, is as follows:

	Balance May 1	Additions	Deletions	Balance April 30
<b>Component Unit Activities:</b>				
Capital assets not being depreciated – land	\$ 2,074,878	\$ 288,162	\$ -	\$ 2,363,040
Capital assets being depreciated:				
Buildings and improvements	7,896,532	-	-	7,896,532
Machinery, equipment and vehicles	345,043	21,232	-	366,275
	8,241,575	21,232	-	8,262,807
Less accumulated depreciation for:				
Buildings and improvements	3,227,826	163,536	-	3,391,362
Machinery, equipment and vehicles	268,275	55,958	-	324,233
	3,496,101	219,494	-	3,715,595
<b>Total capital assets being depreciated, net</b>	4,745,474	(198,262)	-	4,547,212
Component unit activities capital assets, net	\$ 6,820,352	\$ 89,900	\$ -	\$ 6,910,252

Depreciation was charged to functions/activities as follows:

	Primary Government		Component Unit
	Governmental Activities	Business-type Activities	Public Library
General and administrative	\$ 538,680	\$ -	\$ -
Public safety	905,392	-	-
Highways and streets	1,290,184	-	-
Culture and recreation	480,981	-	219,494
Waterworks and sewerage	-	3,230,670	-

**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, 2017, 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	\$ 24,839
General	Nonmajor Governmental	118,343
Home Rule Sales Tax	General	156,810
Nonmajor Governmental	General	15
Waterworks and Sewerage	General	77,999
		\$ 378,006

The composition of interfund transfers for the year ended April 30, 2017, is as follows:

Receiving Fund	Paying Fund	Amount
General	Home Rule Sales Tax	\$ 3,853,638
Home Rule Sales Tax	Nonmajor Governmental	9,595
Nonmajor Governmental	General	1,000,000
Nonmajor Governmental	Home Rule Sales Tax	2,450,382
Nonmajor Governmental	Nonmajor Governmental	1,650
		\$ 7,315,265

The transfers included amounts from the Home Rule Sales Tax Fund to the General Fund to provide funding for the Target Response Unit in the Police Department, economic development activities, mitigate flooding, and to support existing City 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, 2017:

	Balance May 1	Additions	Deletions	Balance April 30
<b>City:</b>				
General obligation bonds	\$ 14,850,155	\$ -	\$ 1,426,983	\$ 13,423,172
Deferred bond premium	48,095	-	17,716	30,379
Net pension liability*	43,818,788	11,277,863	-	55,096,651
Net OPEB*	373,049	349,726	192,773	530,002
Compensated absences*	3,079,345	2,253,393	2,004,669	3,328,069
	<u>\$ 62,169,432</u>	<u>\$ 13,880,982</u>	<u>\$ 3,642,141</u>	<u>\$ 72,408,273</u>
<b>Crystal Lake Public Library:</b>				
Compensated absences	\$ 133,162	\$ 165,455	\$ 168,877	\$ 129,740
Net pension liability	2,068,716	1,047	-	2,069,763
	<u>\$ 2,201,878</u>	<u>\$ 166,502</u>	<u>\$ 168,877</u>	<u>\$ 2,199,503</u>

\* 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, 2017.

	Balance May 1	Additions	Deletions	Balance April 30
General obligation bonds	\$ 21,509,845	\$ -	\$ 1,968,017	\$ 19,541,828
Promissory note payable	1,900,000	-	175,000	1,725,000
IEPA loan payable	419,070	10,218,209	-	10,637,279
Deferred bond premium	901,155	-	78,433	822,722
Net pension obligation	2,123,787	30,853	-	2,154,640
Compensated absences	450,377	222,920	266,168	407,129
	<u>\$ 27,304,234</u>	<u>\$ 10,471,982</u>	<u>\$ 2,487,618</u>	<u>\$ 35,288,598</u>

The current portion of compensated absences for governmental, business-type, and Library activities are \$1,664,034, \$203,565, and \$82,320, 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	\$ 12,624,691	\$ -	\$ 1,028,068	\$ 11,596,623	\$ 1,038,241
	Waterworks and Sewerage	2,035,309	-	351,932	1,683,377	351,759
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 \$850,000 through December 15, 2032; interest at 2.00% to 2.625% payable semi-annually on June 15 and December 15.	General and Debt Service	2,225,462	-	398,915	1,826,547	408,880
	Waterworks and Sewerage	4,639,538	-	416,085	4,223,453	426,120
2013 General Obligation Bonds, original principal \$9,465,000 (proceeds for Wastewater Treatment Plant improvements), due in annual installments of \$370,000 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	8,930,000	-	360,000	8,570,000	370,000
	Waterworks and Sewerage	5,905,000	-	840,000	5,065,000	865,000
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	5,905,000	-	840,000	5,065,000	865,000
<b>General Obligation Bonds</b>		<b>\$ 36,360,000</b>	<b>\$ -</b>	<b>\$ 3,395,000</b>	<b>\$ 32,965,000</b>	<b>\$ 3,460,000</b>



**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	\$ 14,850,155	\$ -	\$ 1,426,983	\$ 13,423,172	\$ 1,447,121
Business-type activities	21,509,845	-	1,968,017	19,541,828	2,012,879
	<u>\$ 36,360,000</u>	<u>\$ -</u>	<u>\$ 3,395,000</u>	<u>\$ 32,965,000</u>	<u>\$ 3,460,000</u>

The annual requirements to retire all governmental and business-type activities' general obligation bonded debt outstanding of the City as of April 30, 2017, are as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	General Obligation Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 1,447,121	\$ 622,625	\$ 2,012,879	\$ 640,134
2019	1,496,630	574,259	2,078,368	581,140
2020	1,151,332	522,321	1,908,668	519,591
2021	801,665	479,664	1,718,335	463,060
2022	827,197	442,313	1,762,803	415,599
2023-2027	5,036,093	1,550,450	4,393,907	1,438,966
2028-2032	2,611,057	229,172	4,083,943	743,507
2033-2035	52,077	1,367	1,582,925	86,771
	<u>\$ 13,423,172</u>	<u>\$ 4,422,171</u>	<u>\$ 19,541,828</u>	<u>\$ 4,888,768</u>

The City issued \$1,900,000 General Obligation Promissory Notes, Series 2015, payable in annual installments ranging from \$200,000 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, 2017, are as follows:

Fiscal Year Ending	Governmental Activities	
	General Obligation Promissory Notes	
	Principal	Interest
2018	\$ 200,000	\$ 37,105
2019	205,000	32,803
2020	210,000	28,393
2021	215,000	23,876
2022	220,000	19,251
2023-2027	675,000	29,254
2028-2032	-	-
2033-2035	-	-
	<u>\$ 1,725,000</u>	<u>\$ 170,682</u>

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

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

**E. Long-term Obligations (cont'd)**

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 \$10,218,209 in the current year and has total borrowings of \$10,637,279 as of April 30, 2017. The loan is to be paid on a semi-annual basis over 20 years, including interest at 1.86%, upon project completion. A repayment schedule has not yet been determined as the City continues to draw down funds under this agreement.

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, 2017:

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, 2017, 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 and was paid in full with proceeds from the Special Service Area No. 46 Refunding Bonds, Series 2016.

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, 2017, was \$250,000.

Special Service Area No. 46 Refunding Bonds, Series 2016 – original principal \$2,445,000 issued in December 2016, due in annual installments of \$30,000 to \$245,000, commencing March 2017 through March 2036; interest at 2.75% to 4.40% payable semiannually on September 1 and March 1. The outstanding principal balance at April 30, 2017, was \$2,415,000.

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

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**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 their deductible portion of each occurrence (\$10,000 for the City), 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 as follows:

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		-
Claims incurred – fiscal year 2017		4,208,468
Claims paid – fiscal year 2017		<u>(4,208,468)</u>
Unpaid claims liability – 4/30/17	\$	<u>-</u>

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

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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](http://www.imrf.org).

At December 31, 2016, the IMRF Plan membership consisted of:

Retirees and beneficiaries	139
Inactive, non-retired members	117
Active members	<u>172</u>
<b>Total</b>	<u><b>428</b></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 \$112,408 and \$111,572 at January 1, 2017 and 2016, respectively. 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)**

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**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 2017 and 2016 was 12.79% and 13.29%, 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 \$1,410,404 in the fiscal year ended April 30, 2017, which was equal to its annual required contribution.

**Net Pension Liability**

The City's net pension liability was measured as of December 31, 2016, 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, 2016, 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, 2016, 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	7.50%
Investment rate of return	7.50%
Post-retirement benefit increase:	
Tier 1	3.0%-simple
Tier 2	lesser of 3.0%-simple or ½ increase in CPI

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, 2016, was 27 years.

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

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**IV. Other Information (cont'd)**

**B. Defined Benefit Pension Plan (cont'd)**

**Illinois Municipal Retirement (cont'd)**

**Net Pension Liability (cont'd)**

**Mortality Rates** – For non-disabled lives, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that 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 2012). 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%	6.85%
International equities	17%	6.75%
Fixed income	27%	3.00%
Real estate	8%	5.75%
Alternatives:	9%	
Private equity		7.35%
Hedge funds		5.25%
Commodities		2.65%
Cash equivalents	1%	2.25%

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

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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 (which is published by the Federal Reserve) 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 tax exempt municipal bond rate is 3.78% (based on an index of 20-year general obligation bonds with an average AA credit rating) as of the measurement date); and the resulting single discount rate used to measure the total pension liability is 7.50%.

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 99 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	\$	6,001,699
Business-type activities		2,154,640
Total primary government		8,156,339
Discretely presented component unit		2,069,763
<b>Total net pension liability</b>	<b>\$</b>	<b>10,226,102</b>

The following table includes both the City and its component unit. A separate breakdown is not available.

**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)**

**Changes in Net Pension Liability**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balance 12/31/15	\$ 61,151,107	\$ 50,760,765	\$ 10,390,342
Changes for the year:			
Service cost	1,199,753	-	1,199,753
Interest	4,539,611	-	4,539,611
Differences between expected and actual experience	121,980	-	121,980
Changes in assumptions	(248,700)	-	(248,700)
Contributions - employer	-	1,424,559	(1,424,559)
Contributions - employee	-	490,006	(490,006)
Net investment income	-	3,526,328	(3,526,328)
Benefit payments, including refunds of employee contributions	(1,959,499)	(1,959,499)	-
Other changes	-	335,991	(335,991)
Net changes	3,653,145	3,817,385	(164,240)
Balances at 12/31/16	\$ 64,804,252	\$ 54,578,150	\$ 10,226,102

**Discount Rate Sensitivity** – The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, 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 (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension (asset) liability	\$ 19,231,275	\$ 10,226,102	\$ 2,891,323

**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)**

**Net Pension Liability (cont'd)**

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

For the year ended April 30, 2017, the City recognized pension expense of \$1,269,015 in the government-wide financial statements. At April 30, 2017, 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	\$ 74,283	\$ 426,955	\$ (352,672)
Changes in assumptions	33,916	151,451	(117,535)
Net difference between projected and actual earnings in pension plan investments	1,889,341	-	1,889,341
Subtotal	1,997,540	578,406	1,419,134
Contributions made subsequent to the measurement date	381,908	-	381,908
Total	\$ 2,379,448	\$ 578,406	\$ 1,801,042

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,

2017	\$ 419,379
2018	419,379
2019	539,312
2020	41,064
	\$ 1,419,134

**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** (cont'd)

For the year ended April 30, 2017, the Library recognized pension expense of \$352,181 in the government-wide financial statements. At April 30, 2017, the Library 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
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 18,849	\$ 108,346	\$ (89,497)
Changes in assumptions	8,607	38,432	(29,825)
Net difference between projected and actual earnings in pension plan investments	<u>479,442</u>	<u>-</u>	<u>479,442</u>
Subtotal	506,898	146,778	360,120
Contributions made subsequent to the measurement date	<u>96,914</u>	<u>-</u>	<u>96,914</u>
Total	<u>\$ 603,812</u>	<u>\$ 146,778</u>	<u>\$ 457,034</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,

2017	\$ 106,422
2018	106,422
2019	136,856
2020	<u>10,420</u>
	<u>\$ 360,120</u>

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

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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, 2016 (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	42
Current employees:	
Vested	38
Nonvested	<u>22</u>
<b>Total</b>	<b><u>102</u></b>

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

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**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** – 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.

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, 2017, the City's contribution was 38% of covered payroll.

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

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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** – 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, 2017:

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, 2017, are listed in the preceding table.

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

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**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 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 9.98%. 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, 2016, 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, 2016, 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, 2016, 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

There was a change with respect to the actuarial assumptions from the prior year to reflect revised expectations with respect to mortality rates. The mortality rates have been changed to the RP 2014 Mortality Table (BCHA) projected to 2016 using improvement scale MP-2015.

The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at April 30, 2016, was 25 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)

**Police Pension** (cont'd)

**Net Pension Liability** (cont'd)

**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
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balance 4/30/16	\$ 58,434,882	\$ 33,757,017	\$ 24,677,865
Changes for the year:			
Service cost	1,406,344	-	1,406,344
Interest	4,154,656	-	4,154,656
Differences between expected and actual experience	(652,931)	-	(652,931)
Changes in assumptions	4,302,384	-	4,302,384
Contributions - employer	-	2,059,342	(2,059,342)
Contributions - employee	-	579,535	(579,535)
Net investment income	-	(528,210)	528,210
Benefit payments, including refunds of employee contributions	(2,258,561)	(2,258,561)	-
Administrative expenses	-	(53,004)	53,004
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net changes	6,951,892	(200,898)	7,152,790
Balances at 4/30/17	<u>\$ 65,386,774</u>	<u>\$ 33,556,119</u>	<u>\$ 31,830,655</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 (cont'd)**

**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	\$ 41,237,086	\$ 31,830,655	\$ 24,148,307

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

For the year ended April 30, 2017, the City recognized pension expense to the Police Pension Plan of \$4,117,752. At April 30, 2017, 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	\$ -	\$ 652,931	\$ (652,931)
Changes in assumptions	4,301,925	-	4,301,925
Net difference between projected and actual earnings in pension plan investments	2,987,459	-	2,987,459
Subtotal	7,289,384	652,931	6,636,453
Contributions made subsequent to the measurement date	1,989,776	-	1,989,776
Total	\$ 9,279,160	\$ 652,931	\$ 8,626,229



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

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**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 (cont'd)**

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,

2018	\$	1,186,114
2019		1,186,114
2020		1,186,114
2021		1,186,114
2022		1,186,113
2023		705,884
		6,636,453
	\$	6,636,453

**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 and benefits and refunds are recognized as an expense and liability when due and payable.

At April 30, 2016 (consistent with the measurement date), the Firefighters' Pension Plan membership consisted of:

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

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IV. **Other Information** (cont'd)

B. **Defined Benefit Pension Plan** (cont'd)

**Firefighters' Pension** (cont'd)

**General Information About the Pension Plan** (cont'd)

**Plan Description** (cont'd)

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	28
Current employees:	
Vested	32
Nonvested	31
	91
<b>Total</b>	<b>91</b>

**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.

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

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

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**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)**

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.

**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, 2017:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Treasury Securities	15%	1.2%
U.S. Agency Securities	30%	
Taxable Municipal Securities	5%	
Large Cap Domestic Equities	35%	6.2%
Small Cap Domestic Equities	10%	8.2%
International Equities	5%	6.1%

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.

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

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**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 (cont'd)**

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, 2017, are listed in the table above.

**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, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.77%. 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

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IV. **Other Information** (cont'd)

B. **Defined Benefit Pension Plan** (cont'd)

**Firefighters' Pension** (cont'd)

**Net Pension Liability** (cont'd)

**Actuarial Valuation and Assumptions** – The actuarial assumptions used in the April 30, 2016, 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, 2016, 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

There was a change with respect to the actuarial assumptions from the prior year to reflect revised expectations with respect to mortality rates. The mortality rates have been changed to the RP 2014 Mortality Table (BCHA) projected to 2016 using improvement scale MP-2015.

