



CITY OF
Crystal Lake Illinois

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED APRIL 30, 2018

CITY OF CRYSTAL LAKE, ILLINOIS

Comprehensive Annual Financial Report

For the Year Ended April 30, 2018

Prepared By Finance Department:

George Koczvara
Director of Finance

**City of Crystal Lake, Illinois
Comprehensive Annual Financial Report
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INTRODUCTORY SECTION



CITY OF
Crystal Lake
ILLINOIS

October 10, 2018

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, 2018. 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, 2018.

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, 2018, 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, 2018, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

The City of Crystal Lake’s financial presentation reflects GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis (MD&A) – for state and local governments*. The comprehensive annual report presents the MD&A, basic financial statements and required supplemental information. The MD&A provides an analytical overview of the City’s financial activity. Included in the basic financial statements are the government-wide financial statements, fund financial statements and notes to the financial statements. The required supplementary information presents the budgetary comparison schedules and other schedules. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Crystal Lake’s MD&A can be found immediately following the report of the independent auditors. The City of Crystal Lake has complied with GASB Statement 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, GASB Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68 and GASB Statement 75, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans – an amendment to GASB Statement 45.

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 almost three 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. The residential sector of economic activity is active with several single family, multi-family, and senior-targeted developments in the entitlement process or currently under construction. Of particular note, Lennar, the nation's largest homebuilder, received approval for a 500-unit residential development, Woodlore, on the northeast section of Crystal Lake. Woodlore is under construction, the models have almost been completed, and it is anticipated that the pent-up demand for residential new construction will result in brisk sales for this project.

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 sector, as well as filled 738,250 square feet of commercial space consisting of filling 677,566 square feet with new business occupancies. In 2017, 791,274 square feet of commercial space was occupied by new and existing businesses.

Route 14 serves as a retail corridor for the City of Crystal Lake, highlighted by Crystal Point Shopping Center, County Corners Shopping Center, Crystal Lake Plaza and The Commons Shopping Center. The Bohl Farm Marketplace, consisting of nearly 400,000 sq. ft. of retail space, anchors Kohl's department store, a Target store, Dress Barn, Buy Buy Baby, Fresh Thyme and the newest additions of Planet Fitness and Party City. This center also includes other national tenants in outlots such as Barnes and Noble, Five Below and a Chili's restaurant. On the other end of the Route 14 retail corridor, the redevelopment of the former Sears site to build a new Mariano's store was completed in the Spring of 2018. The Mariano's grand opening was the single largest grand opening, as reported by the Kroger representatives.

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 very low vacancies during the summer of 2017 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 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 2018, highlights of the new businesses that 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, Subway at Healthbridge, Mobil Oil at Routes 31 and 176, The Fit Stop, Sandra's Hair Salon, Colonial Ice Cream & Café, Vanity Cosmetics, 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 Tae 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, Center for Emotional Wellness of the Northwest Suburbs, Home Dialysis Services, Bioenergy Technology, Progressive Radiology, Illinois Nice & Clean Group LLC, JDO Inc, Animal Medical Center of Crystal Lake, Ramco Group LLC, Halftime Pizza, Nancy's Pizza, Encore Music Academy, PRA Behavioral LLC, Express Employment Professionals, Evoke Products, Metrom Rail LLC, Burlington Coat Factory, Fresh Thyme Farmers Market, and LT Nail, Bucky's Convenience Store, Casey's General Store, Tommy's (2nd location), That's Amore

(2nd location), Welders Supply Company, CVS Pharmacy, Subway, White Oak Interiors, Hertz, The Quarry Cable Park, Duke's on the Water, On The Brink Salon, Autotrol Corporation, Matt's Express Wash, MSupper Club, Carlos 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-Grafics, Living Stones, Ultimate Software, Konica Minolta Healthcare, Windy City Cryo, S&T Nails, Covey Law Firm, Bucky's Express Convenience Store, Mum Floral Design, All American Reclaim, Container International, Astro Spa, Shabby to Chic, Knife Experience, Willow Creek Community Church, Little Minds Learning Center, McHenry Upholstery, Mugs Pizza & Rib, Vantage Electrical Group, Atlas Language Services, Alexian Brothers Behavioral Health Hospital, Nail Envy Salon, Cottage on the Beach, Mariano's, Plum Garden Restaurant, Big Brothers Big Sisters of McHenry County, and Ulta Beauty .

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.

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 the 1776 restaurant, the addition of MSupper Club, a fine dining restaurant, and the purchase of the former Porters site for a new restaurant, Plum Garden.

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.

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 long-standing 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, 2014, and 2017.

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, 2017. This results in twenty-eight 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 2018 Budget document for the tenth 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.

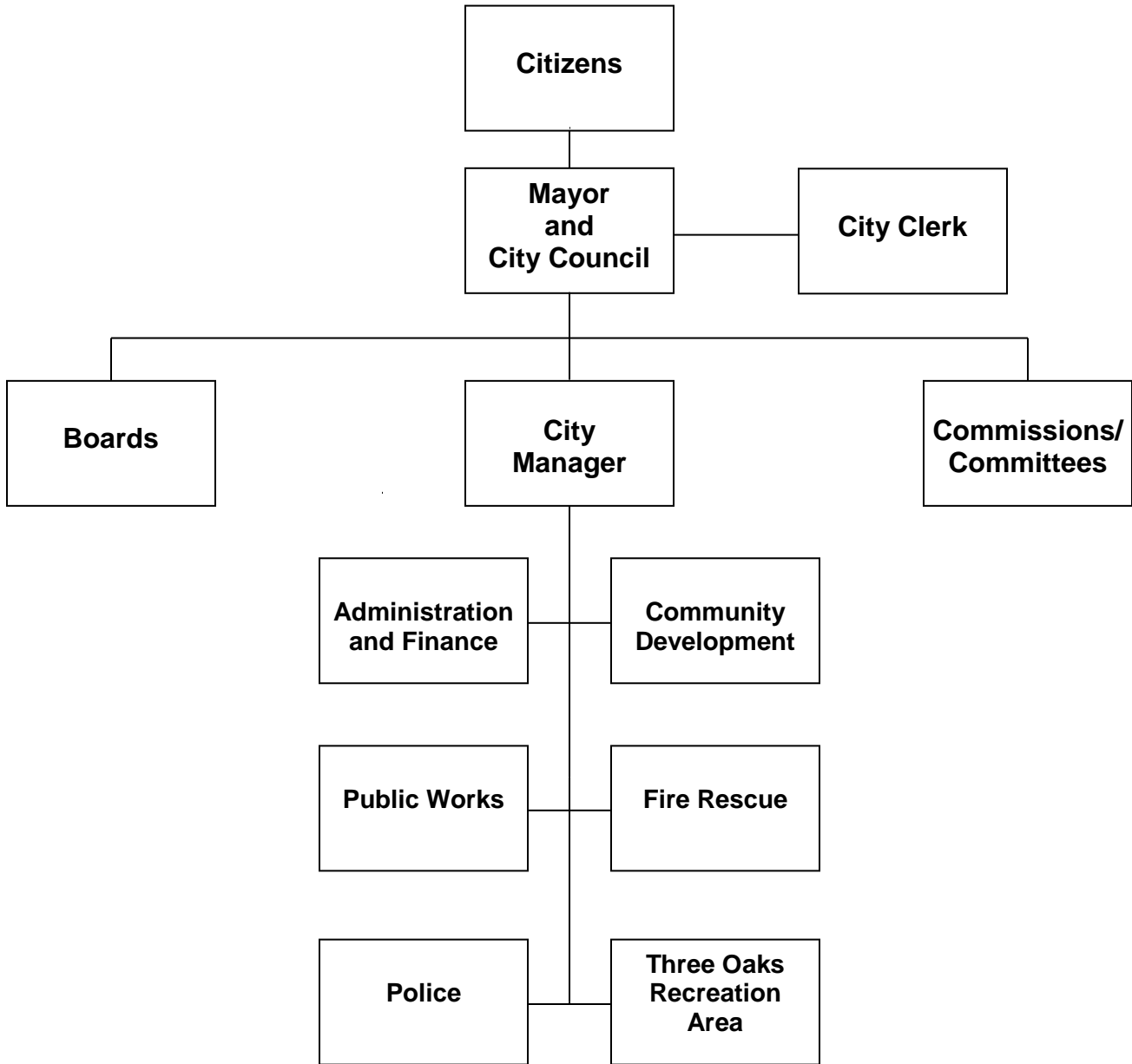


Gary J. Mayerhofer
City Manager



George J. Koczvara
Director of Finance/Treasurer

CITY OF CRYSTAL LAKE ORGANIZATIONAL STRUCTURE



**City of Crystal Lake, Illinois
Principal Officials
April 30, 2018**

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 Koczwar

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



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For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

April 30, 2017

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Selden Fox

Accounting for your future

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INDEPENDENT AUDITOR'S REPORT

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

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, 2018, and the statements of revenues, expenditures and changes in fund balance – budget and actual for the General Fund and the Motor Fuel Tax and Fire Rescue Funds (major Special Revenue Funds) and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Crystal Lake, Illinois, as of April 30, 2018, 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 and Fire Rescue Funds (major Special Revenue Funds) for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note IV.I. to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages MD&A-1 to MD&A-18 and the *Schedules of Funding Progress* (page 81), *Employer Contributions* (pages 82-86), *Changes in the Employer's Net Pension Liability and Related Ratios* (pages 87-92), 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 94-156 and the introductory and statistical section on pages i - xi and 157-188, respectively, in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information 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.

Selden Fox, Ltd.

October 10, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis 2018

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, 2018. 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 \$208,510 (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 and the proprietary funds' statement of net position if the present value of their obligation (*total pension liability*) exceeds resources held in the pension trust fund to pay benefits (*net fiduciary position*). The City's net pension liability at April 30, 2018, is \$49,006, a decrease of \$8,245 from the prior year that is largely attributable to changes in mortality rates (MP-2016 rates were generally lower than Scale MP-2015 and Scale MP-2014 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 \$5,517 at April 30, 2018.

- In addition to pensions, many local government employers provide other postemployment benefits (OPEB) as part of total compensation offered to attract and retain employees. Of total benefits offered by employers, some benefits, including salaries and active-employee healthcare, are taken while employees are in active service, whereas other benefits, including postemployment healthcare are taken after employees' services have ended. In June 2015, GASB released new standards for accounting and financial reporting for postemployment benefits other than pensions (postemployment healthcare for example) in the government-wide statement of net position. The new GASB standard requires employers to report a liability (*net OPEB liability*) on their government-wide statement of net position if the present value of their obligation (*total OPEB liability*) exceeds resources held to pay benefits (*net fiduciary position*). The City's net OPEB liability at April 30, 2018, is \$4,220.

Full-time employees who retire and are eligible for a pension under 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 of the health insurance plans offered by the City. Premium costs are not age-adjusted so City retirees pay premiums equal to that of active employees, creating an implied liability for OPEB. As required under the Public Safety Employee Benefits Act (PSEBA), other postemployment benefits include group health insurance benefits for families of public safety employees who sustained catastrophic injuries while responding to emergencies.

- During the fiscal year, the City invested \$20,575 in capital (buildings, equipment and infrastructure). Major capital asset acquisitions made during the fiscal year included: the replacement of two ambulances (Fire Rescue), five patrol vehicles and two administrative vehicles (Police), one pickup truck and an all-terrain utility vehicle (Public Works), as well as the purchase of a crash attenuator with arrow board (Public Works), a redundant wireless fire alarm network (Fire Rescue) and virtual server hardware (Information Technology).

In addition to the City's annual street resurfacing and sidewalk replacement programs, roadway projects included: Phase I engineering for improvements to North Main Street and for the intersection of Main Street at Crystal Lake Avenue. The multi-use path near the Country Club subdivision was completed and final payments were made for the expansion of parking facilities at the Three Oaks Recreation Area and for roadway improvements along Pingree Road. Phase I engineering began on the replacement of culverts along Barlina Road, Dartmoor Drive, McHenry Avenue, Broadway Avenue and Country Club Road, as well as for pedestrian crossings on Ackman Road and Huntley Road.

Included in water and sewer capital expenses is the construction of a second digester at Wastewater Treatment Plant #2, as well as rehabilitation of Wastewater Treatment Plant #3 facilities and Well #8. Control panels at Lift Station #2, at Well #13 and at Water Treatment Plant #3 were replaced. Final payment was made to the State of Illinois for the relocation of a water main near the intersection of IL Route 176 and IL Route 31.

- The City entered into a loan agreement with the Illinois Environmental Protection Agency dated December 11, 2015, which authorized 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 March 2, 2018. As of April 30, 2018, the City borrowed \$14,274.

At the end of the current fiscal year, the City had \$45,043 of debt instruments outstanding.

- Revenues in the Water and Sewer Fund reflect an 11.40% 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 2018 incorporated the fourth 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 \$15,841 and \$11,533, respectively. The unassigned fund balance represented 42.63% of General Fund operating expenditures or 41.04% of combined operating expenditures of the General Fund and the Three Oaks Recreation Area Debt Service Fund (the Three Oaks Recreation Area Debt Service Fund is dependent upon the General Fund for funding most of its debt service expenses). Available fund balance is within the targeted range according to City financial policies.

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 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 Capital and Equipment Replacement Fund). Data from the other sixteen 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 - 15 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 16 - 20 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 21 - 22 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 23 - 80 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits.

Required supplementary information can be found on pages 81 - 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 157.

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 \$208,510.

Consolidated Statement of Net Position As of April 30, 2018 (In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2018	2017	2018	2017	2018
Current & other assets	\$ 44,276	\$ 47,929	\$ 11,124	\$ 11,264	\$ 55,400	\$ 59,193
Capital assets	189,532	187,900	77,278	77,675	266,810	265,575
Total assets	<u>233,808</u>	<u>235,829</u>	<u>88,402</u>	<u>88,939</u>	<u>322,210</u>	<u>324,768</u>
Deferred Outflows	<u>17,246</u>	<u>14,431</u>	<u>629</u>	<u>495</u>	<u>17,875</u>	<u>14,926</u>
Long-term liabilities	69,297	64,595	32,872	32,021	102,169	96,616
Other liabilities	6,117	7,927	4,944	4,694	11,061	12,621
Total liabilities	<u>75,414</u>	<u>72,522</u>	<u>37,816</u>	<u>36,715</u>	<u>113,230</u>	<u>109,237</u>
Deferred Inflows	<u>13,183</u>	<u>20,643</u>	<u>153</u>	<u>1,304</u>	<u>13,336</u>	<u>21,947</u>
Net assets:						
Net investment in capital assets	176,078	175,911	44,551	44,397	220,629	220,308
Restricted	7,370	8,417	-	-	7,370	8,417
Unrestricted	(20,991)	(27,233)	6,511	7,018	(14,480)	(20,215)
Total net position	<u>\$ 162,457</u>	<u>\$ 157,095</u>	<u>\$ 51,062</u>	<u>\$ 51,415</u>	<u>\$ 213,519</u>	<u>\$ 208,510</u>

By far, the largest portion of the City's net position (105.7%) 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 (4.03%) 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, 2018, as the adoption of GASB Statement No. 68 requires the City to recognize net pension liability totaling \$49,006 at April 30, 2018, for its three pension plans and GASB Statement No. 75 that requires the City to recognize net other post-employment benefit obligations totaling \$4,220.

**Changes in Net Position
For the Fiscal Year Ended April 30, 2018
(In thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2018	2017	2018	2017	2018
Program revenues:						
Charges for services	\$ 6,542	\$ 6,834	\$ 11,182	\$ 11,967	\$ 17,724	\$ 18,801
Grants and contributions:						
Operating	1,306	1,242	-	3	1,306	1,245
Capital	329	1,028	114	-	443	1,028
General revenues:						
Property	12,369	12,499	-	-	12,369	12,499
Other taxes	7,252	7,413	-	-	7,252	7,413
Intergovernmental	16,313	16,450	-	-	16,313	16,450
Other	1,149	1,255	181	254	1,330	1,509
Total revenues	45,260	46,721	11,477	12,224	56,737	58,945
Expenses:						
Governmental activities:						
General government	9,187	9,480	-	-	9,187	9,480
Public safety	28,676	28,257	-	-	28,676	28,257
Highways and streets	8,803	9,076	-	-	8,803	9,076
Culture and recreation	1,202	1,241	-	-	1,202	1,241
Interest on long-term debt	435	395	-	-	435	395
Asset Impairment	-	-	-	-	-	-
Business-type activities - waterworks and sewerage	-	-	11,008	11,871	11,008	11,871
Total expenses	48,303	48,449	11,008	11,871	59,311	60,320
Revenues over (under) expenses	(3,043)	(1,728)	469	353	(2,574)	(1,375)
Transfers and adjustments	-	-	-	-	-	-
Changes in net position	(3,043)	(1,728)	469	353	(2,574)	(1,375)
Net position - beginning of year, as previously reported	165,500	162,457	50,593	51,062	216,093	213,519
Prior period restatement	-	(3,634)	-	-	-	(3,634)
Net position, beginning of year, as restated	165,500	158,823	50,593	51,062	216,093	209,885
Net position - ending of year	\$ 162,457	\$ 157,095	\$ 51,062	\$ 51,415	\$ 213,519	\$ 208,510

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. In years prior to fiscal year 2018, commuter parking fee revenues were reported net of rent payments to the Union Pacific. A rise in rental income is attributed to a new tower and ground lease with Verizon for a cell tower site at 231 Florence (McCormick Park water tower). Collections of adjudication fines rose since the State decriminalized possession of cannabis under 10 grams. Cases involving less than 10 grams carry a minimum fine of \$300 and are now presided over by the City's Administrative Law Judge. Special Police Detail revenue rose as a result of police assisting Willow Creek Church with traffic control. Willow Creek Church opened a new worship space in downtown Crystal Lake in October, 2017. Ambulance fee revenues reflect the fourth of four consecutive years of rate increases approved by City Council in 2014.
- Grants and contributions for fiscal year 2018 totaled \$2,270. 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 roadway improvements.
- Fiscal year 2018 results of other taxes were mixed. Home Rule Sales Tax, Cable Franchise Fees and Video Gaming 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.
- Included in intergovernmental revenue is corporate personal property replacement tax, income tax, as well as retail sales and use taxes. Corporate Personal Property Replacement Tax (CPPRT) receipts in fiscal year 2018 fell from the previous year. CPPRT are revenues collected by the State and paid to local governments to replace money that was lost by local governments when their powers to impose personal property taxes on corporations, partnerships and other business entities were abolished in the 1970 Constitution. As lawmakers seek to balance the State budget, larger portions of CPPRT funds are being diverted away from municipalities. Receipts of State income tax also declined as the State legislature voted to temporarily reduce amounts of income tax it distributes to municipalities by 10% during the State's fiscal year 2018.

Receipts of retail sales and use taxes rose in 2018. 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.

- Fiscal year 2018 receipts of other revenue also increased over those of 2017. Included in fiscal year 2018 receipts is a one-time payment from the Crystal Lake Rural Fire Protection District for the purchase of capital equipment used in providing Fire Rescue services to the District.

- General and administrative expenses rose \$293 or 3.2% over the prior year. A change in City policy has assets of governmental activities being recognized as capital when their initial, individual cost is more than \$25,000 and have a useful life of more than one year. Last year, assets were capitalized when their initial, individual cost exceeded \$10,000.

New this year is the Commuter Parking Fund. Expenses of the Commuter Parking Fund include wages paid for traffic enforcement and parking lot maintenance and were previously reported as Public Safety and Highways and Streets expenses. These costs, in addition to those to maintain parking pay stations, are now reported as expenses of the General Government.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and expensed when they are consumed. One such example is the premium for liability insurance. Improved claims experience coupled with an election by the City to raise its deductible portion for each occurrence from \$2,500 to \$10,000 resulted in a reduction in the premium for liability insurance for calendar year 2018. Two-thirds of the reduced premium cost will be expended next year.

Offsetting increases is a reduction in sales tax incentive expense. The maximum cumulative payment was made to the second of five retailers with whom the City entered into agreements for redevelopment and enhanced sales tax incentives.

- Public safety expenses declined \$419 or 1.46% from the prior year. The reduction in expenses is largely the result of a decrease in pension expense (\$565) as new mortality rates (MP-2016) were used in the calculation of pension costs for public safety personnel.

Compensated absences (value of accrued employee leave) also declined and in-squad cameras purchased last year were not completed again in fiscal year 2018.

Offsetting decreases in expenses are increases for special police detail to assist with traffic control in and around Willow Creek Church and for legal fees as the City worked to eliminate its Foreign Fire Insurance tax.

- Highways and Streets expenses increased \$273 or 3.10% from the prior year. The increase in expenses is largely the result of purchases of illuminated street signs and increases in overtime wages in response to inclement weather that caused area-wide flooding in July, 2017 in addition to snow and ice events in December 2017 through January 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. Based on IMET's unknown certainty of net realizable value of investments affected by fraud, the City wrote off its entire balance, \$502 and \$86 in the General Fund and Water and Sewer Fund, respectively. At April 30, 2018, recovery of \$85 has been realized.