The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at April 30, 2016, was 25 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)

**Firefighters' Pension** (cont'd)

**Changes in Net Pension Liability**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balance 4/30/16	\$ 40,625,329	\$ 27,682,245	\$ 12,943,084
Changes for the year:			
Service cost	1,480,463	-	1,480,463
Interest	2,898,718	-	2,898,718
Differences between expected and actual experience	(85,631)	-	(85,631)
Changes in assumptions	2,768,663	-	2,768,663
Contributions - employer	-	1,928,928	(1,928,928)
Contributions - employee	-	570,933	(570,933)
Net investment income	-	292,962	(292,962)
Benefit payments, including refunds of employee contributions	(1,286,016)	(1,286,016)	-
Administrative expenses	-	(51,823)	51,823
Net changes	5,776,197	1,454,984	4,321,213
Balances at 4/30/17	\$ 46,401,526	\$ 29,137,229	\$ 17,264,297

**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	\$ 24,637,912	\$ 17,264,297	\$ 11,287,078

**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**

For the year ended April 30, 2017, the City recognized pension expense of \$3,197,606 to the Firefighters' Pension Fund. At April 30, 2017, 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	\$ -	\$ 85,631	\$ (85,631)
Changes in assumptions	2,768,663	-	2,768,663
Net difference between projected and actual earnings in pension plan investments	1,756,124	-	1,756,124
Subtotal	4,524,787	85,631	4,439,156
Contributions made subsequent to the measurement date	1,690,980	-	1,690,980
Total	\$ 6,215,767	\$ 85,631	\$ 6,130,136

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,

2018	\$ 639,723
2019	639,723
2020	639,723
2021	639,723
2022	639,722
Thereafter	1,240,542
	\$ 4,439,156

**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**

**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.

**Pension Plan Statements** – The individual pension fund statements for the year ended April 30, 2017, are as follows:

<b>Statement of Fiduciary Net Position</b>	<b>Police Pension</b>	<b>Firefighters' Pension</b>
Assets:		
Cash	\$ 4,958	\$ 15,909
Investments:		
Money market accounts	764,739	74,196
U.S. government and agency securities	4,340,793	12,423,822
Corporate bonds	8,005,399	-
Insurance contracts	-	1,933,820
Municipal bonds	-	2,387,487
Mutual funds – stocks	23,654,249	15,490,125
Interest receivable	114,479	119,855
Prepaid expenses	4,814	5,426
	<b>Total assets</b>	<b>32,450,640</b>
	36,889,431	32,450,640
Liabilities:		
Accounts payable	1,722	6,715
	<b>Total liabilities</b>	<b>6,715</b>
	1,722	6,715
Net position restricted for pensions	36,887,709	32,443,925
	<b>Total liabilities and net position</b>	<b>\$ 32,450,640</b>
	<b>\$ 36,889,431</b>	<b>\$ 32,450,640</b>



**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)**

<b>Statement of Changes in Fiduciary Net Position</b>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Additions:		
Contributions:		
Employer	\$ 1,989,776	\$ 1,690,980
Members	551,461	544,683
	<u>2,541,237</u>	<u>2,235,663</u>
Investment income:		
Net appreciation in fair value of investments	2,432,255	1,731,135
Interest income	1,111,247	867,767
Less investment expenses	(165,175)	(114,539)
	<u>3,378,327</u>	<u>2,484,363</u>
Total additions	<u>5,919,564</u>	<u>4,720,026</u>
Deductions:		
Pension benefits and refunds	2,564,023	1,381,293
Administrative expense	23,952	32,037
Total deductions	<u>2,587,975</u>	<u>1,413,330</u>
Net increase in fiduciary net position	3,331,589	3,306,696
Net position restricted for pensions:		
Beginning of the year	<u>33,556,120</u>	<u>29,137,229</u>
End of the year	<u>\$ 36,887,709</u>	<u>\$ 32,443,925</u>

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

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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, 2017, 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	<u>217</u>
<b>Total</b>	<u>265</u>

**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	\$ 347,239
Interest on net OPEB obligation	14,922
Adjustment to the ARC	<u>(12,435)</u>
Annual OPEB cost	349,726
2017 contribution	<u>192,773</u>
Increase in net OPEB obligation	156,953
Net OPEB obligation at April 30, 2016	<u>373,049</u>
Net OPEB obligation at April 30, 2017	<u>\$ 530,002</u>

The City has recorded the net OPEB obligation of \$530,002 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
4/30/17	\$ 349,726	55.1 %	\$ 530,002
4/30/16	335,263	50.5	373,049
4/30/15	187,083	56.6	206,954

**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)**

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IV. **Other Information** (cont'd)

C. **Other Post-employment Benefits (OPEB)** (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. **Contingencies**

**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.

**Special Service Area** – In 2012, the City used \$156,810 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.

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

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**IV. Other Information (cont'd)**

**D. Contingencies (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.

**Interfund Balances** – The Vulcan Lakes Tax Increment Financing (TIF) District was created to spur comprehensive development around US 14 and Main Street, to include residential, retail, and recreational facilities (Three Oaks Recreation Area). Initial funding for land acquisition and engineering services (\$2,039,724) was provided using General Fund reserves. Available property tax increments will be used to retire outstanding Build America and Recovery Zone bonds that were issued for the purposes of constructing the Three Oaks Recreation Area. Remaining increments, if any, are intended to be used to pay back the General Fund. The interfund receivable is reported net of an allowance of the same amount at April 30, 2017.

The Virginia Street Corridor Tax Increment Financing (TIF) District was intended to spur comprehensive revitalization of the Virginia Street Corridor and included streetscape improvements/beautification and redevelopment of key identified sites. Initial funding (\$1,740,096) for the Virginia Street project was provided using Home Rule Sales Tax. In accordance with resolution 2008R-88, future tax increment could be used to provide reimbursement of Home Rule Sales Tax to the General Fund. The outstanding balance at April 30, 2017, was \$1,621,467 and is reported net of an allowance of the same amount.

**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.

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

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**IV. Other Information (cont'd)**

**E. Joint Venture – SEECOM**

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 \$1,412,624 to SEECOM during fiscal year 2017.

**F. Construction Commitments**

The City had commitments under construction contracts of approximately \$3,850,000 outstanding at April 30, 2017.

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

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IV. **Other Information** (cont'd)

G. **Tax Abatement Agreements**

The City has entered into identical redevelopment and enhanced sales tax incentive agreements with three local businesses whereby the city has agreed to reimburse these businesses for actual project costs related to the expansion of their existing facilities within the City. Under terms of each agreement, the City will pay fifty percent of the local sales tax attributable to the business and received by the City for the 12-month period preceding the annual payment date. The maximum cumulative payment under the agreement is the lower of 50% of the actual project costs of \$1,000,000. The agreement shall terminate ten years after the effective date of the agreement or the date on which the business has been paid by the City an amount equal to the maximum cumulative payment. The three agreements are summarized as follows:

Effective Date Of Agreement	Maximum Cumulative Payment	Current Year Payments	Cumulative Payments at April 30, 2017
June 5, 2012	\$ 1,000,000	\$ 252,976	\$ 964,179
December 4, 2012	1,000,000	132,735	428,823
June 3, 2014	1,000,000	175,900	301,397

H. **New Governmental Accounting Standards**

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

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. 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.

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.

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

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**IV. Other Information (cont'd)**

**H. New Governmental Accounting Standards (cont'd)**

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.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses the accounting and financial reporting requirements for legally enforceable liabilities associated with the retirement of a tangible capital asset, and is effective for the fiscal year ending April 30, 2020.

GASB Statement No. 84, *Fiduciary Activities*, addresses the accounting and financial reporting requirements for activities meeting the criteria of fiduciary activities as defined in the Statement, and is effective for the fiscal year ending April 30, 2020.

GASB Statement No. 85, *Omnibus 2017*, addresses the accounting and financial reporting requirements of miscellaneous topics for which there is inconsistency in present practice, and is effective for the fiscal year ending April 30, 2020.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, addresses the inconsistency in accounting and financial reporting requirements for in-substance defeasance of debt, and is effective for the fiscal year ending April 30, 2019.

GASB Statement No. 87, *Leases*, addresses the accounting and financial reporting requirements for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows and outflows of resources based on the payment provisions of the contracts, and is effective for the fiscal year ending April 30, 2021.

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, 2017**

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
04/30/12	-	3,504,041	3,504,041	-	17,083,575	20.51
04/30/10	-	1,233,800	1,233,800	-	16,270,071	13.19

Note - All actuarial valuations completed for plan are shown above.

See independent auditor's report.

**City of Crystal Lake, Illinois  
 Illinois Municipal Retirement Fund  
 Required Supplementary Information -  
 Schedule of Employer Contributions  
 For the Fiscal Year Ended April 30,**

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	<b>2017</b>	2016
Actuarially Determined Contribution	<b>\$ 1,410,404</b>	\$ 1,452,892
Contributions in Relation to Actuarially Determined Contribution	<b>1,410,404</b>	1,452,892
Contribution Deficiency (Excess)	<b>\$ -</b>	\$ -
 Covered-Employee Payroll	<b>\$ 10,753,366</b>	\$ 11,133,366
 Contributions as a Percentage of Covered-Employee Payroll	 <b>13.12%</b>	 13.05%

Note: The City adopted GASB 68 in the prior year and will build ten-year history prospectively.

See independent auditor's report.

**City of Crystal Lake, Illinois  
Police Pension Fund  
Required Supplementary Information -  
Schedule of Employer Contributions  
April 30, 2017**

	<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>
Actuarially determined contribution	<b>\$ 1,992,354</b>	\$ 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
Contributions in relation to actuarially determined contribution	<b>2,059,342</b>	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
Contribution deficiency (excess)	<b>\$ (66,988)</b>	\$ 90,953	\$ 128,841	\$ 11,496	\$ (38,014)	\$ 458,555	\$ 151,504	\$ 68,155	\$ 78,750	\$ 39,918
Covered-employee payroll	<b>\$ 5,437,640</b>	\$ 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
Contributions as a percentage of covered-employee payroll	<b>37.87%</b>	30.81%	32.25%	34.25%	33.90%	27.68%	25.46%	28.87%	28.14%	27.18%

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.

<u>Year Ended April 30,</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent Contributed</u>
<b>2016</b>	<b>\$ 2,059,342</b>	<b>\$ 1,992,354</b>	<b>103.36%</b>
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%

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, 2016.

See independent auditor's report.

**City of Crystal Lake, Illinois  
Firefighters' Pension Fund  
Required Supplementary Information -  
Schedule of Employer Contributions  
April 30, 2017**

	<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>
Actuarially determined contribution	<b>\$ 1,518,852</b>	\$ 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
Contributions in relation to actuarially determined contribution	<b>1,928,928</b>	1,555,655	1,618,264	1,621,810	1,541,610	1,128,846	995,800	904,951	817,496	708,003
Contribution deficiency (excess)	<b>\$ (410,076)</b>	\$ 212,106	\$ 101,829	\$ 28,001	\$ 24,154	\$ 425,925	\$ 143,654	\$ 106,101	\$ 92,857	\$ 112,027
Covered-employee payroll	<b>\$ 5,744,609</b>	\$ 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
Contributions as a percentage of covered-employee payroll	<b>33.58%</b>	28.12%	30.66%	30.93%	29.72%	24.45%	22.17%	24.80%	24.45%	23.31%

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.

<u>Year Ended April 30,</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent Contributed</u>
<b>2016</b>	<b>\$ 1,928,928</b>	<b>\$ 1,518,852</b>	<b>127.00%</b>
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%

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, 2016.

See independent auditor's report.

**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**

	<u>2016</u>	<u>2015</u>
Total pension liability:		
Service cost	\$ 1,199,753	\$ 1,211,429
Interest	4,539,611	4,343,976
Changes in benefit terms	-	-
Differences between expected and actual experience	121,980	(1,001,063)
Changes in assumptions	(248,700)	79,521
Benefit payments, including refunds of member contributions	<u>(1,959,499)</u>	<u>(1,903,179)</u>
Net change in total pension liability	3,653,145	2,730,684
Total pension liability, beginning of year	<u>61,151,107</u>	<u>58,420,423</u>
Total pension liability, end of year	<u>\$ 64,804,252</u>	<u>\$ 61,151,107</u>
Plan fiduciary net position:		
Contributions - employer	\$ 1,424,559	\$ 1,390,362
Contributions - member	490,006	485,951
Net investment income	3,526,328	256,105
Benefit payments, including refunds of member contributions	(1,959,499)	(1,903,179)
Administrative expense	<u>335,991</u>	<u>(702,990)</u>
Net change in plan fiduciary net position	3,817,385	(473,751)
Plan fiduciary net position, beginning of year	<u>50,760,765</u>	<u>51,234,516</u>
Plan fiduciary net position, end of year	<u>\$ 54,578,150</u>	<u>\$ 50,760,765</u>
Employer's net pension liability	<u>\$ 10,226,102</u>	<u>\$ 10,390,342</u>
Plan fiduciary net position as a percentage of the total pension liability	84.22%	83.01%
Covered employee payroll	<u>\$ 10,717,757</u>	<u>\$ 10,752,994</u>
Employer's net pension liability as a percentage of covered-employee payroll	95.41%	96.63%

Note: The City adopted GASB 68 in the prior year and will build ten-year history prospectively.

See independent auditor's report.

**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>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:			
Service cost	\$ 1,406,344	\$ 1,420,407	\$ 1,427,537
Interest	4,154,656	3,863,133	3,522,872
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(652,931)	925,823	(850,901)
Changes in assumptions	4,302,384	-	874,435
Benefit payments, including refunds of member contributions	<u>(2,258,561)</u>	<u>(2,118,147)</u>	<u>(1,914,037)</u>
Net change in total pension liability	<b>6,951,892</b>	4,091,216	3,059,906
Total pension liability, beginning of year	<u>58,434,882</u>	<u>54,343,666</u>	<u>51,283,760</u>
Total pension liability, end of year	<b><u>\$ 65,386,774</u></b>	<b><u>\$ 58,434,882</u></b>	<b><u>\$ 54,343,666</u></b>
Plan fiduciary net position:			
Contributions - employer	\$ 2,059,342	\$ 1,778,970	\$ 1,844,723
Contributions - member	579,535	568,526	553,800
Net investment income	(528,210)	1,700,649	2,835,560
Benefit payments, including refunds of member contributions	(2,258,561)	(2,118,147)	(1,914,037)
Administrative expense	<u>(53,004)</u>	<u>(30,088)</u>	<u>(156,150)</u>
Net change in plan fiduciary net position	<b>(200,898)</b>	1,899,910	3,163,896
Plan fiduciary net position, beginning of year	<u>33,757,017</u>	<u>31,857,107</u>	<u>28,693,211</u>
Plan fiduciary net position, end of year	<b><u>\$ 33,556,119</u></b>	<b><u>\$ 33,757,017</u></b>	<b><u>\$ 31,857,107</u></b>
Employer's net pension liability	<b><u>\$ 31,830,655</u></b>	<b><u>\$ 24,677,865</u></b>	<b><u>\$ 22,486,559</u></b>
Plan fiduciary net position as a percentage of the total pension liability	51.32%	57.77%	58.62%
Covered employee payroll	<b><u>\$ 5,437,640</u></b>	<b><u>\$ 5,773,467</u></b>	<b><u>\$ 5,720,770</u></b>
Employer's net pension liability as a percentage of covered-employee payroll	585.38%	427.44%	393.07%

Note: The City adopted GASB 68 in the prior year and will build ten-year history prospectively.

See independent auditor's report.

**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>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:			
Service cost	\$ 1,480,463	\$ 1,458,713	\$ 1,681,623
Interest	2,898,718	2,591,488	2,454,559
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(85,631)	1,419,845	(1,823,175)
Changes in assumptions	2,768,663	-	(507,215)
Benefit payments, including refunds of member contributions	<u>(1,286,016)</u>	<u>(1,178,766)</u>	<u>(1,073,750)</u>
Net change in total pension liability	5,776,197	4,291,280	732,042
Total pension liability, beginning of year	<u>40,625,329</u>	<u>36,334,049</u>	<u>35,602,007</u>
Total pension liability, end of year	<u>\$ 46,401,526</u>	<u>\$ 40,625,329</u>	<u>\$ 36,334,049</u>
Plan fiduciary net position:			
Contributions - employer	\$ 1,928,928	\$ 1,555,655	\$ 1,618,264
Contributions - member	570,933	539,487	522,280
Net investment income	292,962	1,873,564	1,596,682
Benefit payments, including refunds of member contributions	(1,286,016)	(1,178,766)	(1,073,750)
Administrative expense	<u>(51,823)</u>	<u>(66,256)</u>	<u>(88,140)</u>
Net change in plan fiduciary net position	1,454,984	2,723,684	2,575,336
Plan fiduciary net position, beginning of year	<u>27,682,245</u>	<u>24,958,561</u>	<u>22,383,225</u>
Plan fiduciary net position, end of year	<u>\$ 29,137,229</u>	<u>\$ 27,682,245</u>	<u>\$ 24,958,561</u>
Employer's net pension liability	<u>\$ 17,264,297</u>	<u>\$ 12,943,084</u>	<u>\$ 11,375,488</u>
Plan fiduciary net position as a percentage of the total pension liability	62.79%	68.14%	68.69%
Covered employee payroll	<u>\$ 5,744,609</u>	<u>\$ 5,531,971</u>	<u>\$ 5,278,118</u>
Employer's net pension liability as a percentage of covered-employee payroll	300.53%	233.97%	215.52%

Note: The City adopted GASB 68 in the prior year and will build ten-year history prospectively.

See independent auditor's report.



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

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Annual money-weighted rate of return, net of investment expense:

<b>Fiscal year ended April 30, 2017</b>	<b>9.98%</b>
Fiscal year ended April 30, 2016	5.32%
Fiscal year ended April 30, 2015	5.93%

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

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Annual money-weighted rate of return, net of investment expense:

<b>Fiscal year ended April 30, 2017</b>	<b>7.77%</b>
Fiscal year ended April 30, 2016	7.38%
Fiscal year ended April 30, 2015	6.94%

Note: The City adopted GASB 68 in the prior year and will build ten-year history prospectively.

See independent auditor's report.