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 \$785 or 7.02% from the prior year. Revenues in the Water and Sewer Fund reflect an 11.40% 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 provide for some capital investment to maintain water and sewer infrastructure systems. Fiscal year 2018 incorporated the fourth 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 rose \$73 or 40.33% above the prior year. Included in fiscal year 2018 receipts is a one-time payment from the Intergovernmental Risk Management Agency (IRMA), the City's insurance carrier, for the replacement of damaged electrical equipment at Water Treatment Plant #3.
- Expenses of the Waterworks and Sewerage Fund ended the year \$863 or 7.84% higher than those of the previous year. The increase in interest expense reflects the City's investment in critical infrastructure. In 2015, the City entered into a loan agreement with the Illinois Environmental Protection Agency which authorized the City to borrow up to \$14,840 to fund improvements to the City's wastewater treatment plants on a reimbursement basis. As of April 30, 2018, the City borrowed \$14,274. Construction or acquisition of additional capital assets also causes depreciation expense to rise. Rather than recognize the entire cost of the capital asset as an expense in the year the asset is acquired or constructed, the cost of the capital asset is allocated across fiscal years based on the asset's life expectancy.

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 2018, the City's governmental funds reported combined ending fund balances of \$30,840, an increase of \$1,380 from with the prior year. Approximately 37.40% of the ending balance or \$11,533 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 or assigned to indicate that it is not available for spending because it has already been reserved to pay debt service, retirement, street improvement 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 \$11,533, while the total fund balance was \$15,841. 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 42.63% of General Fund operating expenditures or 41.04% of combined operating expenditures of the General Fund and the Three Oaks Recreation Area Debt Service Fund (the Three Oaks Debt Service Fund is dependent upon

the General Fund for funding most of its debt service expenses). The ending fund balance of the City's General Fund increased by \$1,341, at the end of the fiscal year. The increase in fund balance is attributed to a transfer of residual funds from the Home Rule Sales Tax Fund.

The ending fund balance in the Motor Fuel Tax Fund is \$6,515, an increase of \$1,018 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. Other financing uses (transfers out to the Capital and Equipment Replacement Fund) provided for engineering services associated with the Main Street at Crystal Lake intersection improvement, U.S. Route 14 at Virginia Road intersection improvement, North Main Street improvement, and Ackman Road and Huntley Road pedestrian crossings, as well as for illuminated street name signs and final payment to the State for Pingree Road improvements.

The ending fund balance in the Fire Rescue Fund is \$4,111, an increase of \$646 from the prior year. Fiscal year 2018 receipts include a one-time payment from the Crystal Lake Rural Fire Protection District for the purchase of capital equipment used in providing Fire Rescue services to the District. Other financing uses (transfers out to the Capital and Equipment Replacement Fund) provided for the replacement of two ambulances, two thermal imaging cameras and respirator fit testing equipment, as well as to provide for a redundant (backup) wireless fire alarm network.

The ending fund balance in the Capital and Equipment Replacement Fund is \$1,097, a decrease of \$279 from the prior year. Fiscal year 2018 expenditures include those funded from the Motor Fuel Tax Fund and the Fire Rescue Fund in addition to replacements of computer hardware and software, replacements of vehicles and culverts (engineering), as well as street resurfacing and sewer lining. To mitigate tax increases, one-time capital and equipment replacement expenditures are funded using unassigned fund balance and/or bond proceeds.

In aggregate, Fund Balance of Other Governmental Funds declined \$1,347 (29.14%) from the previous year. The decline is largely attributed to a transfer of residual funds from the Home Rule Sales Tax Fund to the General Fund. Beginning in fiscal year 2018, Home Rule Sales tax, previously segregated for accounting purposes, is being reported as revenue in the General Fund. Operating expenditures of the Three Oaks Recreation Area were also moved to the General Fund. Capital expenditures of the Three Oaks Recreation Area were moved to the Capital and Equipment Replacement Fund.

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.

Total net position of the Waterworks and Sewerage Fund rose \$354 to \$51,416 at April 30, 2018. Of the total, \$44,397 represents the City's net investment in capital assets (capital assets less accumulated depreciation less outstanding bonds and notes that were issued to acquire capital assets). The remainder, \$7,019 or 13.65%, represents unrestricted net position.

Revenues in the Waterworks and Sewerage Fund reflect an 11.40% increase in water and sewer rates that went into effect on May 1. It was the fourth of five consecutive years of rate increases recommended by a water and sewer rate study that was commissioned by the City in February 2014.

Expenses include rehabilitation of two secondary clarifiers at Wastewater Treatment Plant #2, the construction of a digester, control building and centrifuge building at Wastewater Treatments Plant #2, reconstruction of digesters #1 and #2, blower building rehabilitation, rehabilitation of trickling filters #1 and #2 at Wastewater Treatment Plant #3, replacement of motor control centers at Water Treatment Plant # and Well #13, rehabilitation of Well #8, installation of generators at various lift stations throughout the City, as well as final payment to the State for relocation of water main near IL Route 31 and IL Route 176.

General Fund Budgetary Highlights

General Fund Budgetary Highlights Fiscal Year 2018 (In thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Property taxes	\$ 3,700	\$ 3,700	\$ 3,699
Other taxes	7,265	7,265	7,318
Intergovernmental	16,313	16,313	16,568
Other	2,317	2,327	2,836
Total revenues	29,595	29,605	30,421
Expenditures	(28,533)	(28,543)	(27,054)
Other financing sources (uses)	(3,597)	(3,597)	(2,026)
Net change in fund balance	<u>\$ (2,535)</u>	<u>\$ (2,535)</u>	<u>\$ 1,341</u>

Actual revenues of \$30,421 exceeded amounts budgeted by \$816. Expenditures ended the year \$1,489 below budget. Other financing sources (uses) also ended the year \$1,571 below budget.

During the fiscal year, the City of Crystal Lake Council approved the following amendments to the General Fund budget:

- Contract amendment for the 2017 fireworks display (\$10).

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

- Receipts of Retail Sales Tax, Home Rule Sales Tax and Use Tax 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 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.

- Building Permit Revenue has exceeded expectations. Building permit revenue includes receipts for a new micro hospital, a new grocery store, and a new family restaurant, as well as modifications to existing commercial and residential properties.
- State Video Gaming tax was new to the City last year. This year, revenues exceeded expectations. State Video Gaming tax is a tax imposed by the State at a rate of 30% 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.
- Special Police Detail revenue exceeded budget expectations. Revenues reflect fees for providing traffic control in and around Willow Creek Church's new space for worship in downtown Crystal Lake.
- Adjudication Fines revenue also exceeded expectations. Since the State decriminalized possession of cannabis under 10 grams, cases involving less than 10 grams are now presided over by the City's Administrative Law Judge. Minimum fines are \$300.
- Investment earnings exceeded budget expectations. Reflected in earnings is an interest earnings credit of \$295 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.
- Reimbursements and Miscellaneous Income exceeded projections as reimbursements for workers' compensation and insurance claims are not budgeted. They cannot be relied upon to support the operations of the General Fund. Proceeds from the sale of fixed assets are also not budgeted.
- Mosquito abatement costs, as well as overtime wages in the Streets and Wastewater (Storm Sewer) Divisions of the Public Works Department, exceeded amounts budgeted. The overage is attributed to inclement weather that caused area-wide flooding in July, 2017, in addition to frequent events of snow and ice in December 2017 and January 2018.
- Automotive supplies in the Streets Division of the Public Works Department also exceeds budget. Automotive supplies include plow and curb blades used in clearing snow and ice from City streets. Increases in expenditures are also indicative of the City's aging fleet.

To mitigate costs associated with an aging fleet, the City will implement a vehicle leasing and replacement program in fiscal year 2019. Over time, City staff anticipate significant financial and practical advantages by utilizing a fleet leasing program versus purchasing vehicles outright. Advantages include improved cash flow, optimal fleet replacement schedules, and reduced maintenance costs.

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

- Income tax receipts missed budget expectations. The State legislature voted in June, 2017 to temporarily reduce amounts of income tax it distributes to municipalities by 10% during the State's fiscal year 2018.

- 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.
- Police Fines revenue did not meet budget in fiscal year 2018 as more motorists complied with local traffic laws, resulting in decreased revenue.
- Personnel related expenditures ended the year below budget due to vacated positions. Vacated positions will not be filled unless they are critical to City operations.
- Funds expended for the City's Independence Day Fireworks Show are below budget. An error in the firework vendor's computer control system caused the show to end prematurely.
- Computer hardware and software expenditures in Shared Services are below budget. An alternative to stand-alone grant reporting software was found. No funds were expended to program budget software to interface with the City's ERP, Springbrook. The platform on which Springbrook operates will be changing. Finally, not all funds budgeted for human resources software were expended as portions of the software are still being implemented.
- Building and Facility Maintenance services in Special Projects are below budget due to timing of payments for repairing and cleaning brickwork around downtown Crystal Lake.
- 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.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of April 30, 2018, totaled \$265,575 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, improvements, and machinery and equipment.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2018	2017	2018	2017	2018
Land	\$ 103,585	\$ 103,585	\$ 628	\$ 628	\$ 104,213	\$ 104,213
Construction in progress	7,964	5,659	13,165	884	21,129	6,543
Buildings and improvements	22,808	22,129	10,433	24,680	33,241	46,809
Machinery, equipment and vehicles	7,475	7,110	5,732	5,336	13,207	12,446
Infrastructure	47,700	49,417	47,320	46,147	95,020	95,564
Total	\$ 189,532	\$ 187,900	\$ 77,278	\$ 77,675	\$ 266,810	\$ 265,575

During the fiscal year, the City invested \$20,575 in capital (buildings, equipment and infrastructure). Major capital asset acquisitions made during the fiscal year included: the replacement of two ambulances (Fire Rescue), five patrol vehicles and two administrative vehicles (Police), one pickup truck and an all-terrain utility vehicle (Public Works), as well as the purchase of a crash attenuator with arrow board (Public Works), a redundant wireless alarm system (Fire Rescue) and virtual server hardware (Information Technology).

In addition to the City's annual street resurfacing and sidewalk replacement programs, roadway projects included: Phase I engineering for improvements to North Main Street and for the intersection of Main Street at Crystal Lake Avenue. The multi-use path near the Country Club subdivision was completed and final payments were made for the expansion of parking facilities at the Three Oaks Recreation Area and for roadway improvements along Pingree Road. Phase I engineering began on the replacement of culverts along Barlina Road, Dartmoor Drive, McHenry Avenue, Broadway Avenue and Country Club Road, as well as for pedestrian crossings on Ackman Road and Huntley Road.

Included in water and sewer capital expenses is the construction of a second digester at Wastewater Treatment Plant #2, as well as rehabilitation of Wastewater Treatment Plant #3 facilities and Well #8. Control panels at Lift Station #2, at Well #13 and at Water Treatment Plant #3 were replaced. Final payment was made to the State of Illinois for the relocation of a water main near the intersection of IL Route 176 and IL Route 31.

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

Long-Term Debt. At the end of the current fiscal year, the City had \$45,043 of debt instruments outstanding.

**Long-Term Debt at Year End
Fiscal Year 2018
(In thousands)**

	Balance, May 1, 2017	Additions	Deletions	Balance, April 30, 2018
General obligation bonds	\$ 32,965	\$ -	\$ 3,460	\$ 29,505
Notes payable	1,725	-	200	1,525
Loans payable	10,637	3,637	261	14,013
	<u>\$ 45,327</u>	<u>\$ 3,637</u>	<u>\$ 3,921</u>	<u>\$ 45,043</u>

The City entered into a loan agreement with the Illinois Environmental Protection Agency dated December 11, 2015, which authorized 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 March 2, 2018. As of April 30, 2018, the City borrowed \$14,274.

Special Service Area (SSA) bond issues outstanding at April 30, 2018 include:

- Special Service Area Number 45 Bonds, Series 2006 - \$5,440
- Special Service Area Number 44 Bonds, Series 2007 - \$200
- Special Service Area Number 46 Refunding Bonds, Series 2016 - \$2,355

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.

Additional information on the City's long-term debt can be found in Note III. E beginning on page 47 of this report.

Economic Factors and Next Year's Budgets and Rates

The University of Michigan's index of consumer sentiment decreased to 96.2 in August as compared to 97.9 one-month ago and 96.8 one-year ago in August, 2017. Although there was a small uptick in late August, 2018, consumer sentiment remained at its lowest level since January, 2018. Most of the August decline was in the Current Economic Conditions index, which fell to its lowest level since November, 2016. These results stand in sharp contrast to the recent very favorable report on growth in the national economy. The dominating weakness was related to less favorable assessments of buying conditions, mainly due to less favorable perceptions of market prices and to a lesser extent, rising interest rates. Future income and job certainty have become the main reasons cited by consumers for their positive spending views. This shift from attractive prices and interest rates to income is typical of the later stages of expansions, with references to income and job certainty peaking just before downturns. While nominal wage expectations and employment gains have remained strong, the anticipated inflation rate has also increased to its highest level in four years. Although higher inflation rate is partly due to the potential for increased tariffs, the main cause has been the expectation of robust economic growth. Luckily, consumers have not judged the current rate of inflation as a significant source of erosion in their living standards or as a cause to reduce their buying plans. Personal consumption can be expected to grow by 2.6% in the year ahead.

The national unemployment rate fell from 4.3% one year ago to 3.9% in July. In Illinois, the unemployment rate fell from 4.8% to 4.2%. Nationally, single-family housing starts fell slightly from 1,185,000 one year ago to 1,168,000 but rose in the Midwest from 161,000 to 173,000. The yield on the 10-year Treasury note rose 57 basis points, as the Federal Reserve Bank moved to raise interest rates in efforts to control inflation.

In May, 2018, the Illinois General Assembly approved a budget package for the State's fiscal year (SFY) 2019. Unlike SFY 2018, there were no changes to the income tax rate for either corporations or individuals. The budget package however, maintains some diversion of state-shared tax revenue from local governments.

Beginning in July 2018, 1.5% of certain sales taxes collected by the state on behalf of municipalities will be retained by the State. This is down from 2.0% in SFY 2018. Last year in the SFY 2018 budget, the General Assembly adopted a 10% one-time cut in local governments' share of income tax. This year, the General Assembly has approved a 5% cut to municipalities. Finally, SFY 2019 continues to divert Corporate Personal Property Tax (CPPRT) to State programs as opposed to being distributed to local governments. It is anticipated that nearly \$300 million of CPPRT will be diverted.

To balance the fiscal year 2019 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, seek competitive bids and avoid 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 2019 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 2019 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 fifth of five consecutive years of rate increases recommended by the study.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of Crystal Lake, Illinois
Statement of Net Position
April 30, 2018

	Governmental Activities	Business-type Activities	Total	Component Unit Crystal Lake Public Library
Assets				
Cash and investments	\$ 26,181,145	\$ 9,116,785	\$ 35,297,930	\$ 5,549,218
Receivables, net:				
Property taxes	12,538,250	-	12,538,250	4,543,041
Accrued interest	82,172	16,017	98,189	-
Accounts	1,564,311	2,137,124	3,701,435	638
Internal balances	14,244	(14,244)	-	-
Due from other governments	5,047,140	-	5,047,140	-
Inventory	170,883	-	170,883	-
Prepaid items and other assets	2,331,463	8,148	2,339,611	64,245
Total current assets	47,929,608	11,263,830	59,193,438	10,157,142
Noncurrent:				
Capital assets (net of accumulated depreciation):				
Land	103,584,779	628,095	104,212,874	2,363,040
Construction in progress	5,659,479	883,697	6,543,176	-
Buildings and improvements	22,128,579	24,680,271	46,808,850	4,361,572
Machinery, equipment and vehicles	7,110,039	5,336,133	12,446,172	66,131
Infrastructure	49,416,731	46,147,218	95,563,949	-
Total noncurrent assets	187,899,607	77,675,414	265,575,021	6,790,743
Total assets	235,829,215	88,939,244	324,768,459	16,947,885
Deferred Outflows				
Pension-related	14,431,486	495,095	14,926,581	468,600
Total assets and deferred outflows	250,260,701	89,434,339	339,695,040	17,416,485

See accompanying notes.

	Governmental	Business-type		Component
	Activities	Activities	Total	Unit
				Crystal Lake
				Public
				Library
Liabilities				
Current:				
Accounts payable	\$ 2,507,574	\$ 1,208,973	\$ 3,716,547	\$ 155,974
Accrued liabilities	112,506	11,613	124,119	65,680
Recapture fees payable	108,991	-	108,991	-
Deposits payable	1,680,109	181,963	1,862,072	-
Interest payable	191,145	264,417	455,562	-
Unearned revenue	142,198	-	142,198	-
General obligation bonds payable	1,496,632	2,078,368	3,575,000	-
Promissory note payable	-	205,000	205,000	-
IEPA loan payable	-	529,591	529,591	-
Compensated absences payable	1,688,462	213,881	1,902,343	93,986
Total current liabilities	7,927,617	4,693,806	12,621,423	315,640
Noncurrent:				
Compensated absences payable	1,688,462	213,882	1,902,344	50,586
General obligation bonds payable	10,491,910	16,191,858	26,683,768	-
Promissory note payable	-	1,320,000	1,320,000	-
IEPA loan payable	-	13,483,070	13,483,070	-
Net pension obligations	48,193,987	812,039	49,006,026	768,584
Net other post-employment benefit liability	4,220,488	-	4,220,488	-
Total noncurrent liabilities	64,594,847	32,020,849	96,615,696	819,170
Total liabilities	72,522,464	36,714,655	109,237,119	1,134,810
Deferred Inflows of Resources				
Property taxes	12,538,250	-	12,538,250	4,543,041
Pension-related	8,105,492	1,303,825	9,409,317	1,234,054
Total deferred inflows	20,643,742	1,303,825	21,947,567	5,777,095
Total liabilities and deferred inflows	93,166,206	38,018,480	131,184,686	6,911,905
Net Position				
Net investment in capital assets	175,911,065	44,397,118	220,308,183	6,790,743
Restricted for:				
Working cash	-	-	-	50,795
Highways and streets	6,514,505	-	6,514,505	-
Retirement	1,432,023	-	1,432,023	246,079
Debt service	470,617	-	470,617	-
Unrestricted	(27,233,715)	7,018,741	(20,214,974)	3,416,963
Total net position	\$ 157,094,495	\$ 51,415,859	\$ 208,510,354	\$ 10,504,580

**City of Crystal Lake, Illinois
Statement of Activities
For the Year Ended April 30, 2018**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General and administrative	\$ 9,480,281	\$ 1,278,712	\$ -
Public safety	28,257,439	4,675,869	169,325
Highways and streets	9,075,738	227,659	1,072,190
Culture and recreation	1,240,815	652,572	-
Interest on long-term debt	395,280	-	-
Total governmental activities	48,449,553	6,834,812	1,241,515
Business-type activities - Waterworks and Sewerage	11,871,081	11,967,058	3,500
Total primary government	\$ 60,320,634	\$ 18,801,870	\$ 1,245,015
Component unit - Crystal Lake Public Library	\$ 4,492,674	\$ 234,116	\$ -

General revenues:

Taxes:

Property
Home rule sales
Auto rental
Franchise fees - cable
Telecommunications
Hotel
Video gaming

Intergovernmental:

Replacement
State sales and use
Income

Investment income (loss)

Miscellaneous

Total general revenues

Changes in net position

Net position, beginning of the year,
as previously reported
Prior period restatement

Net position, beginning of the year,
as restated

Net position, end of the year

See accompanying notes.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			Component Unit
	Governmental Activities	Business-type Activities	Total	Crystal Lake Public Library
\$ -	\$ (8,201,569)	\$ -	\$ (8,201,569)	\$ -
4,370	(23,407,875)	-	(23,407,875)	-
1,023,140	(6,752,749)	-	(6,752,749)	-
-	(588,243)	-	(588,243)	-
-	(395,280)	-	(395,280)	-
1,027,510	(39,345,716)	-	(39,345,716)	-
-	-	99,477	99,477	-
\$ 1,027,510	(39,345,716)	99,477	(39,246,239)	-
\$ -	-	-	-	(4,258,558)
	12,499,058	-	12,499,058	4,492,285
	5,159,592	-	5,159,592	-
	40,230	-	40,230	-
	728,314	-	728,314	-
	1,076,925	-	1,076,925	-
	312,725	-	312,725	-
	95,431	-	95,431	-
	147,318	-	147,318	-
	12,595,524	-	12,595,524	-
	3,707,369	-	3,707,369	-
	334,737	(3,132)	331,605	48,718
	920,423	257,285	1,177,708	110,760
	37,617,646	254,153	37,871,799	4,651,763
	(1,728,070)	353,630	(1,374,440)	393,205
	162,456,640	51,062,229	213,518,869	10,111,375
	(3,634,075)	-	(3,634,075)	-
	158,822,565	51,062,229	209,884,794	10,111,375
\$ 157,094,495	\$ 51,415,859	\$ 208,510,354	\$ 10,504,580	

City of Crystal Lake, Illinois
Balance Sheet - Governmental Funds
April 30, 2018

	General Fund	Special Revenue Funds	
		Motor Fuel Tax Fund	Fire Rescue Fund
Assets			
Cash and investments	\$ 10,691,738	\$ 6,356,833	\$ 3,830,134
Receivables:			
Property taxes, net	4,259,817	-	6,466,177
Interest	64,134	13,294	4,744
Other	1,979,166	57,483	512,092
Due from other funds	108,308	12,179	-
Due from other governments	3,768,245	93,272	-
Inventory	170,883	-	-
Prepaid items	2,284,539	-	3,691
Total assets	\$ 23,326,830	\$ 6,533,061	\$ 10,816,838
Liabilities			
Accounts payable	\$ 1,384,446	\$ 18,556	\$ 139,304
Accrued payroll	79,937	-	32,569
Recapture fees payable	866	-	-
Customer deposits	1,680,109	-	-
Unearned revenue	74,529	-	67,669
Due to other funds	6,337	-	-
Total liabilities	3,226,224	18,556	239,542
Deferred Inflows of Resources			
Property taxes	4,259,817	-	6,466,177
Fund Balances			
Nonspendable	2,455,422	-	3,691
Restricted, reported in:			
Restricted for highways and streets	-	6,514,505	-
Restricted for retirement	-	-	-
Restricted for police activities	-	-	-
Restricted for debt service	-	-	-
Restricted for park development	-	-	-
Committed for capital facilities	3,796	-	201,909
Assigned for next fiscal year expenditures	1,747,854	-	-
Assigned for promotion of tourism	100,619	-	-
Assigned, reported in:			
Special Revenue funds	-	-	3,905,519
Capital Projects funds	-	-	-
Unassigned, reported in:			
General fund	11,533,098	-	-
Total fund balances	15,840,789	6,514,505	4,111,119
Total liabilities, deferred inflows of resources and fund balances	\$ 23,326,830	\$ 6,533,061	\$ 10,816,838

See accompanying notes.