**SUPPLEMENTARY INFORMATION**

**City of Crystal Lake, Illinois**  
**General Fund**  
**Schedule of Revenues - Budget and Actual**  
**For the Year Ended April 30, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Charges for services:</b>				
Zoning and subdivision fees	\$ 32,500	\$ 32,500	\$ 90,491	\$ 57,991
Plan review fees	29,000	29,000	-	(29,000)
Parking	202,000	202,000	193,166	(8,834)
Police revenue	110,000	110,000	115,757	5,757
Other fees	12,500	12,500	16,549	4,049
	<u>386,000</u>	<u>386,000</u>	<u>415,963</u>	<u>29,963</u>
<b>Licenses and permits:</b>				
Liquor licenses	100,000	100,000	109,929	9,929
Miscellaneous licenses and permits	23,000	23,000	23,261	261
Building permits	185,000	185,000	237,120	52,120
Occupancy permits	3,000	3,000	-	(3,000)
Video gaming licenses	-	-	40,494	40,494
	<u>311,000</u>	<u>311,000</u>	<u>410,804</u>	<u>99,804</u>
<b>Intergovernmental:</b>				
Income tax	4,156,000	4,156,000	3,841,569	(314,431)
Local use tax	957,500	957,500	1,010,946	53,446
Replacement tax	160,000	160,000	160,573	573
State sales tax	11,163,000	11,163,000	11,299,192	136,192
Grants	17,500	17,500	30,646	13,146
	<u>16,454,000</u>	<u>16,454,000</u>	<u>16,342,926</u>	<u>(111,074)</u>
<b>Fines and forfeitures:</b>				
Police fines	501,000	501,000	440,913	(60,087)
Adjudication fines	60,000	60,000	73,951	13,951
	<u>561,000</u>	<u>561,000</u>	<u>514,864</u>	<u>(46,136)</u>
Property taxes	<u>3,685,566</u>	<u>3,685,566</u>	<u>3,680,818</u>	<u>(4,748)</u>

(cont'd)

**City of Crystal Lake, Illinois**  
**General Fund**  
**Schedule of Revenues - Budget and Actual (cont'd)**  
**For the Year Ended April 30, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Other taxes:				
Auto rental tax	\$ 41,500	\$ 41,500	\$ 43,751	\$ 2,251
Franchise fees - cable	780,000	780,000	615,070	(164,930)
Hotel tax	290,000	290,000	320,639	30,639
Telecommunications tax	1,217,000	1,217,000	1,155,832	(61,168)
Video gaming tax	-	-	37,133	37,133
	<u>2,328,500</u>	<u>2,328,500</u>	<u>2,172,425</u>	<u>(156,075)</u>
Investment income	<u>43,921</u>	<u>43,921</u>	<u>422,072</u>	<u>378,151</u>
Miscellaneous:				
Rental income	95,300	95,300	95,152	(148)
Host fees	270,500	270,500	336,961	66,461
Other	63,500	63,500	294,589	231,089
	<u>429,300</u>	<u>429,300</u>	<u>726,702</u>	<u>297,402</u>
<b>Total revenues</b>	<u>\$ 24,199,287</u>	<u>\$ 24,199,287</u>	<u>\$ 24,686,574</u>	<u>\$ 487,287</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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
General government:				
Executive department:				
Personnel services	\$ 22,800	\$ 22,800	\$ 22,800	\$ -
Contractual services	426,942	426,942	419,176	7,766
	<u>449,742</u>	<u>449,742</u>	<u>441,976</u>	<u>7,766</u>
Legal and judiciary department - contractual services	<u>513,350</u>	<u>513,350</u>	<u>544,818</u>	<u>(31,468)</u>
Administration department:				
Personnel services	1,567,275	1,567,275	1,502,838	64,437
Contractual services	246,940	246,940	194,964	51,976
Supplies and materials	95,968	95,968	96,158	(190)
	<u>1,910,183</u>	<u>1,910,183</u>	<u>1,793,960</u>	<u>116,223</u>
Administrative adjudication department:				
Personnel services	64,002	64,002	62,646	1,356
Contractual services	36,800	36,800	21,344	15,456
Supplies and materials	3,900	3,900	-	3,900
	<u>104,702</u>	<u>104,702</u>	<u>83,990</u>	<u>20,712</u>
Community development:				
Personnel services	2,302,276	2,302,276	2,193,178	109,098
Contractual services	515,816	515,816	299,336	216,480
Supplies and materials	58,910	58,910	29,999	28,911
Sales tax incentives	723,200	723,200	780,228	(57,028)
	<u>3,600,202</u>	<u>3,600,202</u>	<u>3,302,741</u>	<u>297,461</u>
Information technology:				
Personnel services	197,531	197,531	169,501	28,030
Contractual services	396,435	396,435	187,914	208,521
Supplies and materials	56,737	56,737	53,152	3,585
	<u>650,703</u>	<u>650,703</u>	<u>410,567</u>	<u>240,136</u>

(cont'd)

**City of Crystal Lake, Illinois**  
**General Fund**  
**Schedule of Expenditures - Budget and Actual (cont'd)**  
**For the Year Ended April 30, 2017**

	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	706,073	706,073	722,061	(15,988)
Special projects department:				
Personnel services	24,700	24,700	13,719	10,981
Contractual services	298,302	298,302	255,926	42,376
Supplies and materials	15,000	15,000	8,173	6,827
	338,002	338,002	277,818	60,184
Insurance - contractual services	32,200	32,200	(353,696)	385,896
<b>Total general government</b>	<b>8,435,157</b>	<b>8,435,157</b>	<b>7,331,139</b>	<b>1,104,018</b>
Public safety:				
Police department:				
Personnel services	8,706,635	8,706,635	8,306,287	400,348
Contractual services	1,610,188	1,610,188	1,659,988	(49,800)
Supplies and materials	343,780	343,780	293,715	50,065
	10,660,603	10,660,603	10,259,990	400,613
Pension contributions	3,685,566	3,685,566	3,680,818	4,748
Fire and police commission - contractual services	31,633	31,633	27,880	3,753
<b>Total public safety</b>	<b>14,377,802</b>	<b>14,377,802</b>	<b>13,968,688</b>	<b>409,114</b>

(cont'd)

**City of Crystal Lake, Illinois**  
**General Fund**  
**Schedule of Expenditures - Budget and Actual (cont'd)**  
**For the Year Ended April 30, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Highways and streets:				
Street department:				
Personnel services	\$ 1,985,412	\$ 1,985,412	\$ 1,949,295	\$ 36,117
Contractual services	945,077	945,077	790,890	154,187
Supplies and materials	285,384	285,384	262,794	22,590
	<u>3,215,873</u>	<u>3,215,873</u>	<u>3,002,979</u>	<u>212,894</u>
Water operations:				
Personnel services	297,833	297,833	254,011	43,822
Contractual services	107,869	107,869	85,252	22,617
Supplies and materials	49,024	49,024	45,962	3,062
	<u>454,726</u>	<u>454,726</u>	<u>385,225</u>	<u>69,501</u>
Wastewater treatment:				
Personnel services	275,299	275,299	278,589	(3,290)
Contractual services	27,842	27,842	18,227	9,615
Supplies and materials	12,438	12,438	4,857	7,581
	<u>315,579</u>	<u>315,579</u>	<u>301,673</u>	<u>13,906</u>
Fleet services:				
Personnel services	715,533	715,533	651,379	64,154
Contractual services	47,851	47,851	39,220	8,631
Supplies and materials	42,532	42,532	42,074	458
	<u>805,916</u>	<u>805,916</u>	<u>732,673</u>	<u>73,243</u>
<b>Total highways and streets</b>	<u>4,792,094</u>	<u>4,792,094</u>	<u>4,422,550</u>	<u>369,544</u>
Debt service - special projects department:				
Principal	385,984	385,984	385,984	-
Interest and fees	48,588	48,588	48,545	43
<b>Total debt service</b>	<u>434,572</u>	<u>434,572</u>	<u>434,529</u>	<u>43</u>
<b>Total expenditures</b>	<u>\$ 28,039,625</u>	<u>\$ 28,039,625</u>	<u>\$ 26,156,906</u>	<u>\$ 1,882,719</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, 2017**

	<u>Total</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Assets</b>				
Cash and investments	\$ 5,401,289	\$ 2,191,942	\$ 472,458	\$ 2,736,889
Receivables:				
Property taxes	1,875,813	1,631,270	85,800	158,743
Other	202,126	19,672	182,454	-
Due from other funds	15	15	-	-
Prepaid items	4,923	4,923	-	-
<b>Total assets</b>	<b>\$ 7,484,166</b>	<b>\$ 3,847,822</b>	<b>\$ 740,712</b>	<b>\$ 2,895,632</b>
<b>Liabilities</b>				
Accounts payable	\$ 916,737	\$ 67,006	\$ 900	\$ 848,831
Accrued expenses	4,376	4,376	-	-
Recapture fees payable	108,093	-	-	108,093
Due to other funds	118,343	150	118,193	-
<b>Total liabilities</b>	<b>1,147,549</b>	<b>71,532</b>	<b>119,093</b>	<b>956,924</b>
<b>Deferred Inflows of Resources</b>				
Property taxes	1,875,812	1,631,269	85,800	158,743
<b>Fund Balances</b>				
Nonspendable	4,923	4,923	-	-
Restricted for retirement purposes	1,337,123	1,337,123	-	-
Restricted for police activities	443,437	443,437	-	-
Restricted for debt service	535,819	-	535,819	-
Restricted for park development	97,819	-	-	97,819
Assigned, reported in:				
Special Revenue Funds	359,538	359,538	-	-
Capital Projects Funds	1,682,146	-	-	1,682,146
<b>Total fund balances</b>	<b>4,460,805</b>	<b>2,145,021</b>	<b>535,819</b>	<b>1,779,965</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 7,484,166</b>	<b>\$ 3,847,822</b>	<b>\$ 740,712</b>	<b>\$ 2,895,632</b>

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, 2017**

	Total	Special Revenue	Debt Service	Capital Projects
Revenues:				
Charges for services	\$ 925,332	\$ 626,340	\$ 298,992	\$ -
Licenses and permits	216,074	216,074	-	-
Intergovernmental	229,761	203,342	-	26,419
Property taxes	2,240,645	2,177,596	50,296	12,753
Interest	853	592	122	139
Miscellaneous	100,786	100,282	-	504
<b>Total revenues</b>	<b>3,713,451</b>	<b>3,324,226</b>	<b>349,410</b>	<b>39,815</b>
Expenditures:				
Current:				
General government	845,754	838,578	5,476	1,700
Public safety	727,867	727,867	-	-
Highways and streets	2,357,601	2,357,601	-	-
Culture and recreation	736,944	700,042	-	36,902
Capital outlay	2,821,994	-	-	2,821,994
Debt service:				
Principal	1,040,999	-	1,040,999	-
Interest and fees	402,225	-	402,225	-
Miscellaneous	24,569	-	24,569	-
<b>Total expenditures</b>	<b>8,957,953</b>	<b>4,624,088</b>	<b>1,473,269</b>	<b>2,860,596</b>
<b>Deficiency of revenues under expenditures before other financing sources (uses)</b>	<b>(5,244,502)</b>	<b>(1,299,862)</b>	<b>(1,123,859)</b>	<b>(2,820,781)</b>
Other financing sources (uses):				
Transfers in	3,452,032	1,369,334	1,052,634	1,030,064
Transfers out	(11,245)	-	-	(11,245)
<b>Total other financing sources (uses)</b>	<b>3,440,787</b>	<b>1,369,334</b>	<b>1,052,634</b>	<b>1,018,819</b>
<b>Net changes in fund balances</b>	<b>(1,803,715)</b>	<b>69,472</b>	<b>(71,225)</b>	<b>(1,801,962)</b>
Fund balances, beginning of the year	6,264,520	2,075,549	607,044	3,581,927
Fund balances, end of the year	<b>\$ 4,460,805</b>	<b>\$ 2,145,021</b>	<b>\$ 535,819</b>	<b>\$ 1,779,965</b>

See independent auditor's report.

**City of Crystal Lake, Illinois  
Combining Balance Sheet -  
Nonmajor Special Revenue Funds  
April 30, 2017**

	<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>
<b>Assets</b>							
Cash and investments	\$ 2,191,942	\$ 1,337,122	\$ 152,883	\$ 78,200	\$ 151,363	\$ 31,308	\$ 441,066
Receivables:							
Property taxes	1,631,270	1,576,814	-	54,456	-	-	-
Other	19,672	-	-	15,357	-	746	3,569
Due from other funds	15	-	-	-	-	-	15
Prepaid items	4,923	-	4,923	-	-	-	-
<b>Total assets</b>	<b>\$ 3,847,822</b>	<b>\$ 2,913,936</b>	<b>\$ 157,806</b>	<b>\$ 148,013</b>	<b>\$ 151,363</b>	<b>\$ 32,054</b>	<b>\$ 444,650</b>
<b>Liabilities</b>							
Accounts payable	\$ 67,006	\$ -	\$ 16,722	\$ 21,543	\$ -	\$ 27,528	\$ 1,213
Accrued expenses	4,376	-	-	-	-	4,376	-
Due to other funds	150	-	-	-	-	150	-
<b>Total liabilities</b>	<b>71,532</b>	<b>-</b>	<b>16,722</b>	<b>21,543</b>	<b>-</b>	<b>32,054</b>	<b>1,213</b>
<b>Deferred Inflows of Resources</b>							
Property taxes	1,631,269	1,576,813	-	54,456	-	-	-
<b>Fund Balances</b>							
Nonspendable	4,923	-	4,923	-	-	-	-
Restricted for retirement purposes	1,337,123	1,337,123	-	-	-	-	-
Restricted for police activities	443,437	-	-	-	-	-	443,437
Assigned - reported in Special Revenue Funds	359,538	-	136,161	72,014	151,363	-	-
<b>Total fund balances</b>	<b>2,145,021</b>	<b>1,337,123</b>	<b>141,084</b>	<b>72,014</b>	<b>151,363</b>	<b>-</b>	<b>443,437</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,847,822</b>	<b>\$ 2,913,936</b>	<b>\$ 157,806</b>	<b>\$ 148,013</b>	<b>\$ 151,363</b>	<b>\$ 32,054</b>	<b>\$ 444,650</b>

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, 2017**

	<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>
Revenues:							
Charges for services	\$ 626,340	\$ -	\$ -	\$ -	\$ -	\$ 626,340	\$ -
Licenses and permits	216,074	-	216,074	-	-	-	-
Intergovernmental	203,342	-	-	-	61,666	-	141,676
Property taxes	2,177,596	1,690,962	441,563	45,071	-	-	-
Investment income	592	414	80	22	28	48	-
Miscellaneous	100,282	-	47,862	48,100	-	4,320	-
<b>Total revenues</b>	<b>3,324,226</b>	<b>1,691,376</b>	<b>705,579</b>	<b>93,193</b>	<b>61,694</b>	<b>630,708</b>	<b>141,676</b>
Expenditures:							
Current:							
General government	838,578	838,578	-	-	-	-	-
Public safety	727,867	336,273	-	98,347	6,168	-	287,079
Highways and streets	2,357,601	320,174	2,037,427	-	-	-	-
Culture and recreation	700,042	-	-	-	-	700,042	-
Capital outlay	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>4,624,088</b>	<b>1,495,025</b>	<b>2,037,427</b>	<b>98,347</b>	<b>6,168</b>	<b>700,042</b>	<b>287,079</b>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources</b>	<b>(1,299,862)</b>	<b>196,351</b>	<b>(1,331,848)</b>	<b>(5,154)</b>	<b>55,526</b>	<b>(69,334)</b>	<b>(145,403)</b>
Other financing sources - transfers in	1,369,334	-	1,300,000	-	-	69,334	-
<b>Net changes in fund balances</b>	<b>69,472</b>	<b>196,351</b>	<b>(31,848)</b>	<b>(5,154)</b>	<b>55,526</b>	<b>-</b>	<b>(145,403)</b>
Fund balances, beginning of the year	2,075,549	1,140,772	172,932	77,168	95,837	-	588,840
Fund balances, end of the year	<b>\$ 2,145,021</b>	<b>\$ 1,337,123</b>	<b>\$ 141,084</b>	<b>\$ 72,014</b>	<b>\$ 151,363</b>	<b>\$ -</b>	<b>\$ 443,437</b>

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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 1,693,143	\$ 1,693,143	<b>\$ 1,690,962</b>	\$ (2,181)
Investment income	100	100	<b>414</b>	314
<b>Total revenues</b>	<u>1,693,243</u>	<u>1,693,243</u>	<u><b>1,691,376</b></u>	<u>(1,867)</u>
Expenditures - current - personnel services:				
General government	963,271	963,271	<b>838,578</b>	124,693
Public safety	373,937	373,937	<b>336,273</b>	37,664
Highways and streets	356,035	356,035	<b>320,174</b>	35,861
<b>Total expenditures</b>	<u>1,693,243</u>	<u>1,693,243</u>	<u><b>1,495,025</b></u>	<u>198,218</u>
<b>Net changes in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u><b>196,351</b></u>	<u>\$ 196,351</u>
Fund balance, beginning of the year			<u><b>1,140,772</b></u>	
Fund balance, end of the year			<u><b>\$ 1,337,123</b></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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Licenses and permits	\$ 240,000	\$ 240,000	\$ 216,074	\$ (23,926)
Property taxes	475,400	475,400	441,563	(33,837)
Investment income	-	-	80	80
Miscellaneous	-	-	47,862	47,862
<b>Total revenues</b>	<u>715,400</u>	<u>715,400</u>	<u>705,579</u>	<u>(9,821)</u>
Expenditures:				
Highways and streets	2,338,210	2,338,210	2,037,427	300,783
<b>Total expenditures</b>	<u>2,338,210</u>	<u>2,338,210</u>	<u>2,037,427</u>	<u>300,783</u>
<b>Revenues under expenditures before other financing sources</b>	(1,622,810)	(1,622,810)	(1,331,848)	290,962
Other financing sources - transfers in	1,300,000	1,300,000	1,300,000	-
<b>Net changes in fund balance</b>	<u>\$ (322,810)</u>	<u>\$ (322,810)</u>	<u>(31,848)</u>	<u>\$ 290,962</u>
Fund balance, beginning of the year			<u>172,932</u>	
Fund balance, end of the year			<u>\$ 141,084</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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 45,123	\$ 45,123	\$ 45,071	\$ (52)
Investment income	7	7	22	15
Miscellaneous	45,125	45,125	48,100	2,975
<b>Total revenues</b>	<u>90,255</u>	<u>90,255</u>	<u>93,193</u>	<u>2,938</u>
Expenditures - public safety:				
Personnel services	-	-	2,147	(2,147)
Contractual services	90,255	90,255	96,200	(5,945)
<b>Total expenditures</b>	<u>90,255</u>	<u>90,255</u>	<u>98,347</u>	<u>(8,092)</u>
<b>Net changes in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(5,154)</u>	<u>\$ (5,154)</u>
Fund balance, beginning of the year			<u>77,168</u>	
Fund balance, end of the year			<u>\$ 72,014</u>	

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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental	\$ 62,000	\$ 62,000	\$ <b>61,666</b>	\$ (334)
Investment income	300	300	<b>28</b>	(272)
<b>Total revenues</b>	<u>62,300</u>	<u>62,300</u>	<u><b>61,694</b></u>	<u>(606)</u>
Expenditures - public safety:				
Contractual services	3,100	3,100	<b>100</b>	3,000
Materials and supplies	50,100	50,100	<b>6,068</b>	44,032
<b>Total expenditures</b>	<u>53,200</u>	<u>53,200</u>	<u><b>6,168</b></u>	<u>47,032</u>
<b>Net changes in fund balance</b>	<u>\$ 9,100</u>	<u>\$ 9,100</u>	<u><b>55,526</b></u>	<u>\$ 46,426</u>
Fund balance, beginning of the year			<u><b>95,837</b></u>	
Fund balance, end of the year			<u><b>\$ 151,363</b></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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services	\$ 483,434	\$ 483,434	\$ 626,340	\$ 142,906
Investment income	-	-	48	48
Miscellaneous	-	-	4,320	4,320
<b>Total revenues</b>	<u>483,434</u>	<u>483,434</u>	<u>630,708</u>	<u>147,274</u>
Expenditures - culture and recreation:				
Personnel services	372,578	372,578	415,623	(43,045)
Contractual services	224,499	224,499	199,841	24,658
Materials and supplies	67,800	67,800	84,578	(16,778)
<b>Total expenditures</b>	<u>664,877</u>	<u>664,877</u>	<u>700,042</u>	<u>(35,165)</u>
<b>Revenues under expenditures before other financing sources</b>	(181,443)	(181,443)	(69,334)	112,109
Other financing sources - transfers in	<u>181,443</u>	<u>181,443</u>	<u>69,334</u>	<u>(112,109)</u>
<b>Net changes in fund balance</b>	<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**  
**Restricted Police Fund**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended April 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues - intergovernmental	\$ 102,600	\$ 102,600	<b>\$ 141,676</b>	\$ 39,076
Expenditures - public safety - miscellaneous	<u>335,000</u>	<u>335,000</u>	<u><b>287,079</b></u>	<u>47,921</u>
<b>Revenues under expenditures</b>	<u><b>\$ (232,400)</b></u>	<u><b>\$ (232,400)</b></u>	<u><b>(145,403)</b></u>	<u><b>\$ 86,997</b></u>
Fund balance, beginning of the year			<u><b>588,840</b></u>	
Fund balance, end of the year			<u><b>\$ 443,437</b></u>	

See independent auditor's report.