Capital and Equipment Replacement Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,965,505	\$ 3,336,935	\$ 26,181,145
-	1,812,256	12,538,250
-	-	82,172
29,502	171,691	2,749,934
-	-	120,487
-	-	3,861,517
-	-	170,883
38,280	4,953	2,331,463
\$ 2,033,287	\$ 5,325,835	\$ 48,035,851
\$ 923,992	\$ 41,276	\$ 2,507,574
-	-	112,506
-	108,125	108,991
-	-	1,680,109
-	-	142,198
12,179	87,727	106,243
936,171	237,128	4,657,621
-	1,812,256	12,538,250
38,280	4,953	2,502,346
-	-	6,514,505
-	1,432,023	1,432,023
-	457,353	457,353
-	470,617	470,617
-	8,670	8,670
-	-	205,705
-	-	1,747,854
-	-	100,619
-	480,758	4,386,277
1,058,836	422,077	1,480,913
-	-	11,533,098
1,097,116	3,276,451	30,839,980
\$ 2,033,287	\$ 5,325,835	\$ 48,035,851

City of Crystal Lake, Illinois
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
April 30, 2018

Total fund balance - governmental funds (page 8)	\$ 30,839,980
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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.	187,899,607
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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.	(12,491)
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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	(11,976,051)
Compensated absences payable	(3,376,924)
Net pension liability	(48,193,987)
Net other post-employment benefit obligation	(4,220,488)
Interest payable	(191,145)
Difference in pension-related items on deferred outflows	14,431,486
Difference in pension-related items on deferred inflows	<u>(8,105,492)</u>

Net position of governmental activities (page 4)	<u>\$ 157,094,495</u>
--	-----------------------

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, 2018

	General Fund	Special Revenue Funds	
		Motor Fuel Tax Fund	Fire Rescue Fund
Revenues:			
Charges for services	\$ 616,672	\$ -	\$ 4,012,249
Licenses and permits	432,249	-	-
Intergovernmental	16,567,620	1,712,747	15,063
Fines and forfeitures	520,692	-	-
Property taxes	3,698,626	-	6,527,969
Other taxes	7,317,786	-	-
Investment income	282,737	45,322	5,786
Miscellaneous	984,343	-	296,336
Total revenues	30,420,725	1,758,069	10,857,403
Expenditures:			
Current:			
General government	7,274,116	-	-
Public safety	13,995,936	-	9,668,356
Highways and streets	4,642,051	386,647	-
Culture and recreation	723,546	-	-
Debt service:			
Principal retirement	380,534	-	-
Interest and fiscal charges	37,336	-	-
Miscellaneous	-	-	-
Capital outlay	-	-	4,502
Total expenditures	27,053,519	386,647	9,672,858
Revenues over (under) expenditures before other financing sources (uses)	3,367,206	1,371,422	1,184,545
Other financing sources (uses):			
Transfers in	1,567,800	-	-
Transfers out	(3,594,039)	(353,468)	(538,839)
Total other financing sources (uses)	(2,026,239)	(353,468)	(538,839)
Net changes in fund balances	1,340,967	1,017,954	645,706
Fund balances, beginning of the year	14,499,822	5,496,551	3,465,413
Fund balances, end of the year	\$ 15,840,789	\$ 6,514,505	\$ 4,111,119

See accompanying notes.

<u>Capital and Equipment Replacement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 635,488	\$ 5,264,409
-	227,659	659,908
411,005	134,779	18,841,214
-	-	520,692
-	2,272,462	12,499,057
-	-	7,317,786
-	889	334,734
-	70,071	1,350,750
<u>411,005</u>	<u>3,341,348</u>	<u>46,788,550</u>
-	1,038,605	8,312,721
-	478,932	24,143,224
-	397,433	5,426,131
-	-	723,546
-	1,066,586	1,447,120
-	376,078	413,414
-	65,804	65,804
<u>4,773,234</u>	<u>99,345</u>	<u>4,877,081</u>
<u>4,773,234</u>	<u>3,522,783</u>	<u>45,409,041</u>
<u>(4,362,229)</u>	<u>(181,435)</u>	<u>1,379,509</u>
4,083,681	1,050,835	6,702,316
-	(2,215,970)	(6,702,316)
<u>4,083,681</u>	<u>(1,165,135)</u>	<u>-</u>
(278,548)	(1,346,570)	1,379,509
<u>1,375,664</u>	<u>4,623,021</u>	<u>29,460,471</u>
<u>\$ 1,097,116</u>	<u>\$ 3,276,451</u>	<u>\$ 30,839,980</u>

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, 2018

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).	\$ 1,379,509
Governmental funds report capital outlays as expenditures, however, they are capitalized and depreciated in the statement of activities.	1,813,267
Depreciation on capital assets is reported as an expense in the statement of activities.	(3,343,385)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net position.	(102,207)
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.	1,447,121
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.	17,888
The net effect of changes in the net pension liability is reported as an expense in the statement of activities.	(2,852,972)
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	(48,855)
Increase in other post-employment benefit obligation	(56,411)
Decrease in interest payable	17,975
Change in net position of governmental activities (page 6)	<u>\$ (1,728,070)</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, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services	\$ 524,506	\$ 524,506	\$ 616,672	\$ 92,166
Licenses and permits	399,000	399,000	432,249	33,249
Intergovernmental	16,312,792	16,312,792	16,567,620	254,828
Fines and forfeitures	548,100	548,100	520,692	(27,408)
Property taxes	3,700,465	3,700,465	3,698,626	(1,839)
Other taxes	7,264,500	7,264,500	7,317,786	53,286
Investment income	101,500	101,500	282,737	181,237
Miscellaneous	744,806	754,306	984,343	230,037
Total revenues	29,595,669	29,605,169	30,420,725	815,556
Expenditures:				
Current:				
General government	8,261,493	8,270,993	7,274,116	996,877
Public safety	14,366,974	14,366,974	13,995,936	371,038
Highways and streets	4,798,159	4,798,159	4,642,051	156,108
Culture and recreation	688,975	688,975	723,546	(34,571)
Debt service:				
Principal	380,548	380,548	380,534	14
Interest and fees	37,379	37,379	37,336	43
Total expenditures	28,533,528	28,543,028	27,053,519	1,489,509
Revenues over expenditures before other financing sources (uses)	1,062,141	1,062,141	3,367,206	2,305,065
Other financing sources (uses):				
Transfers in	9,500	9,500	1,567,800	1,558,300
Transfers out	(3,606,445)	(3,606,445)	(3,594,039)	12,406
Total other financing sources (uses)	(3,596,945)	(3,596,945)	(2,026,239)	1,570,706
Net changes in fund balance	\$ (2,534,804)	\$ (2,534,804)	1,340,967	\$ 3,875,771
Fund balance, beginning of the year			14,499,822	
Fund balance, end of the year			\$ 15,840,789	

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, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,105,384	\$ 1,105,384	\$ 1,712,747	\$ 607,363
Investment income	30,000	30,000	45,322	15,322
Total revenues	<u>1,135,384</u>	<u>1,135,384</u>	<u>1,758,069</u>	<u>622,685</u>
Expenditures - current:				
Highways and street:				
Contractual services	218,063	218,063	98,778	119,285
Supplies and materials	508,000	508,000	287,869	220,131
Capital outlay - streets	10,000	10,000	-	10,000
Total expenditures	<u>736,063</u>	<u>736,063</u>	<u>386,647</u>	<u>349,416</u>
Revenues over expenditures before other financing uses	399,321	399,321	1,371,422	972,101
Other financing uses - transfers out	<u>(1,801,879)</u>	<u>(1,801,879)</u>	<u>(353,468)</u>	<u>1,448,411</u>
Net changes in fund balance	<u>\$ (1,402,558)</u>	<u>\$ (1,402,558)</u>	<u>1,017,954</u>	<u>\$ 2,420,512</u>
Fund balance, beginning of the year			<u>5,496,551</u>	
Fund balance, end of the year			<u>\$ 6,514,505</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, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services	\$ 3,890,793	\$ 3,890,793	\$ 4,012,249	\$ 121,456
Intergovernmental	2,000	2,000	15,063	13,063
Property taxes	6,531,481	6,531,481	6,527,969	(3,512)
Investment income	5,000	5,000	5,786	786
Other	7,500	7,500	296,336	288,836
Total revenues	10,436,774	10,436,774	10,857,403	420,629
Expenditures:				
Public safety:				
Personnel services	8,246,549	8,246,549	8,052,251	194,298
Contractual services	1,235,973	1,235,973	1,329,941	(93,968)
Materials and supplies	314,143	314,143	286,164	27,979
Capital outlay	-	-	4,502	(4,502)
Total expenditures	9,796,665	9,796,665	9,672,858	123,807
Revenues over expenditures before other financing uses	640,109	640,109	1,184,545	544,436
Other financing uses - transfers out	(550,350)	(550,350)	(538,839)	11,511
Net changes in fund balance	\$ 89,759	\$ 89,759	645,706	\$ 555,947
Fund balance, beginning of the year			3,465,413	
Fund balance, end of the year			\$ 4,111,119	

See accompanying notes.

City of Crystal Lake, Illinois
Proprietary Fund - Waterworks and Sewerage Fund
Statement of Net Position
April 30, 2018

Assets	
Current assets:	
Cash and cash equivalents	\$ 9,116,785
Receivables:	
Accounts	1,066,822
IEPA reimbursements	1,086,319
Due from other funds	6,337
Prepaid items	8,148
	<u>11,284,411</u>
Total current assets	
Noncurrent assets:	
Capital assets, net of accumulated depreciation:	
Land	628,095
Construction in progress	883,697
Building improvements	24,680,271
Machinery, equipment, and vehicles	5,336,133
Infrastructure	46,147,218
	<u>77,675,414</u>
Total noncurrent assets	
	<u>88,959,825</u>
Total assets	
Deferred Outflows	
Pension-related	<u>495,095</u>
Total assets and deferred outflows	
	<u>\$ 89,454,920</u>

See accompanying notes.

Liabilities

Current liabilities:

Accounts payable	\$ 1,208,973
Accrued payroll	11,613
Deposits payable	181,963
Interest payable	264,417
Due to other funds	20,581
General obligation bonds - current	2,078,368
Promissory note payable - current	205,000
IEPA loan payable - current	529,591
Compensated absences payable	<u>213,881</u>

Total current liabilities

4,714,387

Noncurrent liabilities:

Compensated absences payable	213,882
Net pension liability	812,039
General obligation bonds - noncurrent	16,191,858
Promissory note payable - noncurrent	1,320,000
IEPA loan payable - noncurrent	<u>13,483,070</u>

Total noncurrent liabilities

32,020,849

Total liabilities

36,735,236

Deferred Inflows

Pension-related	<u>1,303,825</u>
-----------------	------------------

Total liabilities and deferred inflows

38,039,061

Net Position

Net investment in capital assets	44,397,118
Unrestricted	<u>7,018,741</u>

Total net position

\$ 51,415,859

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, 2018

Operating revenues:	
Charges for services	\$ 11,763,220
Miscellaneous	<u>260,785</u>
Total operating revenues	12,024,005
Operating expenses - excluding depreciation	<u>7,476,712</u>
Operating income before depreciation	4,547,293
Depreciation	<u>3,683,789</u>
Operating income	<u>863,504</u>
Nonoperating revenue (expense):	
Connection fees	(58,292)
Investment income (loss)	(3,132)
Rental income	262,130
Interest expense	(706,027)
Loss on sale of capital assets	<u>(4,553)</u>
Total nonoperating revenue (expense)	<u>(509,874)</u>
Changes in net position	353,630
Total net position, beginning of the year	<u>51,062,229</u>
Total net position, end of the year	<u>\$ 51,415,859</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, 2018

<hr/>	
Cash flows from operating activities:	
Receipts from customers	\$ 13,660,769
Payments to suppliers and service providers	(4,841,173)
Payments to employees for salaries and benefits	<u>(3,544,301)</u>
Net cash from operating activities	<u>5,275,295</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of equipment	6,262
Capital assets purchased	(455,383)
Connection fees	(58,292)
Principal paid on promissory note payable	(200,000)
Principal paid on IEPA loan payable	(261,141)
Principal paid on general obligation bonds	(2,012,879)
Interest paid on general obligation bonds and notes payable	(694,084)
Amortization of deferred bond premium	<u>(81,445)</u>
Net cash from capital and related financing activities	<u>(3,756,962)</u>
Cash flows from noncapital financing activities - advances to other funds	<u>67,404</u>
Cash flows from investing activities - interest and dividends	<u>(3,132)</u>
Net increase in cash and cash equivalents	1,582,605
Balance, beginning of the year	<u>7,534,180</u>
Balance, end of the year	<u><u>\$ 9,116,785</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, 2018

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 863,504
Adjustments to reconcile operating income to net cash from operating activities:	
Rental income	262,130
Depreciation expense	3,683,789
Decrease in receivables	1,374,634
Decrease in prepaid items	1,145
Decrease in accounts payable	(900,631)
Increase in deposits payable	18,419
Increase in accrued payroll	9,765
Increase in compensated absences payable	20,634
Decrease in pension-related deferred outflows	133,478
Increase in pension-related deferred inflows	1,151,029
Decrease in net pension liability	(1,342,601)
Net cash from operating activities	\$ 5,275,295
Supplemental cash flow disclosure:	
Long-term debt incurred for the acquisition of capital assets	\$ 3,636,523

See accompanying notes.

City of Crystal Lake, Illinois
Fiduciary Funds - Trust and Agency Funds
Statement of Fiduciary Net Position
April 30, 2018

Assets	Pension Trust Funds	Agency Funds
Cash	\$ 23,031	\$ 277,059
Investments:		
Money market accounts	613,393	-
U.S. government and agency securities	17,191,499	-
Corporate bonds	8,877,260	-
Insurance contracts	416,388	-
Municipal bonds	2,311,609	-
Mutual funds - stocks	45,109,008	-
Interest receivable	244,496	-
Other receivable	-	201,548
Prepaid expenses	4,909	-
Total assets	\$ 74,791,593	\$ 478,607
Liabilities		
Accounts payable	\$ 6,779	\$ -
Recapture fees payable	-	119,665
Funds held for others	-	358,942
Total liabilities	6,779	478,607
Net Position		
Net position restricted for pensions	74,784,814	-
Total liabilities and net position	\$ 74,791,593	\$ 478,607

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, 2018**

Additions

Contributions:	
Employer	\$ 3,698,479
Participant	<u>1,154,957</u>
Total contributions	<u>4,853,436</u>
Investment income:	
Net appreciation in fair value of investments	2,422,334
Interest income	2,760,347
Less investment expenses	<u>(290,956)</u>
Total investment income	<u>4,891,725</u>
Total additions	<u>9,745,161</u>

Deductions

Pension benefits and refunds	4,259,026
Administrative expenses	<u>32,955</u>
Total deductions	<u>4,291,981</u>
Net increase in fiduciary net position	5,453,180
Net position restricted for pensions:	
Beginning of the year	<u>69,331,634</u>
End of the year	<u>\$ 74,784,814</u>

See accompanying notes.

City of Crystal Lake, Illinois Notes to the Financial Statements

I. Summary of Significant Accounting Policies

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

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

A. The Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The fund financial statements provide information about the City's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The City has the following major governmental funds:

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

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

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

General Fund – This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services which are administered by the City and accounted for in the General Fund include general government, public safety and public works.

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

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

Capital and Equipment Replacement Fund – This fund accounts for the revenues collected for and expenditures related to major capital improvements.

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

The City administers the following major proprietary fund:

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

There are no other enterprise funds.

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

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

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

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

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

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

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal year (60 days for property taxes).

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

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

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

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

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

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

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

1. Deposits and Investments

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

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)

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)

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.
- Investment-grade obligations (rated A or better) of state, provincial, and local government and public authorities.

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)

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 \$25,000 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 acquisition 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)

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)

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)

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 \$170,883 and \$2,284,539, respectively. The City committed \$3,796 of fund balance for capital facilities. The City has assigned a portion of the fund balance (\$100,619) 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 \$1,747,854.

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

Fire Rescue Fund – A portion of the fund balance (\$3,691) is considered nonspendable and is intended as an offset of prepaid items, and an additional amount (\$201,909) is committed for capital facilities. The remaining fund balance is considered assigned for the purpose of the fund.

Capital and Equipment Replacement Fund – A portion of the fund balance (\$38,280) is considered nonspendable and is intended as an offset of prepaid items. The remaining fund balance is considered assigned for the purpose of the fund.

Nonmajor Governmental Funds – A portion of the fund balance (\$4,953) 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)

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)

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.

11. Prior Period Restatement

The beginning net position of governmental activities was restated for the adoption of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Further disclosures are included at Note IV.C.

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

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 Service 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 amended the budget in the current year, resulting in additional appropriations of \$9,500 in the General Fund and \$232,049 in the Waterworks and Sewerage Fund. The Library did approve supplemental appropriations. The Library's financial statements have been compared to the working budget, which is less than the appropriation amounts.

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

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

A. Budgetary Information (cont'd)

As of April 30, 2018, the following funds had an excess of actual expenditures over budget:

Fund Name	Excess
Road/Vehicle License Fund	\$ 1,423
Restricted Police Fund	27,303
Crystal Heights Debt Service Fund	43,885
Virginia Street Corridor TIF	
Construction Fund	50
Vulcan Lakes TIF District Fund	50

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, 2018, 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, 2018, 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	\$ 3,691,726	\$ 2,906,616	\$ 785,110	\$ -	\$ -
Mortgage-backed securities	10,598,147	3,333,915	7,264,232	-	-
Other agency securities	2,048,640	1,005,321	1,043,319	-	-
Certificates of deposit	4,709,419	2,375,960	2,333,459	-	-
Municipal bonds	2,099,961	325,719	1,774,242	-	-
Total investments	\$ 23,147,893	\$ 9,947,531	\$ 13,200,362	\$ -	\$ -

The City had the following recurring fair value measurements as of April 30, 2018:

Investment Type	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury securities	\$ 3,691,726	\$ -	\$ 3,691,726	\$ -
Mortgage-backed securities	10,598,147	-	10,598,147	-
Other agency securities	2,048,640	-	2,048,640	-
Municipal bonds	2,099,961	-	2,099,961	-
Total investments	\$ 18,438,474	\$ -	\$ 18,438,474	\$ -

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, 2018, 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	\$ 5,899,604	\$ 398,719	\$ 2,723,988	\$ 2,776,897	\$ -
Fixed income money market funds	613,393	613,393	-	-	-
Mortgage-backed securities	1,302,037	248,936	795,438	231,133	26,530
Other agency securities	9,989,858	194,005	2,028,816	7,482,430	284,607
Municipal bonds	2,311,609	149,449	1,118,575	1,043,585	-
Mutual funds	45,109,008	45,109,008	-	-	-
Corporate bonds	8,877,260	1,656,336	5,761,101	1,459,823	-
Insurance contracts	416,388	416,388	-	-	-
Total investments	\$ 74,519,157	\$ 48,786,234	\$ 12,427,918	\$ 12,993,868	\$ 311,137

The Pension Funds had the following recurring fair value measurements as of April 30, 2018:

Investment Type	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury securities	\$ 5,899,604	\$ -	\$ 5,899,604	\$ -
Mortgage-backed securities	1,302,037	-	1,302,037	-
Other agency securities	9,989,858	-	9,989,858	-
Municipal bonds	2,311,609	-	2,311,609	-
Mutual funds	45,109,008	45,109,008	-	-
Corporate bonds	8,877,260	-	8,877,260	-
Total investments	\$ 73,489,376	\$ 45,109,008	\$ 28,380,368	\$ -

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, 2018, the City's investments were rated as follows:

Investment Type	Fair Value	Moody's
U.S Treasury securities	\$ 3,691,726	NR
Mortgage-backed securities	10,598,147	NR
Other agency securities	2,048,640	Aaa
Certificates of deposit	4,709,419	NR
Municipal bonds	2,099,961	Aaa to Aa3

As of April 30, 2018, the Pension Funds' investments were rated as follows:

Investment Type	Fair Value	Moody's
U.S Treasury securities	\$ 5,899,604	NR
Fixed income money market funds	613,393	NR
Mortgage-backed securities	1,302,037	NR
Other agency securities	9,989,858	Aaa
Municipal bonds	2,311,609	Aaa to Baa1
Mutual funds	45,109,008	NR
Corporate bonds	8,877,260	Aaa to Baa3
Insurance contracts	416,388	NR

NR = Not Rated

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

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

A. Deposits and Investments (cont'd)

Credit Risk (cont'd)