City of Crystal Lake, Illinois  
Combining Balance Sheet -  
Nonmajor Debt Service Funds  
April 30, 2017

	<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>
<b>Assets</b>					
Cash and investments	\$ 472,458	\$ -	\$ 472,291	\$ 167	\$ -
Receivables:					
Property taxes	85,800	-	85,800	-	-
Other	182,454	182,454	-	-	-
<b>Total assets</b>	<b>\$ 740,712</b>	<b>\$ 182,454</b>	<b>\$ 558,091</b>	<b>\$ 167</b>	<b>\$ -</b>
<b>Liabilities</b>					
Accounts payable	\$ 900	\$ -	\$ 900	\$ -	\$ -
Due to other funds	118,193	118,193	-	-	-
<b>Total liabilities</b>	<b>119,093</b>	<b>118,193</b>	<b>900</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>					
Property taxes	85,800	-	85,800	-	-
<b>Fund Balances</b>					
Restricted for debt service	535,819	64,261	471,391	167	-
<b>Total fund balances</b>	<b>535,819</b>	<b>64,261</b>	<b>471,391</b>	<b>167</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 740,712</b>	<b>\$ 182,454</b>	<b>\$ 558,091</b>	<b>\$ 167</b>	<b>\$ -</b>

See independent auditor's report.

**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, 2017**

	<b>Total</b>	Special Assess- ment No. 149	Crystal Heights Debt Service	SEECOM Debt Service	Three Oaks Recreation Area Debt Service Fund
Revenues:					
Charges for services	\$ 298,992	\$ -	\$ 30,017	\$ 268,975	\$ -
Property taxes	50,296	-	50,296	-	-
Investment income	122	-	122	-	-
<b>Total revenues</b>	<b>349,410</b>	<b>-</b>	<b>80,435</b>	<b>268,975</b>	<b>-</b>
Expenditures:					
Current - general government	5,476	-	5,476	-	-
Debt service:					
Principal	1,040,999	-	113,333	248,625	679,041
Interest and fees	402,225	-	9,276	20,350	372,599
Miscellaneous	24,569	-	23,575	-	994
<b>Total expenditures</b>	<b>1,473,269</b>	<b>-</b>	<b>151,660</b>	<b>268,975</b>	<b>1,052,634</b>
<b>Revenues under expenditures before other financing sources</b>	<b>(1,123,859)</b>	<b>-</b>	<b>(71,225)</b>	<b>-</b>	<b>(1,052,634)</b>
Other financing sources - transfers in	1,052,634	-	-	-	1,052,634
<b>Net changes in fund balances</b>	<b>(71,225)</b>	<b>-</b>	<b>(71,225)</b>	<b>-</b>	<b>-</b>
Fund balances, beginning of the year	607,044	64,261	542,616	167	-
Fund balances, end of the year	<b>\$ 535,819</b>	<b>\$ 64,261</b>	<b>\$ 471,391</b>	<b>\$ 167</b>	<b>\$ -</b>

See independent auditor's report.

**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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services	\$ 32,000	\$ 32,000	\$ 30,017	\$ (1,983)
Property taxes	-	-	50,296	50,296
Investment income	50	50	122	72
<b>Total revenues</b>	<u>32,050</u>	<u>32,050</u>	<u>80,435</u>	<u>48,385</u>
Expenditures:				
Current - general government - contractual services	5,462	5,462	5,476	(14)
Debt service:				
Principal	113,333	113,333	113,333	-
Interest	4,638	4,638	9,276	(4,638)
Miscellaneous	-	-	23,575	(23,575)
<b>Total expenditures</b>	<u>123,433</u>	<u>123,433</u>	<u>151,660</u>	<u>(28,227)</u>
<b>Net changes in fund balance</b>	<u>\$ (91,383)</u>	<u>\$ (91,383)</u>	<u>(71,225)</u>	<u>\$ 20,158</u>
Fund balance, beginning of the year			<u>542,616</u>	
Fund balance, end of the year			<u>\$ 471,391</u>	

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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services	\$ 258,800	\$ 258,800	\$ 268,975	\$ 10,175
<b>Total revenues</b>	<u>258,800</u>	<u>258,800</u>	<u>268,975</u>	<u>10,175</u>
Expenditures:				
Debt service:				
Principal	248,625	248,625	248,625	-
Interest	10,175	10,175	20,350	(10,175)
<b>Total expenditures</b>	<u>258,800</u>	<u>258,800</u>	<u>268,975</u>	<u>(10,175)</u>
<b>Net changes in fund balance</b>	<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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures:				
Debt Service:				
Principal	\$ 679,041	\$ 679,041	\$ 679,041	\$ -
Interest	375,300	375,300	372,599	2,701
Miscellaneous	-	-	994	(994)
<b>Total expenditures</b>	<u>1,054,341</u>	<u>1,054,341</u>	<u>1,052,634</u>	<u>1,707</u>
<b>Revenues under   expenditures before   other financing sources</b>	(1,054,341)	(1,054,341)	<b>(1,052,634)</b>	1,707
Other financing sources - transfers in	<u>1,054,341</u>	<u>1,054,341</u>	<u>1,052,634</u>	<u>(1,707)</u>
<b>Net changes in fund balance</b>	<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, 2017**

	<b>Total</b>	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
<b>Assets</b>								
Cash and investments	\$ 2,736,889	\$ 117,691	\$ 292,549	\$ -	\$ -	\$ 1,944,858	\$ 24,978	\$ 356,813
Receivables - property taxes	158,743	-	119,486	25,674	13,583	-	-	-
<b>Total assets</b>	<b>\$ 2,895,632</b>	<b>\$ 117,691</b>	<b>\$ 412,035</b>	<b>\$ 25,674</b>	<b>\$ 13,583</b>	<b>\$ 1,944,858</b>	<b>\$ 24,978</b>	<b>\$ 356,813</b>
<b>Liabilities</b>								
Accounts payable	\$ 848,831	\$ -	\$ 200	\$ -	\$ -	\$ 569,194	\$ 20,443	\$ 258,994
Recapture fees payable	108,093	108,093	-	-	-	-	-	-
<b>Total liabilities</b>	<b>956,924</b>	<b>108,093</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>569,194</b>	<b>20,443</b>	<b>258,994</b>
<b>Deferred Inflows of Resources</b>								
Property taxes	158,743	-	119,486	25,674	13,583	-	-	-
<b>Fund Balances</b>								
Restricted for park development	97,819	-	-	-	-	-	-	97,819
Assigned for capital outlay	1,682,146	9,598	292,349	-	-	1,375,664	4,535	-
<b>Total fund balances</b>	<b>1,779,965</b>	<b>9,598</b>	<b>292,349</b>	<b>-</b>	<b>-</b>	<b>1,375,664</b>	<b>4,535</b>	<b>97,819</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,895,632</b>	<b>\$ 117,691</b>	<b>\$ 412,035</b>	<b>\$ 25,674</b>	<b>\$ 13,583</b>	<b>\$ 1,944,858</b>	<b>\$ 24,978</b>	<b>\$ 356,813</b>

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, 2017**

	<b>Total</b>	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
<b>Revenues:</b>								
Property taxes	\$ 12,753	\$ -	\$ 508	\$ 10,095	\$ 2,150	\$ -	\$ -	\$ -
Intergovernmental	26,419	-	-	-	-	4,287	-	22,132
Investment income	139	-	66	-	-	-	12	61
Miscellaneous	504	-	-	-	-	-	-	504
<b>Total revenues</b>	<b>39,815</b>	<b>-</b>	<b>574</b>	<b>10,095</b>	<b>2,150</b>	<b>4,287</b>	<b>12</b>	<b>22,697</b>
<b>Expenditures:</b>								
Current - general government	1,700	-	700	500	500	-	-	-
Current - culture and recreation	36,902	-	-	-	-	-	36,902	-
Capital outlay - public works improvements	914,871	-	-	-	-	914,871	-	-
Capital outlay - administrative	548,936	-	-	-	-	548,936	-	-
Capital outlay - information technology	205,680	-	-	-	-	205,680	-	-
Capital outlay - police	193,571	-	-	-	-	193,571	-	-
Capital outlay - community development	26,003	-	-	-	-	26,003	-	-
Capital outlay - culture and recreation	932,933	-	-	-	-	-	11,348	921,585
<b>Total expenditures</b>	<b>2,860,596</b>	<b>-</b>	<b>700</b>	<b>500</b>	<b>500</b>	<b>1,889,061</b>	<b>48,250</b>	<b>921,585</b>
<b>Revenues over (under) expenditures before other financing sources (uses)</b>	<b>(2,820,781)</b>	<b>-</b>	<b>(126)</b>	<b>9,595</b>	<b>1,650</b>	<b>(1,884,774)</b>	<b>(48,238)</b>	<b>(898,888)</b>
<b>Other financing sources (uses):</b>								
Transfers in	1,030,064	-	-	-	-	82,938	48,238	898,888
Transfers out	(11,245)	-	-	(9,595)	(1,650)	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,018,819</b>	<b>-</b>	<b>-</b>	<b>(9,595)</b>	<b>(1,650)</b>	<b>82,938</b>	<b>48,238</b>	<b>898,888</b>
<b>Net changes in fund balances</b>	<b>(1,801,962)</b>	<b>-</b>	<b>(126)</b>	<b>-</b>	<b>-</b>	<b>(1,801,836)</b>	<b>-</b>	<b>-</b>
Fund balances, beginning of the year	3,581,927	9,598	292,475	-	-	3,177,500	4,535	97,819
Fund balances, end of the year	<b>\$ 1,779,965</b>	<b>\$ 9,598</b>	<b>\$ 292,349</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,375,664</b>	<b>\$ 4,535</b>	<b>\$ 97,819</b>

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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 485	\$ 485	\$ 508	\$ 23
Interest	15	15	66	51
<b>Total revenues</b>	<u>500</u>	<u>500</u>	<u>574</u>	<u>74</u>
Expenditures:				
Current - general government - contractual services	500	500	700	(200)
<b>Total expenditures</b>	<u>500</u>	<u>500</u>	<u>700</u>	<u>(200)</u>
<b>Net changes in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(126)</u>	<u>\$ (126)</u>
Fund balance, beginning of the year			<u>292,475</u>	
Fund balance, end of the year			<u>\$ 292,349</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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 12,177	\$ 12,177	\$ 10,095	\$ (2,082)
<b>Total revenues</b>	<u>12,177</u>	<u>12,177</u>	<u>10,095</u>	<u>(2,082)</u>
Expenditures:				
Current - general government - contractual services	500	500	500	-
<b>Total expenditures</b>	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
<b>Revenues over expenditures before other financing uses</b>	11,677	11,677	9,595	(2,082)
Other financing uses - transfers out	<u>(11,677)</u>	<u>(11,677)</u>	<u>(9,595)</u>	<u>2,082</u>
<b>Net changes in fund balance</b>	<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  
Vulcan Lakes TIF District Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended April 30, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 500	\$ 500	\$ 2,150	\$ 1,650
<b>Total revenues</b>	<u>500</u>	<u>500</u>	<u>2,150</u>	<u>1,650</u>
Expenditures:				
Current - general government - contractual services	500	500	500	-
<b>Total expenditures</b>	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
<b>Revenues over expenditures before other financing uses</b>	-	-	1,650	1,650
Other financing uses - transfers out	-	-	(1,650)	(1,650)
<b>Net changes in fund balance</b>	<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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
Grant proceeds	\$ 70,000	\$ 70,000	\$ 4,287	\$ (65,713)
Miscellaneous	137,500	137,500	-	(137,500)
<b>Total revenues</b>	<u>207,500</u>	<u>207,500</u>	<u>4,287</u>	<u>(203,213)</u>
<b>Expenditures:</b>				
Administrative	858,309	858,309	548,936	309,373
Information technology	237,000	237,000	205,680	31,320
Police	228,675	228,675	193,571	35,104
Community development	599,662	599,662	26,003	573,659
Public works	1,218,400	1,218,400	914,871	303,529
<b>Total expenditures</b>	<u>3,142,046</u>	<u>3,142,046</u>	<u>1,889,061</u>	<u>1,252,985</u>
<b>Revenues under expenditures before other financing sources</b>	(2,934,546)	(2,934,546)	(1,884,774)	1,049,772
Other financing sources - transfers in	162,500	162,500	82,938	(79,562)
<b>Net changes in fund balance</b>	<u>\$ (2,772,046)</u>	<u>\$ (2,772,046)</u>	<u>(1,801,836)</u>	<u>\$ 970,210</u>
Fund balance, beginning of the year			<u>3,177,500</u>	
Fund balance, end of the year			<u>\$ 1,375,664</u>	

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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Interest income	\$ -	\$ -	\$ 12	\$ 12
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>12</u>	<u>12</u>
Expenditures - culture and recreation:				
Contractual services	63,830	63,830	36,015	27,815
Materials and supplies	8,000	8,000	887	7,113
Capital outlay	42,500	42,500	11,348	31,152
<b>Total expenditures</b>	<u>114,330</u>	<u>114,330</u>	<u>48,250</u>	<u>66,080</u>
<b>Revenues under expenditures before other financing sources</b>	\$ (114,330)	\$ (114,330)	(48,238)	\$ 66,092
Other financing sources - transfers in	<u>112,623</u>	<u>112,623</u>	<u>48,238</u>	<u>64,385</u>
<b>Net changes in fund balance</b>	<u>\$ (1,707)</u>	<u>\$ (1,707)</u>	<u>-</u>	<u>\$ 130,477</u>
Fund balance, beginning of the year			<u>4,535</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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 22,132	\$ 22,132
Miscellaneous	-	-	504	504
Interest income	-	-	61	61
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>22,697</b>	<b>22,697</b>
Expenditures:				
Capital outlay - culture and recreation	945,020	945,020	921,585	23,435
<b>Total expenditures</b>	<b>945,020</b>	<b>945,020</b>	<b>921,585</b>	<b>23,435</b>
<b>Revenues under expenditures before other financing sources</b>	<b>(945,020)</b>	<b>(945,020)</b>	<b>(898,888)</b>	<b>46,132</b>
Other financing sources - transfers in	822,329	822,329	898,888	76,559
<b>Net changes in fund balance</b>	<b>\$ (122,691)</b>	<b>\$ (122,691)</b>	<b>-</b>	<b>\$ 122,691</b>
Fund balance, beginning of the year			<b>97,819</b>	
Fund balance, end of the year			<b>\$ 97,819</b>	

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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:				
Charges for services:				
Water sales	\$ 5,101,000	\$ 5,101,000	\$ 5,270,174	\$ 169,174
Sewer sales	4,983,000	4,983,000	5,119,288	136,288
Penalties	320,000	320,000	315,217	(4,783)
Water meter fees	13,800	13,800	28,562	14,762
Water tap fees	-	-	9,730	9,730
Miscellaneous	54,300	54,300	193,998	139,698
<b>Total operating revenues</b>	<b>10,472,100</b>	<b>10,472,100</b>	<b>10,936,969</b>	<b>464,869</b>
Nonoperating revenue:				
Connection fees	159,952	159,952	175,585	15,633
Investment income (loss)	2,500	2,500	(12,899)	(15,399)
Rental income	293,200	293,200	263,711	(29,489)
Loss on sale of capital assets	-	-	(95,982)	(95,982)
<b>Total nonoperating revenues</b>	<b>455,652</b>	<b>455,652</b>	<b>330,415</b>	<b>(125,237)</b>
<b>Total revenues</b>	<b>\$ 10,927,752</b>	<b>\$ 10,927,752</b>	<b>\$ 11,267,384</b>	<b>\$ 339,632</b>

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, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating expenses, excluding depreciation:				
Administration:				
Personal services	\$ 619,100	\$ 619,100	\$ 508,169	\$ 110,931
Contractual services	204,258	204,258	221,612	(17,354)
Supplies and materials	33,181	33,181	17,913	15,268
<b>Total administration</b>	<b>856,539</b>	<b>856,539</b>	<b>747,694</b>	<b>108,845</b>
Operations:				
Water division:				
Personal services	1,858,029	1,858,029	1,909,527	(51,498)
Contractual services	1,480,391	1,480,391	1,039,154	441,237
Supplies and materials	897,243	897,243	699,073	198,170
Capital outlay	1,402,479	1,402,479	23,404	1,379,075
<b>Total water division</b>	<b>5,638,142</b>	<b>5,638,142</b>	<b>3,671,158</b>	<b>1,966,984</b>
Wastewater division:				
Personal services	1,129,116	1,129,116	1,031,340	97,776
Contractual services	1,228,636	1,228,636	857,571	371,065
Supplies and materials	776,976	776,976	619,786	157,190
Capital outlay	8,566,450	8,566,450	133,354	8,433,096
<b>Total wastewater division</b>	<b>11,701,178</b>	<b>11,701,178</b>	<b>2,642,051</b>	<b>9,059,127</b>
<b>Total operations</b>	<b>17,339,320</b>	<b>17,339,320</b>	<b>6,313,209</b>	<b>11,026,111</b>
<b>Total operating expenses,     excluding depreciation</b>	<b>\$ 18,195,859</b>	<b>\$ 18,195,859</b>	<b>\$ 7,060,903</b>	<b>\$ 11,134,956</b>
Nonoperating expenses - interest expense	\$ 675,742	\$ 675,742	\$ 620,052	\$ (55,690)

See independent auditor's report.