The Police Pension Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by 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	11.58%
FFCB	15.81%

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)

Component Unit – Crystal Lake Public Library – At year end, the Library had investments in the Illinois Funds Investment Pool totaling \$808,720, measured at amortized cost. The weighted average maturity of the Pool is 49 days at April 30, 2018. The Illinois Funds Investment Pool was rated AAAm by Standard & Poors rating service. The Library also invests in twenty-two certificates of deposit with an aggregate carrying value of \$4,487,434, of which twenty certificates of deposit with a carrying value of \$4,245,640 will mature within one year, and two certificates of deposit with a carrying value of \$241,794 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 2017 levy is intended to fund the operations of fiscal year 2019, the 2017 property tax levy is recorded as a receivable and the 2017 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 2017 become due and payable in two installments in June 2018 and September 2018. 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, 2018, is as follows:

	Balance May 1	Additions	Deletions	Balance April 30
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 103,584,779	\$ -	\$ -	\$ 103,584,779
Construction in progress	<u>7,964,417</u>	<u>149,873</u>	<u>2,454,811</u>	<u>5,659,479</u>
	<u>111,549,196</u>	<u>149,873</u>	<u>2,454,811</u>	<u>109,244,258</u>
Capital assets being depreciated:				
Buildings and improvements	34,985,173	89,290	-	35,074,463
Machinery, equipment and vehicles	18,528,746	911,652	930,502	18,509,896
Infrastructure	<u>69,205,500</u>	<u>3,036,896</u>	<u>-</u>	<u>72,242,396</u>
	<u>122,719,419</u>	<u>4,037,838</u>	<u>930,502</u>	<u>125,826,755</u>
Less accumulated depreciation for:				
Buildings and improvements	12,176,863	769,021	-	12,945,884
Machinery, equipment and vehicles	11,053,844	1,254,675	908,662	11,399,857
Infrastructure	<u>21,505,976</u>	<u>1,319,689</u>	<u>-</u>	<u>22,825,665</u>
	<u>44,736,683</u>	<u>3,343,385</u>	<u>908,662</u>	<u>47,171,406</u>
Total capital assets being depreciated, net	<u>77,982,736</u>	<u>694,453</u>	<u>21,840</u>	<u>78,655,349</u>
Governmental activities capital assets, net	<u>\$ 189,531,932</u>	<u>\$ 844,326</u>	<u>\$ 2,476,651</u>	<u>\$ 187,899,607</u>

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

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

C. Capital Assets (cont'd)

Business-type Activities – A summary of changes in capital assets for business-type activities of the City for the year ended April 30, 2018, is as follows:

	Balance May 1	Additions	Deletions	Balance April 30
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 628,095	\$ -	\$ -	\$ 628,095
Construction in progress	13,165,095	14,473	12,295,871	883,697
	13,793,190	14,473	12,295,871	1,511,792
Capital assets being depreciated:				
Buildings and improvements	20,471,176	15,580,172	-	36,051,348
Machinery, equipment and vehicles	9,416,202	-	158,203	9,257,999
Infrastructure	96,559,296	793,132	96,170	97,256,258
	126,446,674	16,373,304	254,373	142,565,605
Less accumulated depreciation for:				
Buildings and improvements	10,038,539	1,332,538	-	11,371,077
Machinery, equipment and vehicles	3,684,389	384,865	147,388	3,921,866
Infrastructure	49,238,824	1,966,386	96,170	51,109,040
	62,961,752	3,683,789	243,558	66,401,983
Total capital assets being depreciated, net	63,484,922	12,689,515	10,815	76,163,622
Business-type activities capital assets, net	\$ 77,278,112	\$ 12,703,988	\$ 12,306,686	\$ 77,675,414

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, 2018, is as follows:

	Balance May 1	Additions	Deletions	Balance April 30
Component Unit Activities:				
Capital assets not being depreciated – land	\$ 2,363,040	\$ -	\$ -	\$ 2,363,040
Capital assets being depreciated:				
Buildings and improvements	7,896,532	23,262	-	7,919,794
Machinery, equipment and vehicles	366,275	56,338	92,858	329,755
	8,262,807	79,600	92,858	8,249,549
Less accumulated depreciation for:				
Buildings and improvements	3,391,362	166,860	-	3,558,222
Machinery, equipment and vehicles	324,233	32,249	92,858	263,624
	3,715,595	199,109	92,858	3,821,846
Total capital assets being depreciated, net	4,547,212	(119,509)	-	4,427,703
Component unit activities capital assets, net	\$ 6,910,252	\$ (119,509)	\$ -	\$ 6,790,743

Depreciation was charged to functions/activities as follows:

	Primary Government		Component Unit
	Governmental Activities	Business-type Activities	Public Library
General and administrative	\$ 577,139	\$ -	\$ -
Public safety	965,093	-	-
Highways and streets	1,320,172	-	-
Culture and recreation	480,981	-	199,109
Waterworks and sewerage	-	3,683,789	-

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, 2018, 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	\$ 20,581
General	Nonmajor Governmental	87,727
Motor Fuel Tax	Capital and Equipment Replacement	12,179
Waterworks and Sewerage	General	6,337
		<u>126,824</u>
		<u>\$ 126,824</u>

The composition of interfund transfers for the year ended April 30, 2018, is as follows:

Receiving Fund	Paying Fund	Amount
General	Nonmajor Governmental	\$ 1,567,800
Capital and Equipment Replacement	General	2,556,374
Capital and Equipment Replacement	Motor Fuel Tax	353,468
Capital and Equipment Replacement	Fire Rescue	538,839
Capital and Equipment Replacement	Nonmajor Governmental	635,000
Nonmajor Governmental	General	1,037,665
Nonmajor Governmental	Nonmajor Governmental	13,170
		<u>6,702,316</u>
		<u>\$ 6,702,316</u>

The transfers included amounts from the Home Rule Sales Tax Fund to the General Fund as beginning in fiscal year 2017/2018, home rule sales tax will be reported as income in the General Fund. Some of the home rule sales will be used to fund operational services while a portion will be transferred to provide for Three Oaks Recreation Area debt service.

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, 2018:

	Balance May 1	Additions	Deletions	Balance April 30
City:				
General obligation bonds	\$ 13,423,172	\$ -	\$ 1,447,121	\$ 11,976,051
Deferred bond premium	30,379	-	17,888	12,491
Net pension liability*	55,096,651	-	6,902,664	48,193,987
Net OPEB*	530,002	4,220,488	530,002	4,220,488
Compensated absences*	3,328,069	2,375,790	2,326,935	3,376,924
	\$ 72,408,273	\$ 6,596,278	\$ 11,224,610	\$ 67,779,941
Crystal Lake Public Library:				
Compensated absences	\$ 129,740	\$ 169,373	\$ 154,541	\$ 144,572
Net pension liability	2,069,763	-	1,301,179	768,584
	\$ 2,199,503	\$ 169,373	\$ 1,455,720	\$ 913,156

* 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, 2018.

	Balance May 1	Additions	Deletions	Balance April 30
General obligation bonds	\$ 19,541,828	\$ -	\$ 2,012,879	\$ 17,528,949
Promissory note payable	1,725,000	-	200,000	1,525,000
IEPA loan payable	10,637,279	3,636,523	261,141	14,012,661
Deferred bond premium	822,722	-	81,445	741,277
Net pension obligation	2,154,640	-	1,342,601	812,039
Compensated absences	407,129	246,890	226,256	427,763
	\$ 35,288,598	\$ 3,883,413	\$ 4,124,322	\$ 35,047,689

The current portion of compensated absences for governmental, business-type, and Library activities are \$1,688,462, \$213,881, and \$93,986, 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	\$ 11,596,623	\$ -	\$ 1,038,241	\$ 10,558,382	\$ 1,080,829
	Waterworks and Sewerage	1,683,377	-	351,759	1,331,618	369,171
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	1,826,549	-	408,880	1,417,669	415,803
	Waterworks and Sewerage	4,223,451	-	426,120	3,797,331	434,197
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	8,570,000	-	370,000	8,200,000	385,000
	Waterworks and Sewerage	5,065,000	-	865,000	4,200,000	890,000
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	5,065,000	-	865,000	4,200,000	890,000
General Obligation Bonds		\$ 32,965,000	\$ -	\$ 3,460,000	\$ 29,505,000	\$ 3,575,000

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

II. 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	\$ 13,423,172	\$ -	\$ 1,447,121	\$ 11,976,051	\$ 1,496,632
Business-type activities	19,541,828	-	2,012,879	17,528,949	2,078,368
	<u>\$ 32,965,000</u>	<u>\$ -</u>	<u>\$ 3,460,000</u>	<u>\$ 29,505,000</u>	<u>\$ 3,575,000</u>

The annual requirements to retire all governmental and business-type activities' general obligation bonded debt outstanding of the City as of April 30, 2018, are as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	General Obligation Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 1,496,632	\$ 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	856,005	402,974	1,298,995	359,418
2024-2028	5,391,283	1,289,746	3,858,717	1,283,608
2029-2033	1,451,937	88,269	4,228,063	599,218
2034-2035	-	-	675,000	27,000
	<u>\$ 11,976,051</u>	<u>\$ 3,799,546</u>	<u>\$ 17,528,949</u>	<u>\$ 4,248,634</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, 2018, are as follows:

Fiscal Year Ending	Governmental Activities	
	General Obligation Promissory Notes	
	Principal	Interest
2019	\$ 205,000	\$ 32,803
2020	210,000	28,393
2021	215,000	23,876
2022	220,000	19,251
2023	220,000	14,519
2024-2025	455,000	14,734
	<u>\$ 1,525,000</u>	<u>\$ 133,576</u>

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

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

E. Long-term Obligations (cont'd)

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 \$3,656,523 and repaid principal of \$261,141 in the current year and has total outstanding loan payable of \$14,012,661 as of April 30, 2018. The loan is to be paid on a semi-annual basis over 20 years, including interest at 1.86%, upon project completion. The annual requirements to retire the IEPA loan as of April 30, 2018, are as follows:

Fiscal Year Ending	Business-Type Activities	
	IEPA Loan Payable	
	Principal	Interest
2019	\$ 529,591	\$ 226,748
2020	539,487	216,852
2021	549,568	206,771
2022	559,838	196,501
2023	570,299	186,040
2024–2028	3,015,387	766,306
2029–2033	3,307,850	473,843
2034–2038	4,940,641	153,014
	\$ 14,012,661	\$ 2,426,075

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, 2018:

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, 2018 was \$5,440,000.

Special Service Area No. 44 Bonds, Series 2007 – original principal \$750,000, due in annual installments of \$50,000 through December 2021; interest at 4.10% to 4.75% payable annually on December 1. The outstanding principal balance at April 30, 2018, was \$200,000.

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, 2018, was \$2,355,000.

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

IV. Other Information

A. Risk Management

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

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

The City also participates in the Intergovernmental Risk Management Agency (IRMA). IRMA is an organization of municipalities and special districts in Northeastern Illinois that have formed an association under the Illinois Intergovernmental Cooperation's Statute to pool their risk management needs. The agency administers a mix of self-insurance and commercial services; unemployment claim administration; extensive risk management/loss control consulting and training programs; and a risk information system and financial reporting service for its members. The City's payments to IRMA are displayed on the financial statements as expenditures/expenses in appropriate funds. Each member assumes 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 – 4/30/15	\$	-
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		-
Claims incurred – fiscal year 2018		4,343,684
Claims paid – fiscal year 2018		<u>(4,343,684)</u>
Unpaid claims liability – 4/30/18	\$	<u>-</u>

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

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

B. **Defined Benefit Pension Plan**

Illinois Municipal Retirement

General Information About the Pension Plan

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

At December 31, 2017, the IMRF Plan membership consisted of:

Retirees and beneficiaries	150
Inactive, non-retired members	122
Active members	<u>173</u>
Total	<u>445</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 \$113,645 and \$112,408 at January 1, 2018 and 2017, 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)

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 2018 and 2017 was 13.15% and 12.79%, 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 \$1,430,059 in the fiscal year ended April 30, 2018, which was equal to its annual required contribution.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2017, 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, 2017, valuation were based on an actuarial experience study for the period January 11, 2014 – December 31, 2016, using the entry age normal actuarial cost method. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.50%
Salary increases	3.39% to 14.25%
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, 2017, was 26 years.

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

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

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-2017 (base year 2015). 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-2017 (base year 2015). 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-2017 (base year 2015). 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	37%	6.85%
International equities	18%	6.75%
Fixed income	28%	3.00%
Real estate	9%	5.75%
Alternatives:	7%	
Private equity		7.35%
Hedge funds		5.05%
Commodities		2.65%
Cash equivalents	1%	2.25%

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

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

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

Illinois Municipal Retirement (cont'd)

Net Pension Liability (cont'd)

Single Discount Rate – Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects: (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (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 3.31% (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	\$	2,198,061
Business-type activities		812,039
Total primary government		3,010,100
Discretely presented component unit		768,584
Total net pension liability	\$	3,778,684

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 12/31/16	\$ 64,804,252	\$ 54,578,150	\$ 10,226,102
Changes for the year:			
Service cost	1,173,075	-	1,173,075
Interest	4,819,887	-	4,819,887
Differences between expected and actual experience	126,838	-	126,838
Changes in assumptions	(1,994,006)	-	(1,994,006)
Contributions - employer	-	1,388,105	(1,388,105)
Contributions - employee	-	507,135	(507,135)
Net investment income	-	9,228,845	(9,228,845)
Benefit payments, including refunds of employee contributions	(2,251,265)	(2,251,265)	-
Other changes	-	(550,873)	550,873
Net changes	1,874,529	8,321,947	(6,447,418)
Balances at 12/31/17	\$ 66,678,781	\$ 62,900,097	\$ 3,778,684

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	\$ 12,618,568	\$ 3,778,684	\$ (3,460,911)

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, 2018, the City recognized pension expense of \$796,409 in the government-wide financial statements. At April 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 127,117	\$ 240,908	\$ (113,791)
Changes in assumptions	19,138	1,297,751	(1,278,613)
Net difference between projected and actual earnings in pension plan investments	<u>1,273,469</u>	<u>3,294,413</u>	<u>(2,020,944)</u>
Subtotal	1,419,724	4,833,072	(3,413,348)
Contributions made subsequent to the measurement date	<u>415,515</u>	<u>-</u>	<u>415,515</u>
Total	<u>\$ 1,835,239</u>	<u>\$ 4,833,072</u>	<u>\$ 2,997,833</u>

City contributions subsequent to the measurement date (\$415,515) will be recognized as a reduction of the net pension liability in the year ended April 30, 2019. 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,

2018	\$ (774,701)
2019	(654,918)
2020	(1,152,542)
2021	<u>(831,187)</u>
	<u>\$ (3,413,348)</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)

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, 2018, the Library recognized pension expense of \$208,429 in the government-wide financial statements. At April 30, 2018, 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 Inflows of Resources
Differences between expected and actual experience	\$ 32,457	\$ 61,512	\$ (29,055)
Changes in assumptions	4,886	331,361	(326,475)
Net difference between projected and actual earnings in pension plan investments	325,162	841,181	(516,019)
Subtotal	362,505	1,234,054	(871,549)
Contributions made subsequent to the measurement date	106,095	-	106,095
Total	\$ 468,600	\$ 1,234,054	\$ (765,454)

Library contributions subsequent to the measurement date (\$106,095) will be recognized as a reduction of the net pension liability in the year ended April 30, 2019. 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,

2018	\$ (197,808)
2019	(167,224)
2020	(294,284)
2021	(212,233)
	\$ (871,549)

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

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

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

Police Pension

General Information About the Pension Plan

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

The plan is governed by a five-member Board of Trustees. Two members of the Board of Trustees are appointed by the City's Mayor, one member is elected by pension beneficiaries, and two members are elected by active police employees.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

At April 30, 2017 (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	45
Current employees:	
Vested	43
Nonvested	<u>20</u>
Total	<u>108</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)

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, 2018, the City's contribution was 35% of covered payroll.

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

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

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

Police Pension (cont'd)

General Information About the Pension Plan (cont'd)

Investment Policy – 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, 2018:

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 asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding 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, 2018, are listed in the preceding table.

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

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

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

Police Pension (cont'd)

General Information About the Pension Plan (cont'd)

Investment 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, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.62%. 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, 2017, 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, 2017, valuation was 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, 2017, 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

The mortality rates were based on the RP 2014 Mortality Table (BCHA) projected to 2017 using improvement scale MP-2016.

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, 2017, was 24 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
Balance 4/30/17	\$ 65,386,774	\$ 33,556,119	\$ 31,830,655
Changes for the year:			
Service cost	1,384,616	-	1,384,616
Interest	4,647,595	-	4,647,595
Differences between expected and actual experience	(90,119)	-	(90,119)
Changes in assumptions	(2,002,799)	-	(2,002,799)
Contributions - employer	-	1,989,776	(1,989,776)
Contributions - employee	-	551,461	(551,461)
Net investment income	-	3,391,766	(3,391,766)
Benefit payments, including refunds of employee contributions	(2,564,023)	(2,564,023)	-
Administrative expenses	-	(37,391)	37,391
	1,375,270	3,331,589	(1,956,319)
Net changes			
Balances at 4/30/18	\$ 66,762,044	\$ 36,887,708	\$ 29,874,336

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	\$ 39,121,508	\$ 29,874,337	\$ 22,279,177

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

For the year ended April 30, 2018, the City recognized pension expense to the Police Pension Plan of \$4,291,388. At April 30, 2018, 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	\$ 391,694	\$ 517,893	\$ (126,199)
Changes in assumptions	2,914,518	1,679,767	1,234,751
Net difference between projected and actual earnings in pension plan investments	2,038,961	768,903	1,270,058
Subtotal	5,345,173	2,966,563	2,378,610
Contributions made subsequent to the measurement date	2,089,940	-	2,089,940
Total	\$ 7,435,113	\$ 2,966,563	\$ 4,468,550

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

IV. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Police Pension (cont'd).

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont'd)

City contributions subsequent to the measurement date (\$2,089,940) will be recognized as a reduction of the net pension liability in the year ended April 30, 2019. 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	\$	957,607
2019		957,607
2020		691,928
2021		58,830
2022		(219,846)
2023		(67,516)
		\$ 2,378,610

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, 2017 (consistent with the measurement date), the Firefighters' Pension Plan membership consisted of:

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

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

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

Firefighters' Pension (cont'd)

General Information About the Pension Plan (cont'd)

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	33
Nonvested	30
	30
Total	91

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)

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, 2018:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Treasury Securities	15%	1.4%
U.S. Agency Securities	30%	
Taxable Municipal Securities	5%	
Large Cap Domestic Equities	35%	6.6%
Small Cap Domestic Equities	10%	8.5%
International Equities	5%	6.4%

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)

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 asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding 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, 2018, 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, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.26%. 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, 2017, 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)

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, 2017, valuation was 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, 2017, 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

The mortality rates were based on the RP 2014 Mortality Table (BCHA) projected to 2017 using improvement scale MP-2016.

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, 2017, was 24 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 4/30/17	\$ 46,401,526	\$ 29,137,229	\$ 17,264,297
Changes for the year:			
Service cost	1,597,021	-	1,597,021
Interest	3,314,039	-	3,314,039
Differences between expected and actual experience	20,498	-	20,498
Changes in assumptions	(1,386,277)	-	(1,386,277)
Contributions - employer	-	1,690,980	(1,690,980)
Contributions - employee	-	544,683	(544,683)
Net investment income	-	2,510,351	(2,510,351)
Benefit payments, including refunds of employee contributions	(1,381,293)	(1,381,293)	-
Administrative expenses	-	(58,025)	58,025
Net changes	2,163,988	3,306,696	(1,142,708)
Balances at 4/30/18	\$ 48,565,514	\$ 32,443,925	\$ 16,121,589

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	\$ 23,578,935	\$ 16,121,589	\$ 10,038,729

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, 2018, the City recognized pension expense of \$2,549,480 to the Firefighters' Pension Fund. At April 30, 2018, 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	\$ 820,765	\$ 67,215	\$ 753,550
Changes in assumptions	2,173,251	1,233,939	939,312
Net difference between projected and actual earnings in pension plan investments	1,053,674	308,528	745,146
Subtotal	4,047,690	1,609,682	2,438,008
Contributions made subsequent to the measurement date	1,608,539	-	1,608,539
Total	\$ 5,656,229	\$ 1,609,682	\$ 4,046,547

City contributions subsequent to the measurement date (\$1,608,539) will be recognized as a reduction of the net pension liability in the year ended April 30, 2019. 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	\$	614,956
2019		614,955
2020		806,800
2021		64,607
2022		138,413
Thereafter		198,277
	\$	2,438,008

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)

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, 2018, are as follows:

Statement of Fiduciary Net Position	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Assets:		
Cash	\$ 1,522	\$ 21,509
Investments:		
Money market accounts	420,623	192,770
U.S. government and agency securities	4,466,781	12,724,718
Corporate bonds	8,877,260	-
Insurance contracts	-	416,388
Municipal bonds	-	2,311,609
Mutual funds – stocks	25,706,616	19,402,392
Interest receivable	122,541	121,955
Prepaid expenses	4,909	-
Total assets	<u>39,600,252</u>	<u>35,191,341</u>
Liabilities:		
Accounts payable	1,919	4,860
Total liabilities	1,919	4,860
Net position restricted for pensions	<u>39,598,333</u>	<u>35,186,481</u>
Total liabilities and net position	<u>\$ 39,600,252</u>	<u>\$ 35,191,341</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)

Pension Plan Statements (cont'd)

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

Statement of Changes in Fiduciary Net Position	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Additions:		
Contributions:		
Employer	\$ 2,089,940	\$ 1,608,539
Members	570,493	584,464
	<u>2,660,433</u>	<u>2,193,003</u>
Investment income:		
Net appreciation in fair value of investments	1,727,784	694,550
Interest income	1,267,417	1,492,930
Less investment expenses	<u>(165,472)</u>	<u>(125,484)</u>
	<u>2,829,729</u>	<u>2,061,996</u>
Total additions	<u>5,490,162</u>	<u>4,254,999</u>
Deductions:		
Pension benefits and refunds	2,763,423	1,495,603
Administrative expense	<u>16,115</u>	<u>16,840</u>
Total deductions	<u>2,779,538</u>	<u>1,512,443</u>
Net increase in fiduciary net position	2,710,624	2,742,556
Net position restricted for pensions:		
Beginning of the year	<u>36,887,709</u>	<u>32,443,925</u>
End of the year	<u>\$ 39,598,333</u>	<u>\$ 35,186,481</u>

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

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

C. **Other Post-Employment Benefits (OPEB)**

Plan Description – The City provides limited health care insurance coverage for its eligible retired employees. Full-time employees who retire and are eligible for a pension under either the IMRF Plan, Police Pension Plan, or Firefighters' Pension Plan, can elect to continue their medical insurance for life by paying the full price of the insurance under any three of the pension plans offered by the City. They also have the option to continue their dental coverage for 18 months from the date of retirement. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. 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, 2018, 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	20
Current employees:	
Actives fully eligible to retire	38
Actives not yet fully eligible to retire	<u>212</u>
Total	<u>270</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. There is no formal funding policy that exists for the OPEB plan as the total OPEB liabilities are currently an unfunded obligation; however, the City made contributions from other sources totaling \$224,631 in the current year.

Net OPEB Liability

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

Total OPEB liability	\$ 4,220,488
Plan fiduciary net position	<u>-</u>
Net OPEB liability	<u>\$ 4,220,488</u>

Retiree Lapse Rates – 100% of retirees receiving medical coverage are expected to lapse all coverages at age 65.

Election at Retirement – 20% of police, firefighters and IMRF covered employees are expected to elect for coverage under the OPEB plan at retirement, in the High PPO plan.

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

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

C. **Other Post-Employment Benefits (OPEB)**

Actuarial Valuation and Assumptions – The total OPEB liability was determined by an actuarial valuation as of April 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00%
Discount rate	3.97%
Investment rate of return	3.97%

The health care trend rate is 1.30 percent and increases to 6.75 percent for the next two years, then decreases 0.5 percent every other year to an ultimate rate of 5.0 percent. The mortality rates had the same basis as the respective pension plans.

Discount Rate – The discount rate used to measure the total OPEB liability is based on a combination of the expected long-term rate of return on plan investments and the municipal bond rate. The City does not have a trust dedicated exclusively to the payment of OPEB benefits, so the discount rate equals the municipal bond rate of 3.97%, determined using The Bond Buyer 20-Bond Go Index as the underlying index..

Changes in Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance 4/30/17	\$ 4,164,077	\$ -	\$ 4,164,077
Changes for the year:			
Service cost	120,186	-	120,186
Interest	160,856	-	160,856
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions - employer	-	224,631	(224,631)
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contributions	(224,631)	(224,631)	-
Administrative expenses	-	-	-
Net changes	56,411	-	56,411
Balances at 4/30/18	\$ 4,220,488	\$ -	\$ 4,220,488

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)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the City, calculated using the discount rate of 3.97%, as well as what the City's net OPEB 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 (2.97%)	Current Discount Rate (3.97%)	1% Increase (4.97%)
Net OPEB Liability	\$ 4,690,612	\$ 4,220,488	\$ 3,811,273

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates – The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point higher or lower than the current rate:

	1% Decrease (Varies)	Current Discount Rate (Varies)	1% Increase (Varies)
Net OPEB Liability	\$ 3,745,390	\$ 4,220,488	\$ 4,780,708

OPEB Expense and Deferred Inflows of Resources Related to OPEB – Because this is the implementation year of GASB Statement 75, the beginning total OPEB liability is based on the same assumptions and data as the ending total OPEB liability. Therefore there are no differences between actual and expected experience that are being deferred in the current year.

D. Subsequent Event

Subsequent to year end, the City entered into leases for 17 police and public works vehicles. The term of the leases range from 36 to 60 months with no ownership transfer at the conclusion of the lease term.

E. 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.

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

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

E. **Contingencies** (cont'd)

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.

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, 2018.

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, 2018, was \$1,596,082 and is reported net of an allowance of the same amount.

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

IV. Other Information (cont'd)

F. Joint Venture – SEECOM

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

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

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

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

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

The City reports its activities in SEECOM as a governmental joint venture. In accordance with the joint venture agreement, the Village remitted \$1,390,250 to SEECOM during fiscal year 2018.

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

IV. Other Information (cont'd)

G. Construction Commitments

The City had commitments under construction contracts of approximately \$3,775,000 outstanding at April 30, 2018.

H. 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, 2018
June 5, 2012	\$ 1,000,000	\$ 35,821	\$ 1,000,000
December 4, 2012	1,000,000	137,162	565,985
June 3, 2014	1,000,000	147,845	449,242

The City entered into an economic incentive agreement with a retailer whereby the City will rebate a portion of sales tax, up to \$600,000, back to the retailer. The effective date of the agreement will be the date the store opens, which is expected to be in early 2019.

I. Change in Accounting Principle

The City early adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. The City recorded the following change in accounting principle during the year ended April 30, 2018:

	Increase (Decrease)
Write off net OPEB obligation	\$ 530,002
Record net OPEB liability	(4,164,077)
	<u>\$ (3,634,075)</u>

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

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

J. **New Governmental Accounting Standards**

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

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, 2019.

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.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, requires additional essential information related to debt be disclosed in the notes to the financial statements. Statement No. 88 is effective for the fiscal year ending April 30, 2020.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, requires interest cost incurred before the end of a construction period be recognized as an expense in business-type activity or enterprise fund financial statements. Statement No. 88 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 Changes
in the Employer's Net OPEB Liability and Related Ratios
April 30,

	2018
Total OPEB liability:	
Service cost	\$ 120,186
Interest	160,856
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of member contributions	(224,631)
Net change in total pension liability	56,411
Total pension liability, beginning of year	4,164,077
Total pension liability, end of year	\$ 4,220,488
Plan fiduciary net position:	
Contributions - employer	\$ 224,631
Contributions - member	-
Net investment income	-
Benefit payments, including refunds of member contributions	(224,631)
Administrative expense	-
Net change in plan fiduciary net position	-
Plan fiduciary net position, beginning of year	-
Plan fiduciary net position, end of year	\$ -
Employer's net pension liability	\$ 4,220,488
Plan fiduciary net position as a percentage of the total pension liability	0.00%
Covered employee payroll	\$ 21,087,988
Employer's net pension liability as a percentage of covered-employee payroll	20.01%

Note: The City adopted GASB 74 in the fiscal year ended April 30, 2018, and will build a ten-year history prospectively. There is no actuarially determined contribution (ADC) or employer contribution in relation to the ADC as there is no trust that exists for funding the OPEB liabilities. However, the City did make contributions from other City resources in the current year in the amount of \$224,631.

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,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 1,430,059	\$ 1,410,404	\$ 1,452,892
Contributions in Relation to Actuarially Determined Contribution	<u>1,430,059</u>	<u>1,410,404</u>	<u>1,452,892</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	<u>\$ 11,069,426</u>	<u>\$ 10,753,366</u>	<u>\$ 11,133,366</u>
Contributions as a Percentage of Covered-Employee Payroll	12.92%	13.12%	13.05%

Note to Required Supplementary Information:

Actuarial Cost Method - Aggregate Entry Age Normal

Amortization Method - Level % of Pay (Closed)

Remaining Amortization Period - 26 Years

Asset Valuation Method - 5-Year Smoothed Market; 20% Corridor

Inflation - 3.50%

Salary Increases - 3.75% to 14.50% Including Inflation

Investment Rate of Return - 7.5%

Retirement Age - Experienced-based table of rates that are specific to the type of eligibility condition.

Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.

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

Note: The City adopted GASB 68 in fiscal year 2016 and will build a 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, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 2,091,066	\$ 1,992,354	\$ 1,869,923	\$ 1,973,564
Contributions in relation to actuarially determined contribution	1,989,776	2,059,342	1,869,923	1,844,723
Contribution deficiency (excess)	\$ 101,290	\$ (66,988)	\$ -	\$ 128,841
Covered-employee payroll	\$ 5,691,409	\$ 5,437,640	\$ 5,773,467	\$ 5,720,770
Contributions as a percentage of covered-employee payroll	34.96%	37.87%	32.39%	32.25%

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 24 years.

<u>Year Ended April 30,</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent Contributed</u>
2017	\$ 1,989,776	\$ 2,091,066	95.16%
2016	2,059,342	1,992,354	103.36%
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, 2017.

See independent auditor's report.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,860,207	\$ 1,796,004	\$ 1,844,103	\$ 1,392,466	\$ 1,256,062	\$ 1,190,390
<u>1,848,711</u>	<u>1,834,018</u>	<u>1,385,548</u>	<u>1,240,962</u>	<u>1,187,907</u>	<u>1,111,640</u>
<u>\$ 11,496</u>	<u>\$ (38,014)</u>	<u>\$ 458,555</u>	<u>\$ 151,504</u>	<u>\$ 68,155</u>	<u>\$ 78,750</u>
\$ 5,397,912	\$ 5,410,672	\$ 5,005,867	\$ 4,873,269	\$ 4,115,343	\$ 3,950,211
34.25%	33.90%	27.68%	25.46%	28.87%	28.14%

**City of Crystal Lake, Illinois
Firefighters' Pension Fund
Required Supplementary Information -
Schedule of Employer Contributions
April 30, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,609,399	\$ 1,518,852	\$ 1,767,761	\$ 1,720,093
Contributions in relation to actuarially determined contribution	1,690,980	1,928,928	1,555,655	1,618,264
Contribution deficiency (excess)	\$ (81,581)	\$ (410,076)	\$ 212,106	\$ 101,829
Covered-employee payroll	\$ 5,908,574	\$ 5,744,609	\$ 5,531,971	\$ 5,278,118
Contributions as a percentage of covered-employee payroll	28.62%	33.58%	28.12%	30.66%

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 24 years.

<u>Year Ended April 30,</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent Contributed</u>
2017	\$ 1,690,980	\$ 1,609,399	105.07%
2016	1,928,928	1,518,852	127.00%
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, 2017.

See independent auditor's report.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,649,811	\$ 1,565,764	\$ 1,554,771	\$ 1,139,454	\$ 1,011,052	\$ 910,353
<u>1,621,810</u>	<u>1,541,610</u>	<u>1,128,846</u>	<u>995,800</u>	<u>904,951</u>	<u>817,496</u>
<u>\$ 28,001</u>	<u>\$ 24,154</u>	<u>\$ 425,925</u>	<u>\$ 143,654</u>	<u>\$ 106,101</u>	<u>\$ 92,857</u>
\$ 5,243,555	\$ 5,187,455	\$ 4,617,841	\$ 4,491,808	\$ 3,648,703	\$ 3,344,163
30.93%	29.72%	24.45%	22.17%	24.80%	24.45%

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>2017</u>	<u>2016</u>
Total pension liability:		
Service cost	\$ 1,173,075	\$ 1,199,753
Interest	4,819,887	4,539,611
Changes in benefit terms	-	-
Differences between expected and actual experience	126,838	121,980
Changes in assumptions	(1,994,006)	(248,700)
Benefit payments, including refunds of member contributions	<u>(2,251,265)</u>	<u>(1,959,499)</u>
Net change in total pension liability	1,874,529	3,653,145
Total pension liability, beginning of year	<u>64,804,252</u>	<u>61,151,107</u>
Total pension liability, end of year	<u>\$ 66,678,781</u>	<u>\$ 64,804,252</u>
Plan fiduciary net position:		
Contributions - employer	\$ 1,388,105	\$ 1,424,559
Contributions - member	507,135	490,006
Net investment income	9,228,845	3,526,328
Benefit payments, including refunds of member contributions	(2,251,265)	(1,959,499)
Administrative expense	<u>(550,873)</u>	<u>335,991</u>
Net change in plan fiduciary net position	8,321,947	3,817,385
Plan fiduciary net position, beginning of year	<u>54,578,150</u>	<u>50,760,765</u>
Plan fiduciary net position, end of year	<u>\$ 62,900,097</u>	<u>\$ 54,578,150</u>
Employer's net pension liability	<u>\$ 3,778,684</u>	<u>\$ 10,226,102</u>
Plan fiduciary net position as a percentage of the total pension liability	94.33%	84.22%
Covered employee payroll	<u>\$ 10,847,310</u>	<u>\$ 10,717,757</u>
Employer's net pension liability as a percentage of covered-employee payroll	34.84%	95.41%

Note: The City adopted GASB 68 in the fiscal year ended April 30, 2016, and will build a ten-year history prospectively.

See independent auditor's report.

2015

\$ 1,211,429
4,343,976
-
(1,001,063)
79,521
(1,903,179)

2,730,684

58,420,423

\$ 61,151,107

\$ 1,390,362
485,951
256,105
(1,903,179)
(702,990)

(473,751)

51,234,516

\$ 50,760,765

\$ 10,390,342

83.01%

\$ 10,752,994

96.63%

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

	<u>2018</u>	<u>2017</u>
Total pension liability:		
Service cost	\$ 1,384,616	\$ 1,406,344
Interest	4,647,595	4,154,656
Changes in benefit terms	-	-
Differences between expected and actual experience	(90,119)	(652,931)
Changes in assumptions	(2,002,799)	4,302,384
Benefit payments, including refunds of member contributions	<u>(2,564,023)</u>	<u>(2,258,561)</u>
Net change in total pension liability	1,375,270	6,951,892
Total pension liability, beginning of year	<u>65,386,774</u>	<u>58,434,882</u>
Total pension liability, end of year	<u>\$ 66,762,044</u>	<u>\$ 65,386,774</u>
Plan fiduciary net position:		
Contributions - employer	\$ 1,989,776	\$ 2,059,342
Contributions - member	551,461	579,535
Net investment income	3,391,766	(528,210)
Benefit payments, including refunds of member contributions	(2,564,023)	(2,258,561)
Administrative expense	<u>(37,391)</u>	<u>(53,004)</u>
Net change in plan fiduciary net position	3,331,589	(200,898)
Plan fiduciary net position, beginning of year	<u>33,556,119</u>	<u>33,757,017</u>
Plan fiduciary net position, end of year	<u>\$ 36,887,708</u>	<u>\$ 33,556,119</u>
Employer's net pension liability	<u>\$ 29,874,336</u>	<u>\$ 31,830,655</u>
Plan fiduciary net position as a percentage of the total pension liability	55.25%	51.32%
Covered employee payroll	<u>\$ 5,691,409</u>	<u>\$ 5,437,640</u>
Employer's net pension liability as a percentage of covered-employee payroll	524.90%	585.38%

Note: The City adopted GASB 67 in the fiscal year ended April 30, 2015, and will build a ten-year history prospectively.

See independent auditor's report.

2016	2015
\$ 1,420,407	\$ 1,427,537
3,863,133	3,522,872
-	-
925,823	(850,901)
-	874,435
<u>(2,118,147)</u>	<u>(1,914,037)</u>
4,091,216	3,059,906
<u>54,343,666</u>	<u>51,283,760</u>
<u>\$ 58,434,882</u>	<u>\$ 54,343,666</u>
\$ 1,778,970	\$ 1,844,723
568,526	553,800
1,700,649	2,835,560
(2,118,147)	(1,914,037)
<u>(30,088)</u>	<u>(156,150)</u>
1,899,910	3,163,896
<u>31,857,107</u>	<u>28,693,211</u>
<u>\$ 33,757,017</u>	<u>\$ 31,857,107</u>
<u>\$ 24,677,865</u>	<u>\$ 22,486,559</u>
57.77%	58.62%
<u>\$ 5,773,467</u>	<u>\$ 5,720,770</u>
427.44%	393.07%

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

	<u>2018</u>	<u>2017</u>
Total pension liability:		
Service cost	\$ 1,597,021	\$ 1,480,463
Interest	3,314,039	2,898,718
Changes in benefit terms	-	-
Differences between expected and actual experience	20,498	(85,631)
Changes in assumptions	(1,386,277)	2,768,663
Benefit payments, including refunds of member contributions	<u>(1,381,293)</u>	<u>(1,286,016)</u>
Net change in total pension liability	2,163,988	5,776,197
Total pension liability, beginning of year	<u>46,401,526</u>	40,625,329
Total pension liability, end of year	<u>\$ 48,565,514</u>	<u>\$ 46,401,526</u>
Plan fiduciary net position:		
Contributions - employer	\$ 1,690,980	\$ 1,928,928
Contributions - member	544,683	570,933
Net investment income	2,510,351	292,962
Benefit payments, including refunds of member contributions	(1,381,293)	(1,286,016)
Administrative expense	<u>(58,025)</u>	<u>(51,823)</u>
Net change in plan fiduciary net position	3,306,696	1,454,984
Plan fiduciary net position, beginning of year	<u>29,137,229</u>	27,682,245
Plan fiduciary net position, end of year	<u>\$ 32,443,925</u>	<u>\$ 29,137,229</u>
Employer's net pension liability	<u>\$ 16,121,589</u>	<u>\$ 17,264,297</u>
Plan fiduciary net position as a percentage of the total pension liability	66.80%	62.79%
Covered employee payroll	<u>\$ 5,908,574</u>	<u>\$ 5,744,609</u>
Employer's net pension liability as a percentage of covered-employee payroll	272.85%	300.53%

Note: The City adopted GASB 67 in the fiscal year ended April 30, 2015, and will build a ten-year history prospectively.

See independent auditor's report.

<u>2016</u>	<u>2015</u>
\$ 1,458,713	\$ 1,681,623
2,591,488	2,454,559
-	-
1,419,845	(1,823,175)
-	(507,215)
<u>(1,178,766)</u>	<u>(1,073,750)</u>
4,291,280	732,042
<u>36,334,049</u>	<u>35,602,007</u>
<u>\$ 40,625,329</u>	<u>\$ 36,334,049</u>
\$ 1,555,655	\$ 1,618,264
539,487	522,280
1,873,564	1,596,682
(1,178,766)	(1,073,750)
<u>(66,256)</u>	<u>(88,140)</u>
2,723,684	2,575,336
<u>24,958,561</u>	<u>22,383,225</u>
<u>\$ 27,682,245</u>	<u>\$ 24,958,561</u>
<u>\$ 12,943,084</u>	<u>\$ 11,375,488</u>
68.14%	68.69%
<u>\$ 5,531,971</u>	<u>\$ 5,278,118</u>
233.97%	215.52%

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

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

Fiscal year ended April 30, 2018	7.62%
Fiscal year ended April 30, 2017	9.98%
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,**

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

Fiscal year ended April 30, 2018	6.26%
Fiscal year ended April 30, 2017	7.77%
Fiscal year ended April 30, 2016	7.38%
Fiscal year ended April 30, 2015	6.94%

Note: The City adopted GASB 67 in the fiscal year ended April 30, 2015, and will build a 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, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Charges for services:				
Review fees	\$ 31,500	\$ 31,500	\$ 73,829	\$ 42,329
Parking	130,373	130,373	145,346	14,973
Police revenue	97,000	97,000	142,929	45,929
Other fees	265,633	265,633	254,568	(11,065)
	<u>524,506</u>	<u>524,506</u>	<u>616,672</u>	<u>92,166</u>
Licenses and permits:				
Liquor licenses	102,000	102,000	108,372	6,372
Miscellaneous licenses and permits	59,000	59,000	27,201	(31,799)
Building permits	195,000	195,000	257,994	62,994
Occupancy permits	3,000	3,000	-	(3,000)
Video gaming licenses	40,000	40,000	38,682	(1,318)
	<u>399,000</u>	<u>399,000</u>	<u>432,249</u>	<u>33,249</u>
Intergovernmental:				
Income tax	3,960,200	3,960,200	3,707,369	(252,831)
Local use tax	986,000	986,000	1,073,315	87,315
Replacement tax	146,092	146,092	147,318	1,226
State sales tax	11,173,000	11,173,000	11,522,209	349,209
Video gaming tax	30,000	30,000	95,431	65,431
Grants	17,500	17,500	21,978	4,478
	<u>16,312,792</u>	<u>16,312,792</u>	<u>16,567,620</u>	<u>254,828</u>
Fines and forfeitures:				
Police fines	488,100	488,100	393,165	(94,935)
Adjudication fines	60,000	60,000	127,527	67,527
	<u>548,100</u>	<u>548,100</u>	<u>520,692</u>	<u>(27,408)</u>
Property taxes	<u>3,700,465</u>	<u>3,700,465</u>	<u>3,698,626</u>	<u>(1,839)</u>

(cont'd)