**City of Crystal Lake, Illinois**  
**Pension Trust Funds**  
**Combining Statement of Fiduciary Net Position**  
**April 30, 2017**

<b>Assets</b>	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
Cash	\$ 4,958	\$ 15,909	\$ 20,867
Investments:			
Money market accounts	764,739	74,196	838,935
U.S. government and agency securities	4,340,793	12,423,822	16,764,615
Corporate bonds	8,005,399	-	8,005,399
Insurance contracts	-	1,933,820	1,933,820
Municipal bonds	-	2,387,487	2,387,487
Mutual funds - stocks	23,654,249	15,490,125	39,144,374
Interest receivable	114,479	119,855	234,334
Prepaid expenses	4,814	5,426	10,240
<b>Total assets</b>	<b><u>\$ 36,889,431</u></b>	<b><u>\$ 32,450,640</u></b>	<b><u>\$ 69,340,071</u></b>
<b>Liabilities and Net Position</b>			
Liabilities - accounts payable	\$ 1,722	\$ 6,715	\$ 8,437
Net position restricted for pensions	<u>36,887,709</u>	<u>32,443,925</u>	<u>69,331,634</u>
<b>Total liabilities and net position</b>	<b><u>\$ 36,889,431</u></b>	<b><u>\$ 32,450,640</u></b>	<b><u>\$ 69,340,071</u></b>

See independent auditor's report.

**City of Crystal Lake, Illinois  
Pension Trust Funds  
Combining Statement of Changes in Fiduciary Net Position  
For the Year Ended April 30, 2017**

	Police Pension	Firefighters' Pension	Total
Additions:			
Contributions:			
Employer	\$ 1,989,776	\$ 1,690,980	\$ 3,680,756
Members	551,461	544,683	1,096,144
<b>Total contributions</b>	<b>2,541,237</b>	<b>2,235,663</b>	<b>4,776,900</b>
Investment income:			
Net appreciation in fair value of investments	2,432,255	1,731,135	4,163,390
Interest income	1,111,247	867,767	1,979,014
Less investment expenses	(165,175)	(114,539)	(279,714)
<b>Total investment income</b>	<b>3,378,327</b>	<b>2,484,363</b>	<b>5,862,690</b>
<b>Total additions</b>	<b>5,919,564</b>	<b>4,720,026</b>	<b>10,639,590</b>
Deductions:			
Pension benefits and refunds	2,564,023	1,381,293	3,945,316
Administrative expenses	23,952	32,037	55,989
<b>Total deductions</b>	<b>2,587,975</b>	<b>1,413,330</b>	<b>4,001,305</b>
<b>Changes in net position</b>	<b>3,331,589</b>	<b>3,306,696</b>	<b>6,638,285</b>
Net position restricted for pensions:			
Beginning of the year	33,556,120	29,137,229	62,693,349
End of the year	\$ 36,887,709	\$ 32,443,925	\$ 69,331,634

See independent auditor's report.

**City of Crystal Lake, Illinois  
Police Pension Fund  
Schedule of Changes in Fiduciary  
Net Position - Budget and Actual  
For the Year Ended April 30, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Additions:				
Contributions:				
Employer	\$ 1,992,354	\$ 1,992,354	\$ 1,989,776	\$ (2,578)
Members	556,400	556,400	551,461	(4,939)
<b>Total contributions</b>	<b>2,548,754</b>	<b>2,548,754</b>	<b>2,541,237</b>	<b>(7,517)</b>
Investment income:				
Net appreciation in fair value of investments	-	-	2,432,255	2,432,255
Interest income	1,100,000	1,100,000	1,111,247	11,247
Less investment expenses	(191,000)	(191,000)	(165,175)	25,825
<b>Total investment income</b>	<b>909,000</b>	<b>909,000</b>	<b>3,378,327</b>	<b>2,469,327</b>
<b>Total additions</b>	<b>3,457,754</b>	<b>3,457,754</b>	<b>5,919,564</b>	<b>2,461,810</b>
Deductions:				
Pension benefits and refunds	2,488,000	2,488,000	2,564,023	(76,023)
Administrative expenses	24,500	24,500	23,952	548
<b>Total deductions</b>	<b>2,512,500</b>	<b>2,512,500</b>	<b>2,587,975</b>	<b>(75,475)</b>
<b>Changes in net position</b>	<b>\$ 945,254</b>	<b>\$ 945,254</b>	<b>3,331,589</b>	<b>\$ 2,386,335</b>
Net position restricted for pensions:				
Beginning of the year			<b>33,556,120</b>	
End of the year			<b>\$ 36,887,709</b>	

See independent auditor's report.

**City of Crystal Lake, Illinois  
Firefighters' Pension Fund  
Schedule of Changes in Fiduciary  
Net Position - Budget and Actual  
For the Year Ended April 30, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Additions:				
Contributions:				
Employer	\$ 1,693,212	\$ 1,693,212	\$ 1,690,980	\$ (2,232)
Members	619,400	619,400	544,683	(74,717)
<b>Total contributions</b>	<b>2,312,612</b>	<b>2,312,612</b>	<b>2,235,663</b>	<b>(76,949)</b>
Investment income:				
Net appreciation in fair value of investments	-	-	1,731,135	1,731,135
Interest income	900,000	900,000	867,767	(32,233)
Less investment expenses	(110,000)	(110,000)	(114,539)	(4,539)
<b>Total investment income</b>	<b>790,000</b>	<b>790,000</b>	<b>2,484,363</b>	<b>1,694,363</b>
<b>Total additions</b>	<b>3,102,612</b>	<b>3,102,612</b>	<b>4,720,026</b>	<b>1,617,414</b>
Deductions:				
Pension benefits and refunds	1,520,000	1,520,000	1,381,293	138,707
Administrative expenses	19,000	19,000	32,037	(13,037)
<b>Total deductions</b>	<b>1,539,000</b>	<b>1,539,000</b>	<b>1,413,330</b>	<b>125,670</b>
<b>Changes in net position</b>	<b>\$ 1,563,612</b>	<b>\$ 1,563,612</b>	<b>3,306,696</b>	<b>\$ 1,743,084</b>
Net position restricted for pensions:				
Beginning of the year			<b>29,137,229</b>	
End of the year			<b>\$ 32,443,925</b>	

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, 2017**

	Balance May 1, 2016	Additions	Deductions	Balance April 30, 2017
<b>Assets</b>				
Cash	\$ 190,688	\$ 594,273	\$ 503,417	\$ 281,544
Other receivables	-	201,548	-	201,548
	<u>\$ 190,688</u>	<u>\$ 795,821</u>	<u>\$ 503,417</u>	<u>\$ 483,092</u>
<b>Liabilities</b>				
Recapture fees payable	\$ (81,945)	\$ 201,577	\$ -	\$ 119,632
Funds held for others	272,633	392,696	301,869	363,460
	<u>\$ 190,688</u>	<u>\$ 594,273</u>	<u>\$ 301,869</u>	<u>\$ 483,092</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, 2017**

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<b>Assets</b>	
Governmental funds capital assets:	
Land	\$ 103,584,779
Construction in progress	7,964,417
Buildings and improvements	34,985,173
Machinery, equipment and vehicles	18,528,746
Infrastructure	<u>69,205,500</u>
<b>Total governmental funds capital assets</b>	<b><u>\$ 234,268,615</u></b>

**Investment in Governmental Funds**  
**Capital Assets By Source**

General Fund	\$ 141,719,125
Special Revenue Funds	31,543,607
Capital Projects Funds	21,880,301
Developer contributions	<u>39,125,582</u>
<b>Total governmental funds capital assets</b>	<b><u>\$ 234,268,615</u></b>

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, 2017**

	Land	Construction in Progress	Buildings and Improvements	Machinery, Equipment and Vehicles	Infrastructure	Total
General government	\$ 103,370,198	\$ 1,092,371	\$ 12,179,857	\$ 2,759,415	\$ 1,718,041	<b>\$ 121,119,882</b>
Public safety	-	-	15,276,206	8,273,285	-	<b>23,549,491</b>
Highways and streets	214,581	6,872,046	493,266	6,612,839	57,786,728	<b>71,979,460</b>
Culture and recreation	-	-	7,035,844	883,207	9,700,731	<b>17,619,782</b>
	<b>\$ 103,584,779</b>	<b>\$ 7,964,417</b>	<b>\$ 34,985,173</b>	<b>\$ 18,528,746</b>	<b>\$ 69,205,500</b>	<b>\$ 234,268,615</b>

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, 2017**

	Balance May 1, 2016	Additions	Deletions and Transfers	Balance April 30, 2017
General government	\$ 119,648,936	\$ 1,714,233	\$ 243,287	<b>\$ 121,119,882</b>
Public safety	22,842,492	1,052,016	345,017	<b>23,549,491</b>
Highways and streets	70,739,779	1,418,694	179,013	<b>71,979,460</b>
Culture and recreation	17,619,782	-	-	<b>17,619,782</b>
	<b>\$ 230,850,989</b>	<b>\$ 4,184,943</b>	<b>\$ 767,317</b>	<b>\$ 234,268,615</b>

See independent auditor's report.

**City of Crystal Lake, Illinois**  
**Discretely Presented Component Unit - Crystal Lake Public Library**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**April 30, 2017**

	Governmental Funds			Total	Adjustments	Statement of Net Position
	General Operating	Special Reserve	Nonmajor Funds			
<b>Assets</b>						
Current:						
Cash and investments	\$ 2,836,567	\$ 1,363,579	\$ 963,302	\$ 5,163,448	\$ -	\$ 5,163,448
Property tax receivable	3,952,141	-	497,449	4,449,590	-	4,449,590
Capital assets, net of accumulated depreciation	-	-	-	-	6,910,252	6,910,252
<b>Total assets</b>	<b>6,788,708</b>	<b>1,363,579</b>	<b>1,460,751</b>	<b>9,613,038</b>	<b>6,910,252</b>	<b>16,523,290</b>
<b>Deferred Outflows</b>						
Pension-related	-	-	-	-	603,812	603,812
<b>Total assets and deferred outflows</b>	<b>\$ 6,788,708</b>	<b>\$ 1,363,579</b>	<b>\$ 1,460,751</b>	<b>\$ 9,613,038</b>	<b>\$ 7,514,064</b>	<b>\$ 17,127,102</b>
<b>Liabilities</b>						
Current:						
Accounts payable	\$ 99,848	\$ -	\$ 68,059	\$ 167,907	\$ -	\$ 167,907
Accrued payroll	43,485	-	8,465	51,950	-	51,950
Compensated absences	-	-	-	-	82,320	82,320
<b>Total current liabilities</b>	<b>143,333</b>	<b>-</b>	<b>76,524</b>	<b>219,857</b>	<b>82,320</b>	<b>302,177</b>
Noncurrent:						
Compensated absences payable	-	-	-	-	47,420	47,420
Net pension liability	-	-	-	-	2,069,763	2,069,763
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,117,183</b>	<b>2,117,183</b>
<b>Total liabilities</b>	<b>143,333</b>	<b>-</b>	<b>76,524</b>	<b>219,857</b>	<b>2,199,503</b>	<b>2,419,360</b>
<b>Deferred Inflows of Resources</b>						
Property taxes	3,952,141	-	497,448	4,449,589	-	4,449,589
Pension - related	-	-	-	-	146,778	146,778
<b>Total deferred inflows</b>	<b>3,952,141</b>	<b>-</b>	<b>497,448</b>	<b>4,449,589</b>	<b>146,778</b>	<b>4,596,367</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>4,095,474</b>	<b>-</b>	<b>573,972</b>	<b>4,669,446</b>	<b>2,346,281</b>	<b>7,015,727</b>
Fund balance/net position:						
Restricted for working cash	-	-	50,485	50,485	-	50,485
Restricted for retirement	-	-	206,144	206,144	-	206,144
Assigned	-	1,363,579	630,150	1,993,729	(1,993,729)	-
Unassigned/unrestricted	2,693,234	-	-	2,693,234	251,260	2,944,494
Net investment in capital assets	-	-	-	-	6,910,252	6,910,252
<b>Total fund balance/net position</b>	<b>2,693,234</b>	<b>1,363,579</b>	<b>886,779</b>	<b>4,943,592</b>	<b>5,167,783</b>	<b>10,111,375</b>
<b>Total liabilities, deferred inflows of resources and fund balance/net position</b>	<b>\$ 6,788,708</b>	<b>\$ 1,363,579</b>	<b>\$ 1,460,751</b>	<b>\$ 9,613,038</b>	<b>\$ 7,514,064</b>	<b>\$ 17,127,102</b>

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, 2017**

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Total fund balance - governmental funds	\$ 4,943,592
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.	6,910,252
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	(129,740)
Net pension liability	(2,069,763)
Difference in pension-related items on deferred outflows	603,812
Difference in pension-related items on deferred inflows	(146,778)
Net position of governmental activities	\$ 10,111,375

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, 2017**

	Governmental Funds			Total	Adjustments	Statement of Activities
	General Operating	Special Reserve	Nonmajor Funds			
Expenditures/expenses:						
Culture and recreation	\$ 3,636,378	\$ 163,998	\$ 558,784	\$ 4,359,160	\$ 284,296	\$ 4,643,456
Capital outlay	48,627	288,162	-	336,789	(309,394)	27,395
<b>Total expenditures/expenses</b>	<b>3,685,005</b>	<b>452,160</b>	<b>558,784</b>	<b>4,695,949</b>	<b>(25,098)</b>	<b>4,670,851</b>
Program revenues:						
Fines and fees	109,579	-	-	109,579	-	109,579
Rental income	-	-	104,343	104,343	-	104,343
<b>Total program revenues</b>	<b>109,579</b>	<b>-</b>	<b>104,343</b>	<b>213,922</b>	<b>-</b>	<b>213,922</b>
<b>Net program expenditures/expenses</b>	<b>(3,575,426)</b>	<b>(452,160)</b>	<b>(454,441)</b>	<b>(4,482,027)</b>	<b>25,098</b>	<b>(4,456,929)</b>
General revenues:						
Property taxes	3,998,136	-	490,556	4,488,692	-	4,488,692
Interest	17,272	7,012	9,127	33,411	-	33,411
Miscellaneous	31,959	-	20,596	52,555	-	52,555
<b>Total general revenues</b>	<b>4,047,367</b>	<b>7,012</b>	<b>520,279</b>	<b>4,574,658</b>	<b>-</b>	<b>4,574,658</b>
Other financing sources (uses):						
Transfers in	-	426,748	-	426,748	-	426,748
Transfers out	(426,748)	-	-	(426,748)	-	(426,748)
<b>Total other financing sources (uses)</b>	<b>(426,748)</b>	<b>426,748</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>45,193</b>	<b>(18,400)</b>	<b>65,838</b>	<b>92,631</b>	<b>25,098</b>	<b>117,729</b>
Fund balances, beginning of the year	2,648,041	1,381,979	820,941	4,850,961	5,142,685	9,993,646
Fund balances, end of the year	\$ 2,693,234	\$ 1,363,579	\$ 886,779	\$ 4,943,592	\$ 5,167,783	\$ 10,111,375

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, 2017**

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

Net change in fund balances - total governmental funds	\$	92,631
<p>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 (\$309,394) exceeds depreciation (\$219,494) in the current period.</p>		
		89,900
<p>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:</p>		
Decrease in compensated absences payable		3,422
The net effect of changes in the net pension liability is reported as an expense in the statement of activities.		<u>(68,224)</u>
Change in net position of governmental activities	\$	<u>117,729</u>

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, 2017**

	Total	Gift and Memorial	Special		Revenue		Capital Project Fund	Permanent Fund
			Ames	IMRF	FICA	Public Library Repair and Construction	Working Cash	
<b>Assets</b>								
Cash and investments	\$ 963,302	\$ 42,769	\$ 373,727	\$ 128,565	\$ 86,043	\$ 281,713	\$ 50,485	
Property tax receivable	497,449	-	-	307,251	190,198	-	-	
Accounts receivable	-	-	-	-	-	-	-	
Due from other funds	-	-	-	-	-	-	-	
<b>Total assets</b>	<b>\$ 1,460,751</b>	<b>\$ 42,769</b>	<b>\$ 373,727</b>	<b>\$ 435,816</b>	<b>\$ 276,241</b>	<b>\$ 281,713</b>	<b>\$ 50,485</b>	
<b>Liabilities</b>								
Accrued payroll	\$ 8,465	\$ -	\$ -	\$ 5,189	\$ 3,276	\$ -	\$ -	
Accounts payable	68,059	526	-	-	-	67,533	-	
<b>Total liabilities</b>	<b>76,524</b>	<b>526</b>	<b>-</b>	<b>5,189</b>	<b>3,276</b>	<b>67,533</b>	<b>-</b>	
<b>Deferred Inflows of Resources</b>								
Property taxes	497,448	-	-	307,251	190,197	-	-	
<b>Total liabilities and deferred inflows of resources</b>	<b>573,972</b>	<b>526</b>	<b>-</b>	<b>312,440</b>	<b>193,473</b>	<b>67,533</b>	<b>-</b>	
<b>Fund balances:</b>								
Restricted	256,629	-	-	123,376	82,768	-	50,485	
Assigned	630,150	42,243	373,727	-	-	214,180	-	
<b>Total fund balances</b>	<b>886,779</b>	<b>42,243</b>	<b>373,727</b>	<b>123,376</b>	<b>82,768</b>	<b>214,180</b>	<b>50,485</b>	
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,460,751</b>	<b>\$ 42,769</b>	<b>\$ 373,727</b>	<b>\$ 435,816</b>	<b>\$ 276,241</b>	<b>\$ 281,713</b>	<b>\$ 50,485</b>	

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, 2017**

	<b>Total</b>	Gift and Memorial	Special		Revenue		Capital Project Fund	Permanent Fund
			Ames		IMRF	FICA	Public Library Repair and Construction	Working Cash
Revenues:								
Property taxes	\$ 490,556	\$ -	\$ -	\$ 302,453	\$ 188,103	\$ -	\$ -	
Interest	9,127	-	5,035	800	500	2,636	156	
Rental income	104,343	-	-	-	-	104,343	-	
Miscellaneous	20,596	20,301	-	-	-	295	-	
<b>Total revenues</b>	<b>624,622</b>	20,301	5,035	303,253	188,603	107,274	156	
Expenditures - current - culture and recreation	558,784	14,213	-	283,957	173,886	86,728	-	
<b>Net changes in fund balances</b>	<b>65,838</b>	6,088	5,035	19,296	14,717	20,546	156	
Fund balances, beginning of the year	820,941	36,155	368,692	104,080	68,051	193,634	50,329	
Fund balances, end of the year	\$ 886,779	\$ 42,243	\$ 373,727	\$ 123,376	\$ 82,768	\$ 214,180	\$ 50,485	

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, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 4,003,319	\$ 4,031,350	\$ 3,998,136	\$ (33,214)
Fines and forfeitures	121,400	126,000	109,579	(16,421)
Interest	1,400	3,500	17,272	13,772
Miscellaneous	103,958	90,814	31,959	(58,855)
<b>Total revenues</b>	<b>4,230,077</b>	<b>4,251,664</b>	<b>4,156,946</b>	<b>(94,718)</b>
<b>Expenditures:</b>				
Culture and recreation:				
Personal services	2,902,000	2,973,240	2,669,299	303,941
Contractual services	433,491	955,013	360,969	594,044
Supplies and materials	760,088	720,183	606,110	114,073
Capital outlay:				
Operating equipment	134,498	103,228	48,627	54,601
<b>Total expenditures</b>	<b>4,230,077</b>	<b>4,751,664</b>	<b>3,685,005</b>	<b>1,066,659</b>
<b>Revenues over expenditures before other financing uses</b>	<b>-</b>	<b>(500,000)</b>	<b>471,941</b>	<b>971,941</b>
Other financing uses - transfers out	-	-	(426,748)	(426,748)
<b>Net changes in fund balance</b>	<b>\$ -</b>	<b>\$ (500,000)</b>	<b>45,193</b>	<b>\$ 545,193</b>
Fund balance, beginning of the year			<b>2,648,041</b>	
Fund balance, end of the year			<b>\$ 2,693,234</b>	

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, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues - interest income	\$ -	\$ -	\$ 7,012	\$ 7,012
Expenditures:				
Culture and recreation:				
Contractual services	603,800	951,000	163,998	787,002
Capital outlay	396,200	449,000	288,162	160,838
<b>Total expenditures</b>	<b>1,000,000</b>	<b>1,400,000</b>	<b>452,160</b>	<b>947,840</b>
<b>Revenues under   expenditures before   other financing sources</b>	<b>(1,000,000)</b>	<b>(1,400,000)</b>	<b>(445,148)</b>	<b>954,852</b>
Other financing sources - transfers in	-	-	426,748	426,748
<b>Net changes in fund balance</b>	<b>\$ (1,000,000)</b>	<b>\$ (1,400,000)</b>	<b>(18,400)</b>	<b>\$ 1,381,600</b>
Fund balance, beginning of the year			1,381,979	
Fund balance, end of the year			<b>\$ 1,363,579</b>	

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, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Miscellaneous	\$ 25,000	\$ 35,000	\$ 20,301	\$ (14,699)
<b>Total revenues</b>	<u>25,000</u>	<u>35,000</u>	<u>20,301</u>	<u>(14,699)</u>
Expenditures:				
Culture and recreation:				
Contractual services	11,477	66,475	803	65,672
Supplies and materials	13,523	19,025	13,410	5,615
<b>Total expenditures</b>	<u>25,000</u>	<u>85,500</u>	<u>14,213</u>	<u>71,287</u>
<b>Changes in fund balance</b>	<u>\$ -</u>	<u>\$ (50,500)</u>	<u>6,088</u>	<u>\$ 56,588</u>
Fund balance, beginning of the year			<u>36,155</u>	
Fund balance, end of the year			<u>\$ 42,243</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, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 302,845	\$ 304,974	\$ 302,453	\$ (2,521)
Interest	-	-	800	800
<b>Total revenues</b>	302,845	304,974	<b>303,253</b>	(1,721)
Expenditures - culture and recreation - personnel services	302,845	310,352	<b>283,957</b>	26,395
<b>Changes in fund balance</b>	<b>\$ -</b>	<b>\$ (5,378)</b>	<b>19,296</b>	<b>\$ 24,674</b>
Fund balance, beginning of the year			<b>104,080</b>	
Fund balance, end of the year			<b>\$ 123,376</b>	

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, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 188,343	\$ 189,668	\$ <b>188,103</b>	\$ (1,565)
Interest	-	-	<b>500</b>	500
<b>Total revenues</b>	188,343	189,668	<b>188,603</b>	(1,065)
Expenditures - culture and recreation - personnel services	188,343	192,110	<b>173,886</b>	18,224
<b>Changes in fund balance</b>	<b>\$ -</b>	<b>\$ (2,442)</b>	<b>14,717</b>	<b>\$ 17,159</b>
Fund balance, beginning of the year			<b>68,051</b>	
Fund balance, end of the year			<b>\$ 82,768</b>	

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, 2017**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Interest	\$ -	\$ -	\$ 2,636	\$ 2,636
Capital facilities fee	2,898	12,750	-	(12,750)
Rental income	110,376	104,344	104,343	(1)
Miscellaneous	-	-	295	295
<b>Total revenues</b>	<u>113,274</u>	<u>117,094</u>	<u>107,274</u>	<u>(9,820)</u>
Expenditures - culture and recreation - contractual services	<u>113,274</u>	<u>117,094</u>	<u>86,728</u>	<u>30,366</u>
<b>Changes in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>20,546</u>	<u>\$ 20,546</u>
Fund balance, beginning of the year			<u>193,634</u>	
Fund balance, end of the year			<u>\$ 214,180</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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and wellbeing have changed over time.	158 – 169
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	170 – 176
<b>Debt Capacity</b> 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.	177 – 181
<b>Demographic and Economic Information</b> 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.	182 – 183
<b>Operating Information</b> 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.	184 – 189



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

	Fiscal Year Ended April 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities:										
Net investment in capital assets	<b>\$ 176,078,381</b>	\$ 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
Restricted	<b>7,369,493</b>	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
Unrestricted	<b>(20,991,234)</b>	(15,551,944)	16,387,714	17,142,358	20,479,784	22,599,394	26,752,202	25,921,333	24,480,259	25,848,488
<b>Total governmental activities</b>	<b>\$ 162,456,640</b>	<b>\$ 165,500,485</b>	<b>\$ 194,006,134</b>	<b>\$ 193,079,507</b>	<b>\$ 193,649,766</b>	<b>\$ 184,135,168</b>	<b>\$ 185,455,043</b>	<b>\$ 182,869,277</b>	<b>\$ 178,696,926</b>	<b>\$ 176,198,985</b>
Business-type activities:										
Net investment in capital assets	<b>\$ 44,551,283</b>	\$ 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
Unrestricted	<b>6,510,946</b>	5,786,960	6,465,993	11,414,079	8,600,766	3,360,482	3,963,636	5,677,672	4,406,249	5,178,987
<b>Total business-type activities</b>	<b>\$ 51,062,229</b>	<b>\$ 50,592,854</b>	<b>\$ 51,948,314</b>	<b>\$ 54,652,992</b>	<b>\$ 56,491,728</b>	<b>\$ 54,509,849</b>	<b>\$ 54,351,959</b>	<b>\$ 54,121,337</b>	<b>\$ 56,260,188</b>	<b>\$ 57,366,369</b>
Primary government:										
Net investment in capital assets	<b>\$ 220,629,664</b>	\$ 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
Restricted	<b>7,369,493</b>	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
Unrestricted	<b>(14,480,288)</b>	(9,764,984)	22,853,707	28,556,437	29,080,550	25,959,876	30,715,838	31,599,005	28,886,508	31,027,475
<b>Total primary government</b>	<b>\$ 213,518,869</b>	<b>\$ 216,093,339</b>	<b>\$ 245,954,448</b>	<b>\$ 247,732,499</b>	<b>\$ 250,141,494</b>	<b>\$ 238,645,017</b>	<b>\$ 239,807,002</b>	<b>\$ 236,990,614</b>	<b>\$ 234,957,114</b>	<b>\$ 233,565,354</b>

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,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
Governmental activities:										
General and administrative	\$ 9,186,944	\$ 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
Public safety	28,675,754	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
Highways and streets	8,803,178	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
Culture and recreation	1,202,081	1,158,493	1,045,576	1,020,029	1,020,428	1,400,906	1,482,797	664,816	323,582	299,181
Interest on long-term debt	434,677	472,785	531,492	629,055	773,768	625,751	663,220	751,000	766,112	741,136
<b>Total governmental activities expenses</b>	<b>48,302,634</b>	<b>47,466,743</b>	<b>44,204,995</b>	<b>43,496,678</b>	<b>41,594,294</b>	<b>44,480,417</b>	<b>39,304,987</b>	<b>37,116,428</b>	<b>37,094,764</b>	<b>33,547,655</b>
Business-type activities - waterworks/sewerage										
	10,911,625	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
<b>Total business-type activities expenses</b>	<b>10,911,625</b>	<b>11,161,179</b>	<b>12,584,450</b>	<b>11,573,150</b>	<b>10,092,510</b>	<b>9,907,476</b>	<b>9,399,817</b>	<b>9,599,893</b>	<b>9,110,643</b>	<b>8,905,333</b>
<b>Total expenses</b>	<b>\$ 59,214,259</b>	<b>\$ 58,627,922</b>	<b>\$ 56,789,445</b>	<b>\$ 55,069,828</b>	<b>\$ 51,686,804</b>	<b>\$ 54,387,893</b>	<b>\$ 48,704,804</b>	<b>\$ 46,716,321</b>	<b>\$ 46,205,407</b>	<b>\$ 42,452,988</b>
Program revenues:										
Governmental activities:										
Charges for services:										
General and administrative	\$ 1,151,113	\$ 1,015,508	\$ 1,185,748	\$ 1,137,583	\$ 1,154,208	\$ 1,001,950	\$ 955,184	\$ 798,578	\$ 869,769	\$ 1,344,296
Public safety	4,548,947	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
Highways and streets	216,074	240,659	234,750	232,521	247,139	240,339	232,567	236,273	248,958	220,544
Culture and recreation	626,341	494,003	406,991	407,383	445,580	488,712	93,247	-	-	-
Operating grants and contributions:										
Highways and streets	1,064,996	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
Other activities	240,876	275,424	658,469	111,147	636,459	132,808	253,015	116,891	76,141	169,777
Capital grants and contributions:										
Highways and streets	305,691	2,627,832	1,226,760	142,398	2,023,692	3,723,623	981,926	2,269,918	-	-
Other activities	23,132	2,076	243,238	359,298	262,863	-	11,016	12,478	17,631	-
<b>Total governmental activities program revenues</b>	<b>8,177,170</b>	<b>11,934,512</b>	<b>9,290,888</b>	<b>7,139,524</b>	<b>9,705,511</b>	<b>10,421,816</b>	<b>6,981,654</b>	<b>7,714,837</b>	<b>5,412,109</b>	<b>5,450,105</b>
Business-type activities:										
Charges for services - waterworks/sewerage	11,182,267	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
Capital grants and contributions	113,616	849,507	312,550	167,250	65,842	101,311	15,683	183,500	-	-
<b>Total business-type activities program revenues</b>	<b>11,295,883</b>	<b>10,898,063</b>	<b>9,723,866</b>	<b>9,399,012</b>	<b>11,193,022</b>	<b>8,332,246</b>	<b>7,915,966</b>	<b>7,389,834</b>	<b>7,528,983</b>	<b>7,388,909</b>
<b>Total program revenues</b>	<b>\$ 19,473,053</b>	<b>\$ 22,832,575</b>	<b>\$ 19,014,754</b>	<b>\$ 16,538,536</b>	<b>\$ 20,898,533</b>	<b>\$ 18,754,062</b>	<b>\$ 14,897,620</b>	<b>\$ 15,104,671</b>	<b>\$ 12,941,092</b>	<b>\$ 12,839,014</b>

(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,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net (expense) revenue:										
Governmental activities	<b>\$(40,125,464)</b>	\$(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)
Business-type activities	<b>384,258</b>	(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)
<b>Total net (expense) revenue</b>	<b>\$(39,741,206)</b>	<b>\$(35,795,347)</b>	<b>\$(37,774,691)</b>	<b>\$(38,531,292)</b>	<b>\$(30,788,271)</b>	<b>\$(35,633,831)</b>	<b>\$(33,807,184)</b>	<b>\$(31,611,650)</b>	<b>\$(33,264,315)</b>	<b>\$(29,613,974)</b>
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property	<b>\$ 12,368,764</b>	\$ 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
Home rule	<b>5,078,986</b>	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	<b>43,751</b>	42,515	47,986	43,174	36,185	35,281	29,429	28,204	30,560	26,807
Franchise fees - cable	<b>615,070</b>	790,182	692,094	645,315	640,472	604,233	566,979	501,544	474,377	433,134
Telecommunications	<b>1,155,832</b>	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
Hotel/other	<b>357,772</b>	301,467	298,471	272,587	278,356	281,817	251,417	230,880	313,289	241,208
Intergovernmental:										
Replacement	<b>160,573</b>	133,431	156,255	152,358	142,418	139,013	154,893	135,686	144,517	171,107
State sales and use	<b>12,310,138</b>	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
Income	<b>3,841,569</b>	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
Investment earnings	<b>484,987</b>	470,909	179,247	213,842	354,263	367,609	974,115	1,081,644	1,345,422	1,794,262
Miscellaneous	<b>664,177</b>	1,170,199	938,298	1,504,447	814,168	1,222,460	782,343	840,270	735,643	1,271,781
Release of commitment of SSA debt	-	-	-	-	8,155,975	-	-	-	-	-
Transfers	-	-	-	12,480	(848,275)	(1,697,616)	(1,252,036)	-	(402,017)	(632,796)
<b>Total governmental activities</b>	<b>37,081,619</b>	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
Business-type activities:										
Investment earnings (loss)	<b>(12,899)</b>	79,071	39,673	40,184	2,382	5,062	48,105	30,986	59,519	222,720
Miscellaneous	<b>98,016</b>	209,444	116,233	307,698	30,710	30,442	(2,751)	40,222	13,943	11,183
Transfers	-	-	-	(12,480)	848,275	1,697,616	1,252,036	-	402,017	632,796
<b>Total business-type activities</b>	<b>85,117</b>	288,515	155,906	335,402	881,367	1,733,120	1,297,390	71,208	475,479	866,699
<b>Total</b>	<b>\$ 37,166,736</b>	<b>\$ 39,209,742</b>	<b>\$ 35,996,640</b>	<b>\$ 36,122,297</b>	<b>\$ 42,803,345</b>	<b>\$ 34,471,846</b>	<b>\$ 34,232,710</b>	<b>\$ 33,645,150</b>	<b>\$ 34,656,071</b>	<b>\$ 31,780,078</b>
Change in net position:										
Governmental activities	<b>\$ (3,043,845)</b>	\$ 3,388,996	\$ 926,627	\$ (570,259)	\$ 10,033,195	\$ (1,319,875)	\$ 611,987	\$ 4,172,351	\$ 2,497,937	\$ 2,815,829
Business-type activities	<b>469,375</b>	25,399	(2,704,678)	(1,838,736)	1,981,879	157,890	(186,461)	(2,138,851)	(1,106,181)	(649,725)
<b>Total change in net position</b>	<b>\$(2,574,470)</b>	<b>\$ 3,414,395</b>	<b>\$ (1,778,051)</b>	<b>\$ (2,408,995)</b>	<b>\$ 12,015,074</b>	<b>\$ (1,161,985)</b>	<b>\$ 425,526</b>	<b>\$ 2,033,500</b>	<b>\$ 1,391,756</b>	<b>\$ 2,166,104</b>