City of Crystal Lake, Illinois
General Fund
Schedule of Revenues - Budget and Actual (cont'd)
For the Year Ended April 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Other taxes:				
Auto rental tax	\$ 41,500	\$ 41,500	\$ 40,230	\$ (1,270)
Franchise fees - cable	700,000	700,000	728,314	28,314
Home rule sales tax	5,050,000	5,050,000	5,159,592	109,592
Hotel tax	292,500	292,500	312,725	20,225
Telecommunications tax	1,180,500	1,180,500	1,076,925	(103,575)
	<u>7,264,500</u>	<u>7,264,500</u>	<u>7,317,786</u>	<u>53,286</u>
Investment income	<u>101,500</u>	<u>101,500</u>	<u>282,737</u>	<u>181,237</u>
Miscellaneous:				
Rental income	348,006	348,006	391,318	43,312
Host fees	300,000	300,000	327,648	27,648
Other	96,800	106,300	265,377	159,077
	<u>744,806</u>	<u>754,306</u>	<u>984,343</u>	<u>230,037</u>
Total revenues	<u>\$ 29,595,669</u>	<u>\$ 29,605,169</u>	<u>\$ 30,420,725</u>	<u>\$ 815,556</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, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
General government:				
Executive department:				
Personnel services	\$ 22,800	\$ 22,800	\$ 22,800	\$ -
Contractual services	423,951	433,451	382,315	51,136
	<u>446,751</u>	<u>456,251</u>	<u>405,115</u>	<u>51,136</u>
Legal and judiciary department - contractual services	<u>517,395</u>	<u>517,395</u>	<u>578,095</u>	<u>(60,700)</u>
Administration department:				
Personnel services	1,622,348	1,622,348	1,533,761	88,587
Contractual services	228,902	228,902	203,354	25,548
Supplies and materials	95,152	95,152	91,778	3,374
	<u>1,946,402</u>	<u>1,946,402</u>	<u>1,828,893</u>	<u>117,509</u>
Administrative adjudication department:				
Personnel services	71,538	71,538	70,299	1,239
Contractual services	28,400	28,400	22,745	5,655
Supplies and materials	2,550	2,550	1,094	1,456
	<u>102,488</u>	<u>102,488</u>	<u>94,138</u>	<u>8,350</u>
Community development:				
Personnel services	2,345,214	2,345,214	2,246,197	99,017
Contractual services	479,310	479,310	301,424	177,886
Supplies and materials	45,460	45,460	36,151	9,309
Sales tax incentives	361,000	361,000	320,828	40,172
	<u>3,230,984</u>	<u>3,230,984</u>	<u>2,904,600</u>	<u>326,384</u>
Information technology:				
Personnel services	186,020	186,020	172,629	13,391
Contractual services	344,435	344,435	243,360	101,075
Supplies and materials	48,858	48,858	47,470	1,388
	<u>579,313</u>	<u>579,313</u>	<u>463,459</u>	<u>115,854</u>

(cont'd)

City of Crystal Lake, Illinois
General Fund
Schedule of Expenditures - Budget and Actual (cont'd)
For the Year Ended April 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
General government (cont'd):				
Health services - contractual services	\$ 110,000	\$ 110,000	\$ 128,715	\$ (18,715)
Shared services:				
Contractual services	626,175	626,175	580,739	45,436
Supplies and materials	140,320	140,320	107,831	32,489
	<u>766,495</u>	<u>766,495</u>	<u>688,570</u>	<u>77,925</u>
Special projects department:				
Personnel services	19,940	19,940	11,646	8,294
Contractual services	298,504	298,504	226,893	71,611
Supplies and materials	9,000	9,000	6,385	2,615
	<u>327,444</u>	<u>327,444</u>	<u>244,924</u>	<u>82,520</u>
Insurance - contractual services	234,221	234,221	(62,393)	296,614
Total general government	<u>8,261,493</u>	<u>8,270,993</u>	<u>7,274,116</u>	<u>996,877</u>
Public safety:				
Police department:				
Personnel services	8,700,867	8,700,867	8,491,861	209,006
Contractual services	1,581,062	1,581,062	1,507,120	73,942
Supplies and materials	348,785	348,785	271,209	77,576
	<u>10,630,714</u>	<u>10,630,714</u>	<u>10,270,190</u>	<u>360,524</u>
Pension contributions	3,700,465	3,700,465	3,698,626	1,839
Fire and police commission - contractual services	35,795	35,795	27,120	8,675
Total public safety	<u>14,366,974</u>	<u>14,366,974</u>	<u>13,995,936</u>	<u>371,038</u>

(cont'd)

City of Crystal Lake, Illinois
General Fund
Schedule of Expenditures - Budget and Actual (cont'd)
For the Year Ended April 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Highways and streets:				
Street department:				
Personnel services	\$ 1,994,983	\$ 1,994,983	\$ 2,077,905	\$ (82,922)
Contractual services	924,850	924,850	813,416	111,434
Supplies and materials	271,184	271,184	327,215	(56,031)
	<u>3,191,017</u>	<u>3,191,017</u>	<u>3,218,536</u>	<u>(27,519)</u>
Water operations:				
Personnel services	192,504	192,504	180,650	11,854
Contractual services	158,369	158,369	96,605	61,764
Supplies and materials	51,650	51,650	45,259	6,391
	<u>402,523</u>	<u>402,523</u>	<u>322,514</u>	<u>80,009</u>
Wastewater treatment:				
Personnel services	283,139	283,139	293,496	(10,357)
Contractual services	23,842	23,842	15,227	8,615
Supplies and materials	12,438	12,438	5,101	7,337
	<u>319,419</u>	<u>319,419</u>	<u>313,824</u>	<u>5,595</u>
Fleet services:				
Personnel services	795,677	795,677	707,457	88,220
Contractual services	48,531	48,531	41,449	7,082
Supplies and materials	40,992	40,992	38,271	2,721
	<u>885,200</u>	<u>885,200</u>	<u>787,177</u>	<u>98,023</u>
Total highways and streets	<u>4,798,159</u>	<u>4,798,159</u>	<u>4,642,051</u>	<u>156,108</u>
Culture and recreation - Three Oaks Recreation Area:				
Personnel services	414,394	414,394	435,095	(20,701)
Contractual services	188,391	188,391	210,569	(22,178)
Supplies and materials	86,190	86,190	77,882	8,308
Total culture and recreation	<u>688,975</u>	<u>688,975</u>	<u>723,546</u>	<u>(34,571)</u>

(cont'd)

City of Crystal Lake, Illinois
General Fund
Schedule of Expenditures - Budget and Actual (cont'd)
For the Year Ended April 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Debt service - special projects department:				
Principal	\$ 380,548	\$ 380,548	\$ 380,534	\$ 14
Interest and fees	37,379	37,379	37,336	43
Total debt service	<u>417,927</u>	<u>417,927</u>	<u>417,870</u>	<u>57</u>
Total expenditures	<u>\$ 28,533,528</u>	<u>\$ 28,543,028</u>	<u>\$ 27,053,519</u>	<u>\$ 1,489,509</u>

See independent auditor's report.

City of Crystal Lake, Illinois
Capital and Equipment Replacement Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Grant proceeds	\$ 529,560	\$ 529,560	\$ 411,005	\$ (118,555)
Total revenues	529,560	529,560	411,005	(118,555)
Expenditures:				
Administrative	20,000	20,000	20,238	(238)
Information technology	921,456	921,456	328,182	593,274
Police	240,056	240,056	216,121	23,935
Community development	513,707	513,707	470,012	43,695
Streets	382,740	382,740	321,825	60,915
Storm sewer	56,000	56,000	52,930	3,070
Fleet and facility services	138,500	138,500	76,343	62,157
Fire rescue	550,350	550,350	538,839	11,511
Road resurfacing	1,955,000	1,955,000	1,968,454	(13,454)
Road reconstruction	2,331,439	2,331,439	734,050	1,597,389
Three Oaks Recreation Area	248,372	248,372	46,240	202,132
Total expenditures	7,357,620	7,357,620	4,773,234	2,584,386
Revenues under expenditures before other financing sources	(6,828,060)	(6,828,060)	(4,362,229)	2,465,831
Other financing sources - transfers in	5,591,635	5,591,635	4,083,681	(1,507,954)
Net changes in fund balance	\$ (1,236,425)	\$ (1,236,425)	(278,548)	\$ 957,877
Fund balance, beginning of the year			1,375,664	
Fund balance, end of the year			\$ 1,097,116	

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.

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

Commuter Parking Fund – To account for revenues derived from and expenses incurred to maintain the City parking lot.

Home Rule Sales Tax Fund – To account for transfer of fund balance to General Fund, where home rule tax will now be recorded.

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.

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, 2018**

Assets	Total	Special Revenue
Cash and investments	\$ 3,336,935	\$ 2,377,783
Receivables:		
Property taxes	1,812,256	1,631,290
Other	171,691	19,703
Prepaid items	4,953	4,953
Total assets	\$ 5,325,835	\$ 4,033,729
Liabilities		
Accounts payable	\$ 41,276	\$ 27,352
Accrued expenses	-	-
Recapture fees payable	108,125	-
Due to other funds	87,727	-
Total liabilities	237,128	27,352
Deferred Inflows of Resources		
Property taxes	1,812,256	1,631,290
Fund Balances		
Nonspendable	4,953	4,953
Restricted for retirement purposes	1,432,023	1,432,023
Restricted for police activities	457,353	457,353
Restricted for debt service	470,617	-
Restricted for park development	8,670	-
Assigned, reported in:		
Special Revenue Funds	480,758	480,758
Capital Projects Funds	422,077	-
Total fund balances	3,276,451	2,375,087
Total liabilities, deferred inflows of resources and fund balances	\$ 5,325,835	\$ 4,033,729

See independent auditor's report.

Debt Service	Capital Projects
\$ 406,356	\$ 552,796
85,800	95,166
151,988	-
-	-
<u>\$ 644,144</u>	<u>\$ 647,962</u>
\$ -	\$ 13,924
-	-
-	108,125
87,727	-
<u>87,727</u>	<u>122,049</u>
<u>85,800</u>	<u>95,166</u>
-	-
-	-
-	-
470,617	-
-	8,670
-	-
-	422,077
<u>470,617</u>	<u>430,747</u>
<u>\$ 644,144</u>	<u>\$ 647,962</u>

City of Crystal Lake, Illinois
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended April 30, 2018

	<u>Total</u>	<u>Special Revenue</u>
Revenues:		
Charges for services	\$ 635,488	\$ 284,580
Licenses and permits	227,659	227,659
Intergovernmental	134,779	134,779
Property taxes	2,272,462	2,063,715
Interest	889	639
Miscellaneous	70,071	59,891
Total revenues	3,341,348	2,771,263
Expenditures:		
Current:		
General government	1,038,605	1,029,832
Public safety	478,932	478,932
Highways and streets	397,433	397,433
Capital outlay	99,345	-
Debt service:		
Principal	1,066,586	-
Interest and fees	376,078	-
Miscellaneous	65,804	-
Total expenditures	3,522,783	1,906,197
Revenues over (under) expenditures before other financing sources (uses)	(181,435)	865,066
Other financing sources (uses):		
Transfers in	1,050,835	-
Transfers out	(2,215,970)	(2,172,880)
Total other financing sources (uses)	(1,165,135)	(2,172,880)
Net changes in fund balances	(1,346,570)	(1,307,814)
Fund balances, beginning of the year	4,623,021	3,682,901
Fund balances, end of the year	\$ 3,276,451	\$ 2,375,087

See independent auditor's report.

Debt Service	Capital Projects
\$ 350,908	\$ -
-	-
-	-
48,523	160,224
123	127
-	10,180
<u>399,554</u>	<u>170,531</u>
7,123	1,650
-	-
-	-
-	99,345
1,066,586	-
376,078	-
65,804	-
<u>1,515,591</u>	<u>100,995</u>
<u>(1,116,037)</u>	<u>69,536</u>
1,050,835	-
-	(43,090)
<u>1,050,835</u>	<u>(43,090)</u>
(65,202)	26,446
<u>535,819</u>	<u>404,301</u>
<u>\$ 470,617</u>	<u>\$ 430,747</u>

**City of Crystal Lake, Illinois
Combining Balance Sheet -
Nonmajor Special Revenue Funds
April 30, 2018**

	Total	IMRF/ FICA
Assets		
Cash and investments	\$ 2,377,783	\$ 1,432,023
Receivables:		
Property taxes	1,631,290	1,576,829
Other	19,703	-
Prepaid items	4,953	-
	\$ 4,033,729	\$ 3,008,852
Liabilities		
Accounts payable	\$ 27,352	\$ -
	27,352	-
Deferred Inflows of Resources		
Property taxes	1,631,290	1,576,829
Fund Balances		
Nonspendable	4,953	-
Restricted for retirement purposes	1,432,023	1,432,023
Restricted for police activities	457,353	-
Assigned - reported in Special Revenue Funds	480,758	-
	2,375,087	1,432,023
Total liabilities, deferred inflows of resources and fund balances	\$ 4,033,729	\$ 3,008,852

See independent auditor's report.

Road/ Vehicle License	School Crossing Guard	Foreign Fire Insurance	Restricted Police	Commuter Parking
\$ 103,444	\$ 81,826	\$ 216,761	\$ 454,317	\$ 89,412
-	54,461	-	-	-
-	16,380	-	3,323	-
4,384	-	-	-	569
<u>\$ 107,828</u>	<u>\$ 152,667</u>	<u>\$ 216,761</u>	<u>\$ 457,640</u>	<u>\$ 89,981</u>
\$ 61	\$ 22,229	\$ -	\$ 287	\$ 4,775
61	22,229	-	287	4,775
-	54,461	-	-	-
4,384	-	-	-	569
-	-	-	-	-
-	-	-	457,353	-
103,383	75,977	216,761	-	84,637
107,767	75,977	216,761	457,353	85,206
<u>\$ 107,828</u>	<u>\$ 152,667</u>	<u>\$ 216,761</u>	<u>\$ 457,640</u>	<u>\$ 89,981</u>

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, 2018

	Total	IMRF/ FICA
Revenues:		
Charges for services	\$ 284,580	\$ -
Licenses and permits	227,659	-
Intergovernmental	134,779	-
Property taxes	2,063,715	1,591,884
Investment income	639	541
Miscellaneous	59,891	-
	2,771,263	1,592,425
Expenditures:		
Current:		
General government	1,029,832	830,441
Public safety	478,932	321,024
Highways and streets	397,433	346,060
	1,906,197	1,497,525
Revenues over expenditures before other financing uses	865,066	94,900
Other financing uses - transfers out	(2,172,880)	-
Net changes in fund balances	(1,307,814)	94,900
Fund balances, beginning of the year	3,682,901	1,337,123
Fund balances, end of the year	\$ 2,375,087	\$ 1,432,023

See independent auditor's report.

<u>Road/ Vehicle License</u>	<u>School Crossing Guard</u>	<u>Foreign Fire Insurance</u>	<u>Restricted Police</u>	<u>Commuter Parking</u>	<u>Home Rule Sales Tax</u>
\$ -	\$ -	\$ -	\$ -	\$ 284,580	\$ -
227,659	-	-	-	-	-
-	-	65,913	68,866	-	-
416,855	54,976	-	-	-	-
4	27	50	-	17	-
8,538	51,040	-	313	-	-
<u>653,056</u>	<u>106,043</u>	<u>65,963</u>	<u>69,179</u>	<u>284,597</u>	<u>-</u>
-	-	-	-	199,391	-
-	102,080	565	55,263	-	-
51,373	-	-	-	-	-
<u>51,373</u>	<u>102,080</u>	<u>565</u>	<u>55,263</u>	<u>199,391</u>	<u>-</u>
601,683	3,963	65,398	13,916	85,206	-
(635,000)	-	-	-	-	(1,537,880)
(33,317)	3,963	65,398	13,916	85,206	(1,537,880)
141,084	72,014	151,363	443,437	-	1,537,880
<u>\$ 107,767</u>	<u>\$ 75,977</u>	<u>\$ 216,761</u>	<u>\$ 457,353</u>	<u>\$ 85,206</u>	<u>\$ -</u>

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, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 1,592,731	\$ 1,592,731	\$ 1,591,884	\$ (847)
Investment income	200	200	541	341
Total revenues	<u>1,592,931</u>	<u>1,592,931</u>	<u>1,592,425</u>	<u>(506)</u>
Expenditures - current - personnel services:				
General government	931,012	931,012	830,441	100,571
Public safety	356,384	356,384	321,024	35,360
Highways and streets	384,178	384,178	346,060	38,118
Total expenditures	<u>1,671,574</u>	<u>1,671,574</u>	<u>1,497,525</u>	<u>174,049</u>
Net changes in fund balance	<u>\$ (78,643)</u>	<u>\$ (78,643)</u>	<u>94,900</u>	<u>\$ 173,543</u>
Fund balance, beginning of the year			<u>1,337,123</u>	
Fund balance, end of the year			<u>\$ 1,432,023</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, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Licenses and permits	\$ 240,000	\$ 240,000	\$ 227,659	\$ (12,341)
Property taxes	445,000	445,000	416,855	(28,145)
Investment income	-	-	4	4
Miscellaneous	-	-	8,538	8,538
Total revenues	685,000	685,000	653,056	(31,944)
Expenditures:				
Highways and streets	49,950	49,950	51,373	(1,423)
Total expenditures	49,950	49,950	51,373	(1,423)
Revenues over expenditures before other financing uses	635,050	635,050	601,683	(33,367)
Other financing sources - transfers in	(635,000)	(635,000)	(635,000)	-
Net changes in fund balance	\$ 50	\$ 50	(33,317)	\$ (33,367)
Fund balance, beginning of the year			141,084	
Fund balance, end of the year			\$ 107,767	

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, 2018**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 55,000	\$ 55,000	\$ 54,976	\$ (24)
Investment income	-	-	27	27
Miscellaneous	55,000	55,000	51,040	(3,960)
Total revenues	<u>110,000</u>	<u>110,000</u>	<u>106,043</u>	<u>(3,957)</u>
Expenditures - public safety:				
Contractual services	110,000	110,000	102,080	7,920
Total expenditures	<u>110,000</u>	<u>110,000</u>	<u>102,080</u>	<u>7,920</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,963</u>	<u>\$ 3,963</u>
Fund balance, beginning of the year			<u>72,014</u>	
Fund balance, end of the year			<u>\$ 75,977</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, 2018**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental	\$ 66,000	\$ 66,000	\$ 65,913	\$ (87)
Investment income	-	-	50	50
Total revenues	<u>66,000</u>	<u>66,000</u>	<u>65,963</u>	<u>(37)</u>
Expenditures - public safety:				
Contractual services	11,150	11,150	100	11,050
Materials and supplies	54,600	54,600	465	54,135
Total expenditures	<u>65,750</u>	<u>65,750</u>	<u>565</u>	<u>65,185</u>
Net changes in fund balance	<u>\$ 250</u>	<u>\$ 250</u>	<u>65,398</u>	<u>\$ 65,148</u>
Fund balance, beginning of the year			<u>151,363</u>	
Fund balance, end of the year			<u>\$ 216,761</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, 2018**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental	\$ 77,500	\$ 77,500	\$ 68,866	\$ (8,634)
Miscellaneous	-	-	313	313
Total revenues	<u>77,500</u>	<u>77,500</u>	<u>69,179</u>	<u>(8,321)</u>
Expenditures - public safety - miscellaneous	<u>27,960</u>	<u>27,960</u>	<u>55,263</u>	<u>(27,303)</u>
Net changes in fund balance	<u>\$ 49,540</u>	<u>\$ 49,540</u>	<u>13,916</u>	<u>\$ (35,937)</u>
Fund balance, beginning of the year			<u>443,437</u>	
Fund balance, end of the year			<u>\$ 457,353</u>	

See independent auditor's report.

**City of Crystal Lake, Illinois
Commuter Parking Lot Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2018**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services	\$ 282,500	\$ 282,500	\$ 284,580	\$ 2,080
Interest	-	-	17	17
Total revenues	<u>282,500</u>	<u>282,500</u>	<u>284,597</u>	<u>2,097</u>
Expenditures - general government:				
Commuter parking:				
Personnel services	93,433	93,433	93,433	-
Contractual services	132,832	132,832	101,081	31,751
Materials and supplies	3,800	3,800	4,877	(1,077)
Total expenditures	<u>230,065</u>	<u>230,065</u>	<u>199,391</u>	<u>30,674</u>
Revenues over expenditures before other financing uses	52,435	52,435	85,206	32,771
Other financing uses - transfers out	(8,032)	(8,032)	-	8,032
Net changes in fund balance	<u>\$ 44,403</u>	<u>\$ 44,403</u>	<u>85,206</u>	<u>\$ 40,803</u>
Fund balance, beginning of the year			-	
Fund balance, end of the year			<u>\$ 85,206</u>	

See independent auditor's report.

**City of Crystal Lake, Illinois
Combining Balance Sheet -
Nonmajor Debt Service Funds
April 30, 2018**

Assets	Total	Special Assess- ment No. 149
Cash and investments	\$ 406,356	\$ -
Receivables:		
Property taxes	85,800	-
Other	151,988	151,988
Total assets	\$ 644,144	\$ 151,988
Liabilities		
Accounts payable	\$ -	\$ -
Due to other funds	87,727	87,727
Total liabilities	87,727	87,727
Deferred Inflows of Resources		
Property taxes	85,800	-
Fund Balances		
Restricted for debt service	470,617	64,261
Total fund balances	470,617	64,261
Total liabilities, deferred inflows of resources and fund balances	\$ 644,144	\$ 151,988

See independent auditor's report.