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)**

	Fiscal Year Ended April 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,675,549	\$ 677,431
Unreserved	-	-	-	-	-	-	-	-	19,485,158	21,744,305
Nonspendable	2,295,685	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	3,128	-	-	-	-	-	-	-
Assigned	2,584,111	1,082,174	3,615,389	2,419,158	3,660,817	2,452,902	3,000,000	5,050,000	-	-
Unassigned	9,616,898	10,224,095	7,820,204	10,024,692	11,123,805	12,539,460	15,338,381	13,531,107	-	-
<b>Total General Fund</b>	<b>\$ 14,499,822</b>	<b>\$ 13,116,516</b>	<b>\$ 13,017,637</b>	<b>\$ 15,681,648</b>	<b>\$ 17,629,703</b>	<b>\$ 17,902,926</b>	<b>\$ 21,197,824</b>	<b>\$ 21,609,866</b>	<b>\$ 22,160,707</b>	<b>\$ 22,421,736</b>
All other governmental funds:										
Reserved:										
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 448,696	\$ 434,922
Unreserved, reported in:										
Special Revenue Funds	-	-	-	-	-	-	-	-	18,621,408	16,396,284
Debt Service Funds	-	-	-	-	-	-	-	-	836,020	806,392
Capital Projects Funds	-	-	-	-	-	-	-	-	(503,734)	2,437,541
Nonspendable, reported in:										
Special Revenue Funds	4,923	7,860	7,392	429	82,460	150,365	174,629	472,933	-	-
Restricted, reported in:										
Special Revenue Funds	7,277,111	7,077,082	8,145,652	8,662,682	8,521,260	9,082,375	9,760,597	10,822,453	-	-
Debt Service Funds	535,819	607,044	656,450	664,234	44,827	969,634	850,866	906,392	-	-
Capital Projects Funds	97,819	97,819	193,425	349,145	-	-	-	-	-	-
Assigned, reported in:										
Special Revenue Funds	5,362,831	6,161,723	5,239,772	5,489,662	6,069,521	7,008,252	10,935,899	10,188,580	-	-
Capital Projects Funds	1,682,146	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)	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 14,960,649</b>	<b>\$ 17,435,636</b>	<b>\$ 17,590,177</b>	<b>\$ 16,558,302</b>	<b>\$ 16,868,116</b>	<b>\$ 19,612,541</b>	<b>\$ 22,434,150</b>	<b>\$ 28,713,595</b>	<b>\$ 19,402,390</b>	<b>\$ 20,075,139</b>

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,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues:</b>										
Charges for services	\$ 5,259,621	\$ 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
Licenses and permits	626,878	546,408	594,261	689,030	681,467	603,915	571,338	623,399	687,478	860,051
Intergovernmental	17,740,346	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
Fines and forfeitures	687,186	715,857	1,186,481	593,493	581,230	681,590	615,032	637,172	626,212	501,930
Property taxes	12,368,764	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
Other taxes	7,251,411	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
Interest	484,987	470,909	179,247	213,846	354,263	367,608	974,114	1,081,644	1,345,426	1,794,262
Miscellaneous	943,772	1,232,711	1,037,793	1,595,211	865,199	1,128,819	686,785	497,962	321,738	971,674
<b>Total revenues</b>	<b>45,362,965</b>	<b>50,914,119</b>	<b>44,990,262</b>	<b>42,965,245</b>	<b>44,317,293</b>	<b>44,914,865</b>	<b>41,190,084</b>	<b>39,043,963</b>	<b>40,031,231</b>	<b>37,088,905</b>
<b>Expenditures:</b>										
Current:										
General government	8,176,893	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
Public safety	23,956,258	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
Highways and streets	7,122,954	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
Culture and recreation	736,944	618,351	563,450	542,720	550,698	546,814	1,124,645	1,805,834	1,471,775	299,181
Capital outlay	4,559,275	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
Debt service:										
Principal	1,426,983	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
Interest and fees	475,339	589,605	545,577	579,843	974,494	1,060,370	1,216,578	754,475	771,991	743,676
<b>Total expenditures</b>	<b>46,454,646</b>	<b>50,969,781</b>	<b>46,594,673</b>	<b>45,235,594</b>	<b>47,328,188</b>	<b>49,333,756</b>	<b>46,629,535</b>	<b>48,520,257</b>	<b>40,999,836</b>	<b>36,671,087</b>
<b>Revenues over (under) expenditures before other financing sources (uses)</b>	<b>(1,091,681)</b>	<b>(55,662)</b>	<b>(1,604,411)</b>	<b>(2,270,349)</b>	<b>(3,010,895)</b>	<b>(4,418,891)</b>	<b>(5,439,451)</b>	<b>(9,476,294)</b>	<b>(968,605)</b>	<b>417,818</b>
<b>Other financing sources (uses):</b>										
Transfers in	7,315,265	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
Transfers out	(7,315,265)	(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)
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
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(27,725)</b>	<b>12,480</b>	<b>(6,755)</b>	<b>(1,697,616)</b>	<b>(1,252,036)</b>	<b>18,236,658</b>	<b>34,827</b>	<b>750,000</b>
<b>Net changes in fund balances</b>	<b>\$ (1,091,681)</b>	<b>\$ (55,662)</b>	<b>\$ (1,632,136)</b>	<b>\$ (2,257,869)</b>	<b>\$ (3,017,650)</b>	<b>\$ (6,116,507)</b>	<b>\$ (6,691,487)</b>	<b>\$ 8,760,364</b>	<b>\$ (933,778)</b>	<b>\$ 1,167,818</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>4.42%</b>	<b>4.20%</b>	<b>4.39%</b>	<b>4.50%</b>	<b>5.78%</b>	<b>6.10%</b>	<b>6.86%</b>	<b>10.25%</b>	<b>3.94%</b>	<b>4.61%</b>

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)**

	Fiscal Year Ended April 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Property tax	<b>\$ 12,368,764</b>	\$ 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
Replacement tax	<b>160,573</b>	133,431	156,225	152,358	142,418	139,013	154,893	135,686	144,517	171,107
State sales tax	<b>11,266,148</b>	11,146,198	11,075,104	10,608,131	10,016,056	10,137,309	9,627,149	9,467,834	10,189,283	10,915,086
Home rule sales tax	<b>5,078,986</b>	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 tax	<b>43,733</b>	42,515	47,986	43,174	36,185	35,281	29,429	28,204	30,560	26,807
Income	<b>3,841,569</b>	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
Franchise fees - cable	<b>615,070</b>	790,182	692,094	645,315	640,472	604,233	566,979	501,544	474,377	433,134
Telecommunications	<b>1,155,832</b>	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
Hotel	<b>320,639</b>	301,467	298,471	272,587	278,356	281,817	251,417	230,880	313,289	241,208
Local use	<b>1,010,946</b>	957,511	828,192	718,436	645,986	599,648	573,208	476,568	558,750	556,870
	<b>\$ 35,862,260</b>	\$ 37,280,119	\$ 34,723,159	\$ 34,056,125	\$ 33,445,847	\$ 32,846,273	\$ 32,430,898	\$ 31,652,028	\$ 32,501,544	\$ 28,480,132

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
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%
<b>2016</b>	<b>1,526,396</b>	<b>740,647,736</b>	<b>228,349,107</b>	<b>61,366,135</b>	<b>844,076</b>	<b>1,608,116</b>	<b>1,034,341,566</b>	<b>1.1485</b>	<b>3,103,024,698</b>	<b>33.33%</b>

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**

	<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>
Operating:										
City of Crystal Lake	<b>\$ 1.1485</b>	\$ 1.2130	\$ 1.2351	\$ 1.1786	\$ 0.9797	\$ 0.8590	\$ 0.7574	\$ 0.7370	\$ 0.7021	\$ 0.7056
Crystal Lake Public Library	<b>0.4345</b>	0.4589	0.4670	0.4436	0.3878	0.3471	0.3145	0.2773	0.2773	0.2773
McHenry County	<b>1.0539</b>	1.0781	1.1412	1.0960	0.9958	0.8879	0.7927	0.7157	0.7014	0.6871
District 47	<b>4.1616</b>	4.3488	4.3867	4.1626	3.7347	3.2520	2.9484	2.6374	0.2588	2.5283
District 155	<b>2.7749</b>	2.9060	2.9721	2.8118	2.5090	2.1864	1.9577	1.7711	1.7395	1.6992
Debt service:										
McHenry County	-	-	-	-	-	-	-	-	-	-
District 47	<b>0.2119</b>	0.2103	0.2655	0.2446	0.2129	0.1815	0.1591	0.0912	0.0863	0.1313
District 155	<b>0.0537</b>	0.1196	0.1227	0.1495	0.1360	0.1115	0.0770	0.1344	0.1253	0.1221
Other										
	-	-	-	-	-	-	-	-	-	-
Total tax rate:										
City of Crystal Lake	<b>1.1485</b>	1.2130	1.2351	1.1786	0.9797	0.8590	0.7574	0.7370	0.7021	0.7056
Crystal Lake Public Library	<b>0.4345</b>	0.4589	0.4670	0.4436	0.3878	0.3471	0.3145	0.2773	0.2773	0.2773
McHenry County	<b>1.0539</b>	1.0781	1.1412	1.0960	0.9958	0.8879	0.7927	0.7157	0.7014	0.6871
District 47	<b>4.3735</b>	4.5591	4.6522	4.4072	3.9476	3.4335	3.1075	2.7286	0.3451	2.6596
District 155	<b>2.8286</b>	3.0256	3.0948	2.9613	2.6450	2.2979	2.0347	1.9055	1.8648	1.8213
Other	-	-	-	-	-	-	-	-	-	-
Other:										
College District	<b>0.4066</b>	0.4348	0.4453	0.4306	0.3921	0.3395	0.3039	0.2740	0.2686	0.2634
McHenry County Conservation	<b>0.2588</b>	0.2766	0.2840	0.2748	0.2481	0.2191	0.1956	0.1775	0.1732	0.1738
Crystal Lake Park District	<b>0.531</b>	0.5535	0.5582	0.5193	0.4605	0.4135	0.3758	0.3519	0.3463	0.3431
Township (Algonquin)	<b>0.0712</b>	0.0828	0.0851	0.0821	0.0742	0.0659	0.0577	0.0532	0.0522	0.0510
Road and Bridge (Algonquin)	<b>0.1705</b>	0.1862	0.1913	0.1827	0.1627	0.1450	0.1270	0.1171	0.1151	0.1124

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	2016			2007		
		Taxable Assessed Value	Rank	Percent of Total District Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total District Taxable Assessed Value
Skyridge Partners II LLC	Residential housing	\$ 8,119,697	1	0.79%	\$ 9,595,828	3	0.70%
Crystal Point LLC	Shopping	7,108,357	2	0.69%	10,081,660	2	0.74%
Bradley Oper. Ltd. Partnership	Shopping	6,037,186	3	0.58%	10,220,486	1	0.75%
Cobalt Industrial	Industrial	5,360,450	4	0.52%	6,730,624	4	0.49%
ARCH Crystal Lake	Residential housing	4,966,561	5	0.48%	-	-	-
Tyco Healthcare Group	Manufacturing	4,591,772	6	0.44%	5,951,217	6	0.43%
Walmart Real Estate Business	Shopping	4,169,193	7	0.40%	-	-	-
Watermark Crystal Lake	Residential housing	3,578,425	8	0.35%	-	-	-
Northern Illinois Medical Center	Medical	3,498,295	9	0.34%	-	-	-
Crystal Lake LP	Shopping	3,253,410	10	0.31%	-	-	-
Sunrise Residential Housing	Residential housing	-	-	-	6,416,847	5	0.47%
Inland Ryan LLC	Shopping	-	-	-	5,812,783	7	0.42%
Darlington Court Apartments	Residential housing	-	-	-	4,754,776	8	0.35%
Inland Showplace LLC	Theater/Shopping	-	-	-	4,749,683	9	0.35%
Rose SPE 1 LP	Shopping	-	-	-	4,331,431	10	0.32%
		<b>\$ 50,683,346</b>		<b>4.90%</b>	<b>\$ 68,645,335</b>		<b>5.02%</b>

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
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
<b>2017</b>	<b>11,879,703</b>	<b>11,864,090</b>	<b>99.87</b>	<b>-</b>	<b>11,864,090</b>	<b>99.87</b>

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			
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	3.10	965.79
<b>2017</b>	<b>13,423,170</b>	<b>-</b>	<b>19,541,830</b>	<b>10,426,422</b>	<b>43,391,422</b>	<b>3.06</b>	<b>1,068.81</b>

Note: Population and personal income data can be found at page 182, 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
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%	904.04
<b>2017</b>	<b>32,965,000</b>	<b>535,819</b>	<b>32,429,181</b>	<b>3.14%</b>	<b>798.79</b>

Note: Population data can be found at page 182, Demographic and Economic Statistics.  
Property value data can be found at pages 170 and 171, 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, 2017**

Governmental Unit	Outstanding Debt	Applicable to the City	
		Percent	Amount
City of Crystal Lake	\$ 13,423,170	100.00 %	\$ 13,423,170
<b>Total direct debt</b>	<b>13,423,170</b>		<b>13,423,170</b>
Overlapping:			
School District Number 47	17,360,000	60.18	10,447,248
School District Number 155	17,175,000	39.97	6,864,848
College District Number 528	3,210,000	15.04	482,784
School District Number 46	3,430,000	8.66	297,038
School District Number 200	106,976,940	1.20	1,283,723
School District Number 300	331,340,000	0.01	33,134
McHenry County	9,485,000	13.73	1,302,291
McHenry County Conservation District	97,885,000	13.73	13,439,611
Crystal Lake Park District	1,190,340	73.99	880,733
Cary Park District	3,475,735	0.03	1,043
Huntley Park District	9,285,729	0.70	65,000
LITH Sanitary District	-	7.08	-
Algonquin Township	308,866	25.69	79,348
Dorr Township	-	2.95	-
Grafton Township	-	14.78	-
Nunda Township Cemetery	-	21.13	-
Nunda Township	-	21.13	-
<b>Total overlapping debt</b>	<b>\$ 601,122,610</b>		<b>35,176,801</b>
<b>Total direct and overlapping debt</b>			<b>\$ 48,599,971</b>

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**

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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)
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	40,598	1,263,937,534	31,133 (5)	14,020	5.0%
<b>2017</b>	<b>40,598</b>	<b>1,415,855,250</b>	<b>34,875 (5)</b>	<b>13,896</b>	<b>3.2%</b>

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	1263	1	3.10%
McHenry County College	770	2	1.89%
Crystal Lake Park District	500	3	1.23%
Covidien	425	4	1.04%
Consolidated High School District 155	371	5	0.91%
Knaack Manufacturing	340	6	0.83%
Healthbridge	300	7	0.74%
City of Crystal Lake	250	8	0.61%
Wal-mart	250	8	0.61%
Jewel Foodstores	220	10	0.54%
	<b>4,689</b>		<b>11.50%</b>

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>2017</u>	<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>
General Government	44	43	42	43	43	43	45	45	45	44
Public Safety:										
Police	73	70	75	75	73	78	79	78	79	71
Fire	66	66	66	64	63	67	66	70	64	55
Highways and Streets:										
Engineering	7	8	8	9	10	10	11	11	12	12
Maintenance	17	17	17	18	18	19	20	20	22	23
Sanitation	12	12	13	12	8	8	7	9	10	10
Waterworks and Sewerage	16	17	18	18	22	23	21	23	24	23
	<u>235</u>	<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>

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,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Police:</b>										
Physical arrests	<b>905</b>	935	1,010	918	979	1,089	956	1,170	1,660	1,717
Parking violations	<b>3,724</b>	4,131	5,406	4,569	5,018	7,173	7,019	8,569	8,824	8,978
Traffic violations	<b>8,145</b>	9,820	5,877	5,914	5,067	6,185	6,287	7,614	7,093	6,631
<b>Fire:</b>										
Number of calls answered	<b>6,061</b>	5,833	5,695	5,452	5,475	5,357	5,069	4,940	5,116	5,207
Inspections	<b>969</b>	833	1,104	1,060	1,077	976	879	970	749	600
<b>Highways and Streets:</b>										
Street resurfacing (miles)	<b>8.3</b>	6.0	6.9	8.1	8.8	6.2	3.8	7.6	6.5	8.2
<b>Water:</b>										
New connections	<b>12</b>	5	23	7	7	15	14	15	50	118
Water main breaks	<b>24</b>	18	29	34	23	34	28	31	27	29
Average daily consumption (millions of gallons)	<b>4</b>	3,910	3,930	4,400	4,140	4,060	4,300	4,650	4,940	4,860
<b>Wastewater:</b>										
Average daily sewage treatment (in gallons)	<b>5,270</b>	5,378	5,092	4,800	4,167	4,793	3,934	5,000	5,870	6,092

Source: City records.

See independent auditor's report.

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

	Fiscal Year Ended April 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Public safety:</b>										
<b>Police:</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	19	21	24	24	23	23	23	23	22	31
Fire stations	3	3	3	3	3	3	3	3	3	3
<b>Highways and Streets:</b>										
Streets (miles)	160	160	160	160	160	160	160	160	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	31	29	29
<b>Culture and Recreation:</b>										
Parks acreage	1,393	1,393	1,393	1,423	1,423	1,423	1,423	1,393	1,393	1,393
Parks	45	45	45	46	46	46	46	45	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
<b>Water:</b>										
Water mains (miles)	230	230	230	230	175	175	229	175	175	175
Fire hydrants	3,114	3,124	3,093	3,093	2,859	2,859	3,110	3,045	3,017	2,859
Maximum daily capacity (millions of gallons)	8.70	8.70	8.70	8.70	10.00	10.00	8.26	8.37	9.20	9.20
<b>Sewer:</b>										
Sanitary sewers (miles)	163	162	120	120	120	120	160	120	120	127
Storm sewers (miles)	117	61	60	60	60	60	60	60	60	62
Maximum daily treatment (thousands of gallons)	18,552	18,552	18,552	17,569	15,209	16,500	9,109	12,600	12,854	12,825

Source: City records.

See independent auditor's report.



INSURANCE COVERAGE

The City participates in the Intergovernmental Risk Management Agency (IRMA). IRMA is a proprietary joint venture whose members are Illinois municipalities. IRMA manages and funds first party property losses, third party liability claims, workers' compensation claims and public officials' liability claims of its member municipalities with the following limits (as of November 1, 2016):

**Coverage Afforded to:** *Intergovernmental Risk Management Agency & all Members*  
**Coverage Period:** *November 1, 2016 to November 1, 2017*

Types of Coverages	Limits
General Liability <ul style="list-style-type: none"> <li>▪ Professional Liability</li> <li>▪ Law Enforcement Activities</li> <li>▪ Employee Benefits</li> </ul>	\$10,000,000
Auto Liability <ul style="list-style-type: none"> <li>▪ Uninsured/Underinsured Motorist</li> </ul>	\$10,000,000 \$ 500,000
Public Officials Liability <ul style="list-style-type: none"> <li>▪ Wrongful Acts</li> <li>▪ Employment Practices</li> </ul>	\$10,000,000
Workers' Compensation ▪ Employer's Liability	Statutory \$2,500,000
First Party Property – All Risk <ul style="list-style-type: none"> <li>▪ Flood Zone A/V</li> <li>▪ Flood (Non-Zone A/V)</li> <li>▪ Contingent Business Interruption (Sales Tax)</li> <li>▪ Scheduled Emergency Vehicles-Agreed Value ▪ Boiler/Machinery</li> </ul>	\$250,000,000 per occurrence \$3,500,000 \$40,000,000 \$10,000,000 Scheduled \$ 50,000,000
Crime <ul style="list-style-type: none"> <li>▪ Employee Theft (Dishonesty)</li> <li>▪ Forgery, Alteration &amp; Counterfeit Currency</li> <li>▪ Credit Card Forgery</li> <li>▪ Computer Fraud</li> <li>▪ Non-Faithful Performance</li> </ul>	\$5,000,000 \$5,000,000 \$5,000,000 \$5,000,000 \$2,500,000

<b>Cyber Risk</b> <ul style="list-style-type: none"> <li>▪ Liability &amp; Defense</li> <li>▪ Breach Response</li> <li>▪ Name Malware</li> <li>▪ Forensic IT Review</li> <li>▪ Legal Review</li> <li>▪ Public Relations</li> </ul>	\$250,000 \$100,000 \$50,000 \$15,000 \$10,000 \$5,000
<b>Public Officials Bonds</b> <ul style="list-style-type: none"> <li>▪ Mayor/President, Treasurer, Clerk</li> <li>▪ Special District Trustees</li> <li>▪ Supplemental</li> </ul>	Statutory Limits As Scheduled

<b>Yearly Aggregates</b>	<b>Limits</b>
Member Annual Payment Cap (Applies to general/auto liability and public officials liability Loss Fund Payments only)	\$6,000,000
Agency Aggregate Cap	\$67,197,536

#### TAX TREATMENT

Interest on the Taxable Bonds is includible in gross income for federal income purposes. Ownership of the Taxable Bonds may result in other federal income tax consequences to certain taxpayers. Bondholders should consult their tax advisors with respect to inclusion of interest on the Taxable Bond in gross income for federal tax income purposes and any collateral tax consequences. Interest on the Taxable Bonds is not exempt from present State of Illinois income taxes. Ownership of the Taxable Bonds may result in other state and local tax consequences to certain taxpayers, and Bond Counsel expresses no opinion regarding any such consequences arising with respect to the Taxable Bonds.

# Selden Fox

Accounting for your future

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## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 10, 2017

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, 2017, and have issued our report thereon dated October 10, 2017. Professional audit 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 1, 2017, 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 1, 2017, and in our engagement letter dated April 30, 2017.

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. During 2017, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The Statement describes how fair value should be defined and measured, what assets and liabilities should be measured at fair value, and what information about fair value should be reported in the notes to the financial statements. The City also adopted GASB Statement No. 79, *Certain Investment Pools and Pool Participants*. The Statement allows the Illinois Funds and those local governments investing in it to measure its investment in Illinois Funds at amortized cost. The City modified its accounting policy to be in accordance with this Statement, and included the required disclosures in the notes to the financial statements. There was no effect on net position or fund balance. No other new accounting policies were adopted and the application of existing policies was not changed during the year ended April 30, 2017.

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, 2017, 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.

## **Significant Audit Findings (cont'd)**

### ***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. Uncorrected 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.

### ***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 10, 2017.

### ***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***

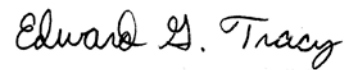
With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United 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, 2017**

Account	Description	Debit	Credit	Income Increase (Decrease)
<b>Adjusting Journal Entry JE # 1</b>				
Reclassify IEPA loan proceeds received in the current year to liability account; netted against expense in error by client in Waterworks and Sewerage Fund.				
69900000088910	Digester Improvements-WWTP 2&3	\$ 832,562.06	\$ -	\$ -
69900000027115	Note Payable - L/T		832,562.06	(832,562.06)
<b>Adjusting Journal Entry JE # 2</b>				
Reverse duplicate posting of contract change order in current year capitalized asset amount.				
19905690557100	Capital-Systems Improvement	37,436.56		
19900000018900	Construction In Progress		37,436.56	(37,436.56)
<b>Adjusting Journal Entry JE # 3</b>				
Reclassify asset to construction in progress and remove depreciation.				
69900000018395	Accumulated Depreciation - Inf	38,327.33		
69900000018900	Construction In Progress	114,982.00		
69900000018300	Infrastructure		114,982.00	
69925411057999	Depreciation Expense		38,327.33	38,327.33
<b>Adjusting Journal Entry JE # 4</b>				
Record Library property tax receivable and deferred inflows.				
94000000013190	Property Tax Receivable - Library	3,992,061.96		
94300000013190	Property Tax Receivable - Library - IMRF/FICA	310,354.19		
94800000013190	Property Tax Receivable - FICA	192,118.60		
94000000013010	Property Tax Receivable - PY		39,920.62	
94000000026190	Deferred Property Tax - Library		3,952,141.34	
94300000013010	Prop Tax Receivable - PY Library - IMRF/FICA		3,103.54	
94300000026190	Def Property Tax - Library - IMRF/FICA		307,250.65	
94800000013010	Property Tax Receivable - PY		1,921.19	
94800000026190	Deferred Property Tax - FICA		190,197.41	-
<b>Adjusting Journal Entry JE # 5</b>				
Client entry to adjust accrual for back wages.				
10115201054110	Wages-Full Time Employees	78,408.00		
10100000021020	Accounts Payable		78,408.00	(78,408.00)

(cont'd)

**City of Crystal Lake, Illinois**  
**Adjusting Journal Entries (cont'd)**  
**For the Year Ended April 30, 2017**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>	<u>Income Increase (Decrease)</u>
<b>Adjusting Journal Entry JE # 6</b>				
Reverse prior year retainage payable.				
63000000021710	Retainage Payable	\$ 124,586.17	\$ -	\$ -
69925701088910	Digester Improvements-WWTP 2&3	124,586.17		
63025701088910	Digester Improvements-WWTP 2&3		124,586.17	
69900000018900	Construction In Progress		124,586.17	-
<b>Adjusting Journal Entry JE # 7</b>				
Reverse payable accrued in error at April 30, 2017.				
10100000021020	Accounts Payable	3,380.00		
10105899055300	Buildings and Offices Maintenance		3,380.00	3,380.00
<b>Adjusting Journal Entry JE # 8</b>				
Client entry to record a receivable for amounts to be drawn down on IEPA loan as reimbursement for costs incurred prior to April 30, 2017.				
63000000015120	Accounts Receivable - Misc	706,678.00		
63000000048950	Reimbursements		7,470.00	
63000000088910	Digester Improvements-WWTP 2&3		699,208.00	706,678.00
<b>Adjusting Journal Entry JE # 9</b>				
Record interfund transfers made between Library funds during the year.				
94099601058860	Transfer to Special Reserve	427,274.23		
94200000049999	Transfer from Other Funds		526.12	
94400000049953	Transfer from Library Fund		290,876.15	
94500000059999	Transfer from Other Funds		135,871.96	-
<b>Adjusting Journal Entry JE # 10</b>				
Record Water Fud portion of adjustment to IMRF net pension liability and related accounts at April 30, 2017.				
69900000019991	Deferred Outflows-Contribution	166.00		
69900000029031	Deferred Inflows - Actuarial	4,220.00		
69925431054302	Pension Expense -GASB 68 - Water Operations	93,241.00		
69900000019990	Deferred Outflows- Actuarial		66,774.00	
69900000029030	Net Pension Obligation IMRF		30,853.00	(93,241.00)

(cont'd)

**City of Crystal Lake, Illinois**  
**Adjusting Journal Entries (cont'd)**  
**For the Year Ended April 30, 2017**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>	<u>Income Increase (Decrease)</u>
<b>Adjusting Journal Entry JE # 11</b>				
Adjust fire pension investment balance to include insurance annuity contracts.				
83900000011010	Investments	\$ 1,933,819.81	\$ -	\$ -
83900000047010	Interest Income	39,659.82		
83900000047990	Unrealized Gain/Loss on Invest		1,933,819.81	
83900000047990	Unrealized Gain/Loss on Invest		39,659.82	1,933,819.81
<b>Adjusting Journal Entry JE # 12</b>				
Client entry to adjust estimated miscellaneous tax receivable balances to actual amounts received.				
10100000014030	Sales Tax Receivable	33,044.01		
10100000014035	Auto Rental Tax Receivable	18.24		
10100000014050	Telecommunications Tax Receivable	380.88		
10100000041045	Use Tax - II	1,632.11		
10200000014032	Home Rule Sales Tax Receivable	32,842.52		
10100000014045	Local Use Tax Receivable		1,632.11	
10100000040300	Telecommunications Tax		380.88	
10100000041030	Sales Tax - II		33,044.01	
10100000041035	Auto Rental Tax - II		18.24	
10200000041032	Home Rule Sales Tax		32,842.52	64,653.54
<b>Net effect of adjusting journal entries</b>				<u>\$ 1,705,211.06</u>

**City of Crystal Lake, Illinois**  
**Government-Wide Financial Statement Adjusting Entries**  
**For the Year Ended April 30, 2017**

Account	Description	Debit	Credit	Income Increase (Decrease)
<b>GASB 34 Adjusting Entry # 1</b>				
To record capital asset additions and related depreciation expense in governmental activities for assets purchased in the Fire Rescue Fund in the current year.				
19900000018200	Machinery And Equipment	\$ 820,795.21	\$ -	\$ -
19905121057999	Depreciation Expense	76,289.95		
19900000018295	Accumulated Depreciation-Equipment		76,289.95	
19918231056060	Small Tools & Equipment		13,109.46	
19918231057030	Capital-Automotive Equipment		682,216.50	
19918231057160	Capital-Departmental Equipment		125,469.25	744,505.26
<b>GASB 34 Adjusting Entry # 2</b>				
Adjust IMRF net pension liability and related accounts to actual in the Library activities.				
99800000019000	Deferred Outflows - Actuarial	506,898.00		
99800000019001	Deferred Outflows - Contributions	96,914.00		
99800000031010	Governmental Activities - Net Assets	1,544,505.00		
99800000051000	Pension Expense - GASB 68 IMRF	68,224.00		
99800000025000	Net Pension Obligation - GASB 68 IMRF		2,069,763.00	
99800000025001	Deferred Inflows - Actuarial - GASB 68 IMRF		146,778.00	(68,224.00)
<b>GASB 34 Adjusting Entry # 3</b>				
Adjust IMRF net pension liability and related accounts to actual in the governmental activities.				
19900000029030	Net Pension Obligation IMRF	196,140.00		
19900000029031	Deferred Inflows - Actuarial - IMRF	32,611.00		
19900000053000	Pension Expense - GASB 68 - General Govt.	27,537.00		
19900000053001	Pension Expense - GASB 68 - Public Safety	11,057.00		
19900000053002	Pension Expense - GASB 68 - Public Works	10,527.00		
19900000019990	Deferred Outflows- Actuarial		264,954.00	
19900000019991	Deferred Outflows Contribution		12,918.00	(49,121.00)
<b>GASB 34 Adjusting Entry # 4</b>				
Adjust governmental activities net OPEB obligation to actual.				
19900000053009	OPEB Expense	156,953.00		
19900000025010	Net OPEB Obligation		156,953.00	(156,953.00)

(cont'd)

**City of Crystal Lake, Illinois**  
**Government-Wide Financial Statement Adjusting Entries (cont'd)**  
**For the Year Ended April 30, 2017**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>	<u>Income Increase (Decrease)</u>
<b>GASB 34 Adjusting Entry # 5</b>				
Allocate depreciation expense across major functions.				
19905121057995	RJE - Depreciation - Culture & Rec	\$ 480,981.38	\$ -	\$ -
19905121057996	RJE - Depreciation - Highways	1,290,183.74		
19905121057997	RJE - Depreciation - Public Safety	905,391.40		
19905121057998	RJE - Depreciation - Administration		2,676,556.52	-
<b>GASB 34 Adjusting Entry # 6</b>				
Record GASB 68 adjustment for police and firefighters' pensions within governmental activities at April 30, 2016.				
19900000019501	Deferred Outflows - Actuarial - Police	5,747,346.00		
19900000019502	Deferred Outflows - Actuarial - Fire	3,104,942.00		
19900000053001	Pension Expense - GASB 68 - Public Safety	3,634,540.00		
19900000019511	Deferred Outflows - Contributions - Police		69,566.00	
19900000019512	Deferred Outflows - Contributions - Fire		237,948.00	
19900000025002	Net Pension Obligation - Police		7,152,790.00	
19900000025003	Net Pension Obligation - Fire		4,321,213.00	
19900000029032	Deferred Inflows - Actuarial - Fire		52,380.00	
19900000029033	Deferred Inflows - Actuarial - Police		652,931.00	(3,634,540.00)
<b>GASB 34 Adjusting Entry # 7</b>				
Record Library capital assets.				
99800000010100	Library - Land	2,363,039.72		
99800000010200	Library - Buildings and Improvements	7,896,531.84		
99800000010300	Library - Equipment	366,275.20		
99800000050000	Library - Depreciation	219,496.52		
99800000011200	Library - Accumulated Depreciation - Buildings		3,391,361.61	
99800000011300	Library - Accumulated Depreciation - Equipment		324,232.94	
99800000030100	Library - Net Assets Invested in Capital Assets		6,820,352.48	
99800000057999	Library Activities - Capital Asset Additions		309,396.25	89,899.73
<b>GASB 34 Adjusting Entry # 8</b>				
Record compensated absences payable in the Library activities.				
94000000031010	Unreserved Fund Balance	133,163.52		
94000000029010	Compensated Absences Payable - Current		82,319.99	
94000000029015	Compensated Absences Payable - Noncurrent		47,419.95	
94060601054125	Vacation Benefits Used		3,423.58	3,423.58
<b>Net effect of GASB 34 adjusting entries</b>				<b>\$ (3,071,009.43)</b>

**City of Crystal Lake, Illinois  
Proposed Adjusting Entries  
For the Year Ended April 30, 2017**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>	<u>Income Increase (Decrease)</u>
<b>Proposed Journal Entry # 1</b>				
Reverse overaccrual of paving work completed through April 30, 2017.				
29900000021020	Accounts Payable	\$ 180,857.35	\$ -	\$ -
29905690557100	Capital - Systems Improvements		180,857.35	<u>180,857.35</u>
<b>Net effect of passed adjusting journal entries - City</b>				<b><u>\$ 180,857.35</u></b>
 <b>Proposed Journal Entry # 2</b>				
Properly recognize Library subscription fee revenue in the fiscal year in which it is earned.				
94000000021020	Vouchers Payable	\$ 14,075.66	\$ -	\$ -
94000000031010	Unreserved Fund Balance		10,550.00	
94060601056440	Electronic Reserve - Adult Reference		3,525.66	<u>3,525.66</u>
<b>Net effect of passed adjusting journal entries - Library</b>				<b><u>\$ 365,240.36</u></b>

# Selden Fox

Accounting for your future

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October 10, 2017

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

In planning and performing our audit of the financial statements of the **City of Crystal Lake, Illinois, (City)** as of and for the year ended April 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control and, therefore, deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control (control deficiencies).

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Following are descriptions of an identified control deficiency that we determined did not constitute a significant deficiency or a material weakness:

## **Prepaid Expenses**

We noted several service agreements entered into by the Library that extend beyond the fiscal year. These costs are being expensed when paid and not amortized over the life of the agreement. Many of these agreements are renewed annually at or near the same rate, such that the net effect on total expenses is not material, however, there would still be an impact on net position or fund balance.

**We recommend** that Library management track these agreements which cover a period of one year or more and determine the effect on net income and fund balance. If the effect becomes significant, or if a significant new agreement is entered into, management should recognize these expenses over the life of the agreements.



During our audit, we noted the following new pronouncements 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 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.

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.

*GASB Statement No. 83, Certain Asset Retirement Obligations*, addresses the accounting and financial reporting requirements for legally enforceable liabilities associated with the retirement of a tangible capital asset. Statement No. 83 is effective for the fiscal year ending April 30, 2020.

*GASB Statement No. 84, Fiduciary Activities*, addresses the accounting and financial reporting requirements for activities meeting the criteria of fiduciary activities as defined in the Statement. Statement No. 84 is effective for the fiscal year ending April 30, 2020.

*GASB Statement No. 85, Omnibus 2017*, addresses the accounting and financial reporting requirements miscellaneous topics for which there is inconsistency in present practice. Topics addressed include blending component units, goodwill, fair value measurement and application, and postemployment benefits. Statement No. 84 is effective for the fiscal year ending April 30, 2020.

## **Future Accounting and Auditing Pronouncements (cont'd)**

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, addresses the inconsistency in accounting and financial reporting requirements for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. Statement No. 86 is effective for the fiscal year ending April 30, 2019.

GASB Statement No. 87, *Leases*, addresses the accounting and financial reporting requirements for leases by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 87 is effective for the fiscal year ending April 30, 2021.

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.

We would like to take this opportunity to express our appreciation to you, and to the City's staff, for the courtesy and cooperation extended to our staff during the audit. Should you wish to discuss further any of the matters referred to, or if we can be of assistance in implementing any of the suggestions, we will be pleased to do so at your convenience.

*Selden Fox, Ltd.*