Crystal Heights Debt Service	SEECOM Debt Service	Three Oaks Recreation Area Debt Service Fund
\$ 406,189	\$ 167	\$ -
85,800	-	-
-	-	-
<u>\$ 491,989</u>	<u>\$ 167</u>	<u>\$ -</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
85,800	-	-
406,189	167	-
406,189	167	-
<u>\$ 491,989</u>	<u>\$ 167</u>	<u>\$ -</u>

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, 2018

	<u>Total</u>	<u>Special Assess- ment No. 149</u>
Revenues:		
Charges for services	\$ 350,908	\$ -
Property taxes	48,523	-
Investment income	123	-
	<u>399,554</u>	<u>-</u>
Total revenues	399,554	-
Expenditures:		
Current - general government	7,123	-
Debt service:		
Principal	1,066,586	-
Interest and fees	376,078	-
Miscellaneous	65,804	-
	<u>1,515,591</u>	<u>-</u>
Total expenditures	1,515,591	-
Revenues under expenditures before other financing sources	(1,116,037)	-
Other financing sources - transfers in	<u>1,050,835</u>	<u>-</u>
Net changes in fund balances	(65,202)	-
Fund balances, beginning of the year	<u>535,819</u>	<u>64,261</u>
Fund balances, end of the year	<u>\$ 470,617</u>	<u>\$ 64,261</u>

See independent auditor's report.

Crystal Heights Debt Service	SEECOM Debt Service	Three Oaks Recreation Area Debt Service Fund
\$ 80,638	\$ 270,270	\$ -
48,523	-	-
123	-	-
<u>129,284</u>	<u>270,270</u>	<u>-</u>
5,482	-	1,641
116,190	254,893	695,503
7,010	15,377	353,691
65,804	-	-
<u>194,486</u>	<u>270,270</u>	<u>1,050,835</u>
(65,202)	-	(1,050,835)
<u>-</u>	<u>-</u>	<u>1,050,835</u>
(65,202)	-	-
<u>471,391</u>	<u>167</u>	<u>-</u>
<u>\$ 406,189</u>	<u>\$ 167</u>	<u>\$ -</u>

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, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services	\$ 22,000	\$ 22,000	\$ 80,638	\$ 58,638
Property taxes	50,000	50,000	48,523	(1,477)
Investment income	-	-	123	123
Total revenues	<u>72,000</u>	<u>72,000</u>	<u>129,284</u>	<u>57,284</u>
Expenditures:				
Current - general government - contractual services	5,400	5,400	5,482	(82)
Debt service:				
Principal	116,191	116,191	116,190	1
Interest	7,010	7,010	7,010	-
Miscellaneous	22,000	22,000	65,804	(43,804)
Total expenditures	<u>150,601</u>	<u>150,601</u>	<u>194,486</u>	<u>(43,885)</u>
Net changes in fund balance	<u>\$ (78,601)</u>	<u>\$ (78,601)</u>	<u>(65,202)</u>	<u>\$ 13,399</u>
Fund balance, beginning of the year			<u>471,391</u>	
Fund balance, end of the year			<u>\$ 406,189</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, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services	\$ 270,271	\$ 270,271	\$ 270,270	\$ (1)
Total revenues	<u>270,271</u>	<u>270,271</u>	<u>270,270</u>	<u>(1)</u>
Expenditures:				
Debt service:				
Principal	254,893	254,893	254,893	-
Interest	15,378	15,378	15,377	1
Total expenditures	<u>270,271</u>	<u>270,271</u>	<u>270,270</u>	<u>1</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of the year			<u>167</u>	
Fund balance, end of the year			<u>\$ 167</u>	

See independent auditor's report.

City of Crystal Lake, Illinois
Three Oaks Recreation Area Debt Service Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures:				
Contractual services	\$ 1,000	\$ 1,000	\$ 1,641	\$ (641)
Debt Service:				
Principal	695,503	695,503	695,503	-
Interest	355,068	355,068	353,691	1,377
Total expenditures	<u>1,051,571</u>	<u>1,051,571</u>	<u>1,050,835</u>	<u>736</u>
Revenues under expenditures before other financing sources	(1,051,571)	(1,051,571)	(1,050,835)	736
Other financing sources - transfers in	<u>1,051,571</u>	<u>1,051,571</u>	<u>1,050,835</u>	<u>(736)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of the year			<u>-</u>	
Fund balance, end of the year			<u>\$ -</u>	

See independent auditor's report.

**City of Crystal Lake, Illinois
Combining Balance Sheet -
Nonmajor Capital Projects Funds
April 30, 2018**

	<u>Total</u>	<u>Special Assessment No. 145</u>	<u>Main Street TIF Construction</u>
Assets			
Cash and investments	\$ 552,796	\$ 117,723	\$ 412,479
Receivables - property taxes	95,166	-	14,990
Total assets	\$ 647,962	\$ 117,723	\$ 427,469
Liabilities			
Accounts payable	\$ 13,924	\$ -	\$ -
Recapture fees payable	108,125	108,125	-
Total liabilities	122,049	108,125	-
Deferred Inflows of Resources			
Property taxes	95,166	-	14,990
Fund Balances			
Restricted for park development	8,670	-	-
Assigned for capital outlay	422,077	9,598	412,479
Total fund balances	430,747	9,598	412,479
Total liabilities, deferred inflows of resources and fund balances	\$ 647,962	\$ 117,723	\$ 427,469

See independent auditor's report.

Virginia Street Corridor TIF	Vulcan Lakes TIF District	Three Oaks Capital	Three Oaks Development
\$ -	\$ -	\$ -	\$ 22,594
54,238	25,938	-	-
<u>\$ 54,238</u>	<u>\$ 25,938</u>	<u>\$ -</u>	<u>\$ 22,594</u>
\$ -	\$ -	\$ -	\$ 13,924
-	-	-	-
-	-	-	13,924
54,238	25,938	-	-
-	-	-	8,670
-	-	-	-
-	-	-	8,670
<u>\$ 54,238</u>	<u>\$ 25,938</u>	<u>\$ -</u>	<u>\$ 22,594</u>

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, 2018

	<u>Total</u>	<u>Special Assessment No. 145</u>	<u>Main Street TIF Construction</u>
Revenues:			
Property taxes	\$ 160,224	\$ -	\$ 120,571
Intergovernmental	-	-	-
Investment income	127	-	109
Miscellaneous	10,180	-	-
Total revenues	170,531	-	120,680
Expenditures:			
Current - general government	1,650	-	550
Capital outlay - culture and recreation	99,345	-	-
Total expenditures	100,995	-	550
Revenues over (under) expenditures before other financing sources (uses)	69,536	-	120,130
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(43,090)	-	-
Total other financing sources (uses)	(43,090)	-	-
Net changes in fund balances	26,446	-	120,130
Fund balances, beginning of the year	404,301	9,598	292,349
Fund balances, end of the year	\$ 430,747	\$ 9,598	\$ 412,479

See independent auditor's report.

Virginia Street Corridor TIF	Vulcan Lakes TIF District	Three Oaks Capital	Three Oaks Development
\$ 25,933	\$ 13,720	\$ -	\$ -
-	-	-	-
2	-	-	16
-	-	-	10,180
<u>25,935</u>	<u>13,720</u>	<u>-</u>	<u>10,196</u>
550	550	-	-
-	-	-	99,345
<u>550</u>	<u>550</u>	<u>-</u>	<u>99,345</u>
<u>25,385</u>	<u>13,170</u>	<u>-</u>	<u>(89,149)</u>
-	-	-	-
<u>(25,385)</u>	<u>(13,170)</u>	<u>(4,535)</u>	<u>-</u>
<u>(25,385)</u>	<u>(13,170)</u>	<u>(4,535)</u>	<u>-</u>
-	-	(4,535)	(89,149)
-	-	4,535	97,819
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,670</u>

**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, 2018**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 485	\$ 485	\$ 120,571	\$ 120,086
Interest	15	15	109	94
Total revenues	<u>500</u>	<u>500</u>	<u>120,680</u>	<u>120,180</u>
Expenditures:				
Current - general government - contractual services	<u>100,500</u>	<u>100,500</u>	<u>550</u>	<u>99,950</u>
Total expenditures	<u>100,500</u>	<u>100,500</u>	<u>550</u>	<u>99,950</u>
Net changes in fund balance	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>120,130</u>	<u>\$ 220,130</u>
Fund balance, beginning of the year			<u>292,349</u>	
Fund balance, end of the year			<u>\$ 412,479</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, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 10,000	\$ 10,000	\$ 25,933	\$ 15,933
	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>25,935</u>	<u>15,935</u>
Expenditures:				
Current - general government - contractual services	500	500	550	(50)
Total expenditures	<u>500</u>	<u>500</u>	<u>550</u>	<u>(50)</u>
Revenues over expenditures before other financing uses	9,500	9,500	25,385	15,885
Other financing uses - transfers out	(9,500)	(9,500)	(25,385)	(15,885)
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of the year			<u>-</u>	
Fund balance, end of the year			<u>\$ -</u>	

See independent auditor's report.

City of Crystal Lake, Illinois
Vulcan Lakes TIF District Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	\$ 2,000	\$ 2,000	\$ 13,720	\$ 11,720
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>13,720</u>	<u>11,720</u>
Expenditures:				
Current - general government - contractual services	500	500	550	(50)
Total expenditures	<u>500</u>	<u>500</u>	<u>550</u>	<u>(50)</u>
Revenues over expenditures before other financing uses	1,500	1,500	13,170	11,670
Other financing uses - transfers out	(1,500)	(1,500)	(13,170)	(11,670)
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of the year			<u>-</u>	
Fund balance, end of the year			<u>\$ -</u>	

See independent auditor's report.

City of Crystal Lake, Illinois
Waterworks and Sewerage Fund
Schedule of Revenues - Budget and Actual
For the Year Ended April 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:				
Charges for services:				
Water sales	\$ 5,682,500	\$ 5,682,500	\$ 5,830,648	\$ 148,148
Sewer sales	5,466,200	5,466,200	5,567,931	101,731
Penalties	320,000	320,000	325,144	5,144
Water meter fees	13,800	13,800	24,997	11,197
Water tap fees	-	-	14,500	14,500
Miscellaneous	11,200	11,200	260,785	249,585
Total operating revenues	11,493,700	11,493,700	12,024,005	530,305
Nonoperating revenue:				
Connection fees	170,561	170,561	(58,292)	(228,853)
Investment income (loss)	20,000	20,000	(3,132)	(23,132)
Rental income	307,854	307,854	262,130	(45,724)
Loss on sale of capital assets	-	-	(4,553)	(4,553)
Total nonoperating revenues	498,415	498,415	196,153	(302,262)
Total revenues	\$ 11,992,115	\$ 11,992,115	\$ 12,220,158	\$ 228,043

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, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating expenses, excluding depreciation:				
Administration:				
Personal services	\$ 639,659	\$ 639,659	\$ 505,164	\$ 134,495
Contractual services	204,483	284,483	210,321	74,162
Supplies and materials	24,876	24,876	19,828	5,048
Total administration	869,018	949,018	735,313	213,705
Operations:				
Water division:				
Personal services	1,906,948	1,906,948	1,882,988	23,960
Contractual services	1,460,309	1,459,509	1,117,984	341,525
Supplies and materials	821,863	821,863	735,884	85,979
Capital outlay	815,000	967,849	(1,807)	969,656
Total water division	5,004,120	5,156,169	3,735,049	1,421,120
Wastewater division:				
Personal services	1,200,069	1,200,069	1,128,454	71,615
Contractual services	1,213,080	1,213,080	1,099,626	113,454
Supplies and materials	674,762	674,762	566,797	107,965
Capital outlay	4,329,886	4,329,886	211,473	4,118,413
Total wastewater division	7,417,797	7,417,797	3,006,350	4,411,447
Total operations	12,421,917	12,573,966	6,741,399	5,832,567
Total operating expenses, excluding depreciation	\$ 13,290,935	\$ 13,522,984	\$ 7,476,712	\$ 6,046,272
Nonoperating expenses - interest expense	\$ 657,394	\$ 657,394	\$ 706,027	\$ 48,633

See independent auditor's report.

City of Crystal Lake, Illinois
Pension Trust Funds
Combining Statement of Fiduciary Net Position
April 30, 2018

Assets	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
Cash	\$ 1,522	\$ 21,509	\$ 23,031
Investments:			
Money market accounts	420,623	192,770	613,393
U.S. government and agency securities	4,466,781	12,724,718	17,191,499
Corporate bonds	8,877,260	-	8,877,260
Insurance contracts	-	416,388	416,388
Municipal bonds	-	2,311,609	2,311,609
Mutual funds - stocks	25,706,616	19,402,392	45,109,008
Interest receivable	122,541	121,955	244,496
Prepaid expenses	4,909	-	4,909
Total assets	<u>\$ 39,600,252</u>	<u>\$ 35,191,341</u>	<u>\$ 74,791,593</u>
Liabilities and Net Position			
Liabilities - accounts payable	\$ 1,919	\$ 4,860	\$ 6,779
Net position restricted for pensions	<u>39,598,333</u>	<u>35,186,481</u>	<u>74,784,814</u>
Total liabilities and net position	<u>\$ 39,600,252</u>	<u>\$ 35,191,341</u>	<u>\$ 74,791,593</u>

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, 2018**

	Police Pension	Firefighters' Pension	Total
Additions:			
Contributions:			
Employer	\$ 2,089,940	\$ 1,608,539	\$ 3,698,479
Members	570,493	584,464	1,154,957
Total contributions	2,660,433	2,193,003	4,853,436
Investment income:			
Net appreciation in fair value of investments	1,727,784	694,550	2,422,334
Interest income	1,267,417	1,492,930	2,760,347
Less investment expenses	(165,472)	(125,484)	(290,956)
Total investment income	2,829,729	2,061,996	4,891,725
Total additions	5,490,162	4,254,999	9,745,161
Deductions:			
Pension benefits and refunds	2,763,423	1,495,603	4,259,026
Administrative expenses	16,115	16,840	32,955
Total deductions	2,779,538	1,512,443	4,291,981
Changes in net position	2,710,624	2,742,556	5,453,180
Net position restricted for pensions:			
Beginning of the year	36,887,709	32,443,925	69,331,634
End of the year	\$ 39,598,333	\$ 35,186,481	\$ 74,784,814

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, 2018**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Additions:				
Contributions:				
Employer	\$ 2,091,066	\$ 2,091,066	\$ 2,089,940	\$ (1,126)
Members	560,000	560,000	570,493	10,493
Total contributions	<u>2,651,066</u>	<u>2,651,066</u>	<u>2,660,433</u>	<u>9,367</u>
Investment income:				
Net appreciation in fair value of investments	-	-	1,727,784	1,727,784
Interest income	1,100,000	1,100,000	1,267,417	167,417
Less investment expenses	(191,000)	(191,000)	(165,472)	25,528
Total investment income	<u>909,000</u>	<u>909,000</u>	<u>2,829,729</u>	<u>1,920,729</u>
Total additions	<u>3,560,066</u>	<u>3,560,066</u>	<u>5,490,162</u>	<u>1,930,096</u>
Deductions:				
Pension benefits and refunds	2,800,000	2,800,000	2,763,423	36,577
Administrative expenses	29,850	29,850	16,115	13,735
Total deductions	<u>2,829,850</u>	<u>2,829,850</u>	<u>2,779,538</u>	<u>50,312</u>
Changes in net position	<u>\$ 730,216</u>	<u>\$ 730,216</u>	<u>2,710,624</u>	<u>\$ 1,980,408</u>
Net position restricted for pensions:				
Beginning of the year			<u>36,887,709</u>	
End of the year			<u>\$ 39,598,333</u>	

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, 2018**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Additions:				
Contributions:				
Employer	\$ 1,609,399	\$ 1,609,399	\$ 1,608,539	\$ (860)
Members	621,400	621,400	584,464	(36,936)
Total contributions	<u>2,230,799</u>	<u>2,230,799</u>	<u>2,193,003</u>	<u>(37,796)</u>
Investment income:				
Net appreciation in fair value of investments	-	-	694,550	694,550
Interest income	900,000	900,000	1,492,930	592,930
Less investment expenses	(115,000)	(115,000)	(125,484)	(10,484)
Total investment income	<u>785,000</u>	<u>785,000</u>	<u>2,061,996</u>	<u>1,276,996</u>
Total additions	<u>3,015,799</u>	<u>3,015,799</u>	<u>4,254,999</u>	<u>1,239,200</u>
Deductions:				
Pension benefits and refunds	1,550,000	1,550,000	1,495,603	54,397
Administrative expenses	26,000	26,000	16,840	9,160
Total deductions	<u>1,576,000</u>	<u>1,576,000</u>	<u>1,512,443</u>	<u>63,557</u>
Changes in net position	<u>\$ 1,439,799</u>	<u>\$ 1,439,799</u>	<u>2,742,556</u>	<u>\$ 1,302,757</u>
Net position restricted for pensions:				
Beginning of the year			<u>32,443,925</u>	
End of the year			<u>\$ 35,186,481</u>	

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, 2018

	Balance May 1, 2017	Additions	Deductions	Balance April 30, 2017
Assets				
Cash	\$ 281,544	\$ (2,220,369)	\$ (2,215,884)	\$ 277,059
Other receivables	201,548	-	-	201,548
	<u>\$ 483,092</u>	<u>\$ (2,220,369)</u>	<u>\$ (2,215,884)</u>	<u>\$ 478,607</u>
Liabilities				
Recapture fees payable	\$ 119,632	\$ 33	\$ -	\$ 119,665
Funds held for others	363,460	(2,220,402)	(2,215,884)	358,942
	<u>\$ 483,092</u>	<u>\$ (2,220,369)</u>	<u>\$ (2,215,884)</u>	<u>\$ 478,607</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, 2018

Assets

Governmental funds capital assets:	
Land	\$ 103,584,779
Construction in progress	5,659,479
Buildings and improvements	35,074,463
Machinery, equipment and vehicles	18,509,896
Infrastructure	<u>72,242,396</u>
Total governmental funds capital assets	<u>\$ 235,071,013</u>

Investment in Governmental Funds
Capital Assets By Source

General Fund	\$ 140,732,266
Special Revenue Funds	31,585,038
Capital Projects Funds	23,628,127
Developer contributions	<u>39,125,582</u>
Total governmental funds capital assets	<u>\$ 235,071,013</u>

See independent auditor's report.

City of Crystal Lake, Illinois
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
April 30, 2018

	Land	Construction in Progress	Buildings and Improvements
General government	\$ 103,370,198	\$ 20,466	\$ 12,269,147
Public safety	-	-	15,276,206
Highways and streets	214,581	5,639,013	493,266
Culture and recreation	-	-	7,035,844
	\$ 103,584,779	\$ 5,659,479	\$ 35,074,463

See independent auditor's report.

Machinery, Equipment and Vehicles	Infrastructure	Total
\$ 2,780,553	\$ 2,779,192	\$ 121,219,556
8,522,523	-	23,798,729
6,323,613	59,762,473	72,432,946
883,207	9,700,731	17,619,782
\$ 18,509,896	\$ 72,242,396	\$ 235,071,013

City of Crystal Lake, Illinois
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
April 30, 2018

	Balance May 1, 2017	Additions
General government	\$ 121,119,882	\$ 163,465
Public safety	23,549,491	740,016
Highways and streets	71,979,460	909,786
Culture and recreation	17,619,782	-
	\$ 234,268,615	\$ 1,813,267

See independent auditor's report.

<u>Deletions and Transfers</u>	<u>Balance April 30, 2018</u>
\$ 63,791	\$ 121,219,556
490,778	23,798,729
456,300	72,432,946
-	17,619,782
<hr/>	<hr/>
\$ 1,010,869	\$ 235,071,013

City of Crystal Lake, Illinois
Discretely Presented Component Unit - Crystal Lake Public Library
Statement of Net Position and Governmental Funds Balance Sheet
April 30, 2018

	General Operating	Governme Special Reserve
Assets		
Current:		
Cash and investments	\$ 2,672,918	\$ 1,764,598
Property tax receivable	4,035,693	-
Accounts receivable		
Prepaid expenses	64,245	-
Capital assets, net of accumulated depreciation	-	-
Total assets	6,772,856	1,764,598
Deferred Outflows		
Pension-related	-	-
Total assets and deferred outflows	\$ 6,772,856	\$ 1,764,598
Liabilities		
Current:		
Accounts payable	\$ 87,245	\$ -
Accrued payroll	54,829	-
Compensated absences	-	-
Total current liabilities	142,074	-
Noncurrent:		
Compensated absences payable	-	-
Net pension liability	-	-
Total noncurrent liabilities	-	-
Total liabilities	142,074	-
Deferred Inflows of Resources		
Property taxes	4,035,693	-
Pension - related	-	-
Total deferred inflows	4,035,693	-
Total liabilities and deferred inflows of resources	4,177,767	-
Fund balance/net position:		
Restricted for working cash	-	-
Restricted for retirement	-	-
Assigned	-	1,764,598
Unassigned/unrestricted	2,595,089	-
Net investment in capital assets	-	-
Total fund balance/net position	2,595,089	1,764,598
Total liabilities, deferred inflows of resources and fund balance/net position	\$ 6,772,856	\$ 1,764,598

See independent auditor's report.

ntal Funds				Statement
Nonmajor		Total	Adjustments	of Net
Funds				Position
\$ 1,111,702	\$ 5,549,218	\$ -	5,549,218	
507,348	4,543,041	-	4,543,041	
638	638	-	638	
-	64,245	-	64,245	
-	-	6,790,743	6,790,743	
1,619,688	10,157,142	6,790,743	16,947,885	
-	-	468,600	468,600	
\$ 1,619,688	\$ 10,157,142	\$ 7,259,343	\$ 17,416,485	
\$ 68,729	\$ 155,974	\$ -	\$ 155,974	
10,851	65,680	-	65,680	
-	-	93,986	93,986	
79,580	221,654	93,986	315,640	
-	-	50,586	50,586	
-	-	768,584	768,584	
-	-	819,170	819,170	
79,580	221,654	913,156	1,134,810	
507,348	4,543,041	-	4,543,041	
-	-	1,234,054	1,234,054	
507,348	4,543,041	1,234,054	5,777,095	
586,928	4,764,695	2,147,210	6,911,905	
50,795	50,795	-	50,795	
246,079	246,079	-	246,079	
735,886	2,500,484	(2,500,484)	-	
-	2,595,089	821,874	3,416,963	
-	-	6,790,743	6,790,743	
1,032,760	5,392,447	5,112,133	10,504,580	
\$ 1,619,688	\$ 10,157,142	\$ 7,259,343	\$ 17,416,485	

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, 2018

Total fund balance - governmental funds	\$ 5,392,447
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.	6,790,743
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	(144,572)
Net pension liability	(768,584)
Difference in pension-related items on deferred outflows	468,600
Difference in pension-related items on deferred inflows	(1,234,054)
Net position of governmental activities	\$ 10,504,580

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, 2018

	General Operating	Governme Special Reserve
Expenditures/expenses:		
Culture and recreation	\$ 3,762,944	\$ 9,222
Capital outlay	35,328	61,325
Total expenditures/expenses	3,798,272	70,547
Program revenues:		
Fines and fees	109,995	-
Rental income	-	-
Total program revenues	109,995	-
Net program expenditures/expenses	(3,688,277)	(70,547)
General revenues:		
Property taxes	3,990,065	-
Interest	27,672	11,508
Miscellaneous	32,453	-
Total general revenues	4,050,190	11,508
Other financing sources (uses):		
Transfers in	-	460,058
Transfers out	(460,058)	-
Total other financing sources (uses)	(460,058)	460,058
Net changes in fund balances	(98,145)	401,019
Fund balances, beginning of the year	2,693,234	1,363,579
Fund balances, end of the year	\$ 2,595,089	\$ 1,764,598

See independent auditor's report.

<hr/>			
ntal Funds			
<u>Nonmajor Funds</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 568,205	\$ 4,340,371	\$ 135,250	\$ 4,475,621
-	96,653	(79,600)	17,053
<hr/>	<hr/>	<hr/>	<hr/>
568,205	4,437,024	55,650	4,492,674
<hr/>	<hr/>	<hr/>	<hr/>
-	109,995	-	109,995
124,121	124,121	-	124,121
<hr/>	<hr/>	<hr/>	<hr/>
124,121	234,116	-	234,116
<hr/>	<hr/>	<hr/>	<hr/>
(444,084)	(4,202,908)	(55,650)	(4,258,558)
<hr/>	<hr/>	<hr/>	<hr/>
502,220	4,492,285	-	4,492,285
9,538	48,718	-	48,718
78,307	110,760	-	110,760
<hr/>	<hr/>	<hr/>	<hr/>
590,065	4,651,763	-	4,651,763
<hr/>	<hr/>	<hr/>	<hr/>
-	460,058	-	460,058
-	(460,058)	-	(460,058)
<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	-
<hr/>	<hr/>	<hr/>	<hr/>
145,981	448,855	(55,650)	393,205
<hr/>	<hr/>	<hr/>	<hr/>
886,779	4,943,592	5,167,783	10,111,375
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\$ 1,032,760	\$ 5,392,447	\$ 5,112,133	\$ 10,504,580
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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, 2018

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

Net change in fund balances - total governmental funds	\$ 448,855
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 depreciation (\$199,109) exceeds capital outlay (\$79,600) in the current period.	(119,509)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:	
Decrease in compensated absences payable	(14,832)
The net effect of changes in the net pension liability is reported as an expense in the statement of activities.	78,691
Change in net position of governmental activities	\$ 393,205

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, 2018

	Total	Special	
		Gift and Memorial	Ames
Assets			
Cash and investments	\$ 1,111,702	\$ 108,786	\$ 377,597
Property tax receivable	507,348	-	-
Accounts receivable	638	-	-
Total assets	\$ 1,619,688	\$ 108,786	\$ 377,597
Liabilities			
Accrued payroll	\$ 10,851	\$ -	\$ -
Accounts payable	68,729	-	-
Total liabilities	79,580	-	-
Deferred Inflows of Resources			
Property taxes	507,348	-	-
Total liabilities and deferred inflows of resources	586,928	-	-
Fund balances:			
Restricted	296,874	-	-
Assigned	735,886	108,786	377,597
Total fund balances	1,032,760	108,786	377,597
Total liabilities, deferred inflows of resources and fund balances	\$ 1,619,688	\$ 108,786	\$ 377,597

See independent auditor's report.

Revenue		Capital Project Fund	Permanent Fund
IMRF	FICA	Public Library Repair and Construction	Working Cash
\$ 154,346	\$ 102,584	\$ 317,594	\$ 50,795
312,403	194,945	-	-
-	-	638	-
<u>\$ 466,749</u>	<u>\$ 297,529</u>	<u>\$ 318,232</u>	<u>\$ 50,795</u>
\$ 6,768	\$ 4,083	\$ -	\$ -
-	-	68,729	-
6,768	4,083	68,729	-
312,403	194,945	-	-
319,171	199,028	68,729	-
147,578	98,501	-	50,795
-	-	249,503	-
147,578	98,501	249,503	50,795
<u>\$ 466,749</u>	<u>\$ 297,529</u>	<u>\$ 318,232</u>	<u>\$ 50,795</u>

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, 2018

	<u>Total</u>	<u>Gift and Memorial</u>	<u>Special Ames</u>
Revenues:			
Property taxes	\$ 502,220	\$ -	\$ -
Interest	9,538	-	3,870
Rental income	124,121	-	-
Miscellaneous	78,307	77,171	-
Total revenues	714,186	77,171	3,870
Expenditures - current - culture and recreation	568,205	10,628	-
Net changes in fund balances	145,981	66,543	3,870
Fund balances, beginning of the year	886,779	42,243	373,727
Fund balances, end of the year	\$ 1,032,760	\$ 108,786	\$ 377,597

See independent auditor's report.

Revenue		Capital Project Fund	Permanent Fund
IMRF	FICA	Public Library Repair and Construction	Working Cash
\$ 310,197	\$ 192,023	\$ -	\$ -
1,125	739	3,494	310
-	-	124,121	-
-	-	1,136	-
<u>311,322</u>	<u>192,762</u>	<u>128,751</u>	<u>310</u>
<u>287,120</u>	<u>177,029</u>	<u>93,428</u>	<u>-</u>
24,202	15,733	35,323	310
<u>123,376</u>	<u>82,768</u>	<u>214,180</u>	<u>50,485</u>
<u>\$ 147,578</u>	<u>\$ 98,501</u>	<u>\$ 249,503</u>	<u>\$ 50,795</u>

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, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 3,992,058	\$ 3,992,062	\$ 3,990,065	\$ (1,997)
Fines and forfeitures	109,835	108,616	109,995	1,379
Interest	3,500	5,400	27,672	22,272
Miscellaneous	63,484	65,284	32,453	(32,831)
Total revenues	<u>4,168,877</u>	<u>4,171,362</u>	<u>4,160,185</u>	<u>(11,177)</u>
Expenditures:				
Culture and recreation:				
Personal services	2,958,107	2,943,107	2,801,293	141,814
Contractual services	476,132	489,045	389,450	99,595
Supplies and materials	637,600	641,642	572,201	69,441
Capital outlay:				
Operating equipment	97,038	97,568	35,328	62,240
Total expenditures	<u>4,168,877</u>	<u>4,171,362</u>	<u>3,798,272</u>	<u>373,090</u>
Revenues over expenditures before other financing uses	-	-	361,913	361,913
Other financing uses - transfers out	-	-	(460,058)	(460,058)
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(98,145)</u>	<u>\$ (98,145)</u>
Fund balance, beginning of the year			<u>2,693,234</u>	
Fund balance, end of the year			<u>\$ 2,595,089</u>	

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, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues - interest income	\$ -	\$ -	\$ 11,508	\$ 11,508
Expenditures:				
Culture and recreation:				
Contractual services	274,209	323,870	9,222	314,648
Capital outlay	1,051,130	1,016,130	61,325	954,805
Total expenditures	1,325,339	1,340,000	70,547	1,269,453
Revenues under expenditures before other financing sources	(1,325,339)	(1,340,000)	(59,039)	1,280,961
Other financing sources - transfers in	-	-	460,058	460,058
Net changes in fund balance	\$ (1,325,339)	\$ (1,340,000)	401,019	\$ 1,741,019
Fund balance, beginning of the year			1,363,579	
Fund balance, end of the year			\$ 1,764,598	

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, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Miscellaneous	\$ 25,000	\$ 20,000	\$ 77,171	\$ 57,171
Total revenues	25,000	20,000	77,171	57,171
Expenditures:				
Culture and recreation:				
Contractual services	8,330	55,546	357	55,189
Supplies and materials	16,670	13,798	10,271	3,527
Total expenditures	25,000	69,344	10,628	58,716
Changes in fund balance	\$ -	\$ (49,344)	66,543	\$ 115,887
Fund balance, beginning of the year			42,243	
Fund balance, end of the year			\$ 108,786	

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, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 310,352	\$ 310,352	\$ 310,197	\$ (155)
Interest	-	-	1,125	1,125
Total revenues	310,352	310,352	311,322	970
Expenditures - culture and recreation - personnel services	310,352	310,352	287,120	23,232
Changes in fund balance	\$ -	\$ -	24,202	\$ 24,202
Fund balance, beginning of the year			123,376	
Fund balance, end of the year			\$ 147,578	

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, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 192,110	\$ 192,110	\$ 192,023	\$ (87)
Interest	-	-	739	739
Total revenues	192,110	192,110	192,762	652
Expenditures - culture and recreation - personnel services	192,110	192,110	177,029	15,081
Changes in fund balance	\$ -	\$ -	15,733	\$ 15,733
Fund balance, beginning of the year			82,768	
Fund balance, end of the year			\$ 98,501	

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, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Interest	\$ -	\$ -	\$ 3,494	\$ 3,494
Capital facilities fee	2,898	-	638	638
Rental income	133,176	131,526	124,121	(7,405)
Miscellaneous	-	-	498	498
Total revenues	<u>136,074</u>	<u>131,526</u>	<u>128,751</u>	<u>(2,775)</u>
Expenditures - culture and recreation - contractual services	<u>136,074</u>	<u>131,526</u>	<u>93,428</u>	<u>38,098</u>
Changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>35,323</u>	<u>\$ 35,323</u>
Fund balance, beginning of the year			<u>214,180</u>	
Fund balance, end of the year			<u>\$ 249,503</u>	

See independent auditor's report.

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City’s financial performance and wellbeing have changed over time.	157 – 168
Revenue Capacity These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	169 – 175
Debt Capacity These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	176 – 180
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place, and to help make comparisons over time and with other governments.	181 – 182
Operating Information These schedules contain information about the City’s operations and resources, to help the reader understand how the City’s financial information relates to the services the City provides and the activities it performs.	183 – 188

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Fiscal Year 2015</u>
Governmental activities:				
Net investment in capital assets	\$ 175,911,065	\$ 176,078,381	\$ 173,957,143	\$ 169,307,809
Restricted	8,417,145	7,369,493	7,095,286	8,310,611
Unrestricted	(27,233,715)	(20,991,234)	(15,551,944)	16,387,714
Total governmental activities	\$ 157,094,495	\$ 162,456,640	\$ 165,500,485	\$ 194,006,134
Business-type activities:				
Net investment in capital assets	\$ 44,397,118	\$ 44,551,283	\$ 44,805,894	\$ 45,482,321
Unrestricted	7,018,743	6,510,946	5,786,960	6,465,993
Total business-type activities	\$ 51,415,861	\$ 51,062,229	\$ 50,592,854	\$ 51,948,314
Primary government:				
Net investment in capital assets	\$ 220,308,183	\$ 220,629,664	\$ 218,763,037	\$ 214,790,130
Restricted	8,417,145	7,369,493	7,095,286	8,310,611
Unrestricted	(20,214,972)	(14,480,288)	(9,764,984)	22,853,707
Total primary government	\$ 208,510,356	\$ 213,518,869	\$ 216,093,339	\$ 245,954,448

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. The City adopted GASB Statement No. 75 in the fiscal year ended April 30, 2018, and recorded a restatement to reduce unrestricted governmental net assets of \$3,634,075.

See independent auditor's report.

Ended April 30,					
2014	2013	2012	2011	2010	2009
\$ 166,610,233	\$ 164,606,919	\$ 151,485,526	\$ 146,630,784	\$ 145,238,182	\$ 142,698,809
9,326,916	8,563,063	10,050,248	12,072,057	11,709,762	11,517,858
17,142,358	20,479,784	22,599,394	26,752,202	25,921,333	24,480,259
<u>\$ 193,079,507</u>	<u>\$ 193,649,766</u>	<u>\$ 184,135,168</u>	<u>\$ 185,455,043</u>	<u>\$ 182,869,277</u>	<u>\$ 178,696,926</u>
\$ 43,238,913	\$ 47,890,962	\$ 51,149,367	\$ 50,388,323	\$ 48,443,665	\$ 51,853,939
11,414,079	8,600,766	3,360,482	3,963,636	5,677,672	4,406,249
<u>\$ 54,652,992</u>	<u>\$ 56,491,728</u>	<u>\$ 54,509,849</u>	<u>\$ 54,351,959</u>	<u>\$ 54,121,337</u>	<u>\$ 56,260,188</u>
\$ 209,849,146	\$ 212,497,881	\$ 202,634,893	\$ 197,019,107	\$ 193,681,847	\$ 194,552,748
9,326,916	8,563,063	10,050,248	12,072,057	11,709,762	11,517,858
28,556,437	29,080,550	25,959,876	30,715,838	31,599,005	28,886,508
<u>\$ 247,732,499</u>	<u>\$ 250,141,494</u>	<u>\$ 238,645,017</u>	<u>\$ 239,807,002</u>	<u>\$ 236,990,614</u>	<u>\$ 234,957,114</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Fiscal Year</u> <u>2015</u>
Expenses:				
Governmental activities:				
General and administrative	\$ 9,480,281	\$ 9,186,944	\$ 9,453,754	\$ 9,219,290
Public safety	28,257,439	28,675,754	25,243,996	23,670,546
Highways and streets	9,075,738	8,803,178	11,137,715	9,738,091
Culture and recreation	1,240,815	1,202,081	1,158,493	1,045,576
Interest on long-term debt	395,280	434,677	472,785	531,492
Total governmental activities expenses	48,449,553	48,302,634	47,466,743	44,204,995
Business-type activities - waterworks/sewerage	11,871,081	10,911,625	11,161,179	12,584,450
Total business-type activities expenses	11,871,081	10,911,625	11,161,179	12,584,450
Total expenses	\$ 60,320,634	\$ 59,214,259	\$ 58,627,922	\$ 56,789,445
Program revenues:				
Governmental activities:				
Charges for services:				
General and administrative	\$ 1,278,712	\$ 1,151,113	\$ 1,015,508	\$ 1,185,748
Public safety	4,675,869	4,548,947	3,907,398	3,888,838
Highways and streets	227,659	216,074	240,659	234,750
Culture and recreation	652,572	626,341	494,003	406,991
Operating grants and contributions:				
Highways and streets	1,072,190	1,064,996	3,371,612	1,446,094
Other activities	169,325	240,876	275,424	658,469
Capital grants and contributions:				
Highways and streets	1,023,140	305,691	2,627,832	1,226,760
Other activities	4,370	23,132	2,076	243,238
Total governmental activities program revenues	9,103,837	8,177,170	11,934,512	9,290,888
Business-type activities:	11,967,058	11,182,267	10,048,556	9,411,316
Charges for services - waterworks/sewerage	11,967,058	11,182,267	10,048,556	9,411,316
Operating grants and contributions	3,500	-	-	-
Capital grants and contributions	-	113,616	849,507	312,550
Total business-type activities program revenues	11,970,558	11,295,883	10,898,063	9,723,866
Total program revenues	\$ 21,074,395	\$ 19,473,053	\$ 22,832,575	\$ 19,014,754

(cont'd)

Ended April 30,					
2014	2013	2012	2011	2010	2009
\$ 9,433,013	\$ 8,982,683	\$ 10,447,524	\$ 7,646,123	\$ 8,652,289	\$ 8,609,775
23,491,319	23,061,425	24,157,329	21,620,519	20,113,957	19,574,409
8,923,262	7,755,990	7,848,907	7,892,328	6,934,366	7,820,886
1,020,029	1,020,428	1,400,906	1,482,797	664,816	323,582
629,055	773,768	625,751	663,220	751,000	766,112
<u>43,496,678</u>	<u>41,594,294</u>	<u>44,480,417</u>	<u>39,304,987</u>	<u>37,116,428</u>	<u>37,094,764</u>
<u>11,573,150</u>	<u>10,092,510</u>	<u>9,907,476</u>	<u>9,399,817</u>	<u>9,599,893</u>	<u>9,110,643</u>
<u>11,573,150</u>	<u>10,092,510</u>	<u>9,907,476</u>	<u>9,399,817</u>	<u>9,599,893</u>	<u>9,110,643</u>
<u>\$ 55,069,828</u>	<u>\$ 51,686,804</u>	<u>\$ 54,387,893</u>	<u>\$ 48,704,804</u>	<u>\$ 46,716,321</u>	<u>\$ 46,205,407</u>
\$ 1,137,583	\$ 1,154,208	\$ 1,001,950	\$ 955,184	\$ 798,578	\$ 869,769
3,542,573	3,592,630	3,656,295	3,149,558	3,089,958	3,122,362
232,521	247,139	240,339	232,567	236,273	248,958
407,383	445,580	488,712	93,247	-	-
1,206,621	1,342,940	1,178,089	1,305,141	1,190,741	1,077,248
111,147	636,459	132,808	253,015	116,891	76,141
142,398	2,023,692	3,723,623	981,926	2,269,918	-
359,298	262,863	-	11,016	12,478	17,631
<u>7,139,524</u>	<u>9,705,511</u>	<u>10,421,816</u>	<u>6,981,654</u>	<u>7,714,837</u>	<u>5,412,109</u>
9,231,762	11,127,180	8,230,935	7,900,283	7,206,334	7,528,983
-	-	-	-	-	-
167,250	65,842	101,311	15,683	183,500	-
<u>9,399,012</u>	<u>11,193,022</u>	<u>8,332,246</u>	<u>7,915,966</u>	<u>7,389,834</u>	<u>7,528,983</u>
<u>\$ 16,538,536</u>	<u>\$ 20,898,533</u>	<u>\$ 18,754,062</u>	<u>\$ 14,897,620</u>	<u>\$ 15,104,671</u>	<u>\$ 12,941,092</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Fiscal Year 2015</u>
Net (expense) revenue:				
Governmental activities	\$ (39,345,716)	\$ (40,125,464)	\$ (35,532,231)	\$ (34,914,107)
Business-type activities	99,477	384,258	(263,116)	(2,860,584)
Total net (expense) revenue	<u>\$ (39,246,239)</u>	<u>\$ (39,741,206)</u>	<u>\$ (35,795,347)</u>	<u>\$ (37,774,691)</u>
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property	\$ 12,499,058	\$ 12,368,764	\$ 13,424,456	\$ 11,054,823
Home rule	5,159,592	5,078,986	5,040,729	5,084,373
Auto rental	40,230	43,751	42,515	47,986
Franchise fees - cable	728,314	615,070	790,182	692,094
Telecommunications	1,076,925	1,155,832	1,276,159	1,381,207
Hotel/other	408,156	357,772	301,467	298,471
Intergovernmental:				
Replacement	147,318	160,573	133,431	156,255
State sales and use	12,595,524	12,310,138	12,103,709	11,903,296
Income	3,707,369	3,841,569	4,167,471	4,104,684
Investment earnings	334,737	484,987	470,909	179,247
Miscellaneous	920,423	664,177	1,170,199	938,298
Release of commitment of SSA debt	-	-	-	-
Transfers	-	-	-	-
Total governmental activities	<u>37,617,646</u>	<u>37,081,619</u>	<u>38,921,227</u>	<u>35,840,734</u>
Business-type activities:				
Investment earnings (loss)	(3,132)	(12,899)	79,071	39,673
Miscellaneous	257,285	98,016	209,444	116,233
Transfers	-	-	-	-
Total business-type activities	<u>254,153</u>	<u>85,117</u>	<u>288,515</u>	<u>155,906</u>
Total	<u>\$ 37,871,799</u>	<u>\$ 37,166,736</u>	<u>\$ 39,209,742</u>	<u>\$ 35,996,640</u>
Change in net position:				
Governmental activities	\$ (1,728,070)	\$ (3,043,845)	\$ 3,388,996	\$ 926,627
Business-type activities	353,630	469,375	25,399	(2,704,678)
Total change in net position	<u>\$ (1,374,440)</u>	<u>\$ (2,574,470)</u>	<u>\$ 3,414,395</u>	<u>\$ (1,778,051)</u>

Source: Audited financial statements.

See independent auditor's report.

Ended April 30,

2014	2013	2012	2011	2010	2009
<u>\$(36,357,154)</u>	<u>\$(31,888,783)</u>	<u>\$(34,058,601)</u>	<u>\$(32,323,333)</u>	<u>\$(29,401,591)</u>	<u>\$(31,682,655)</u>
<u>(2,174,138)</u>	<u>1,100,512</u>	<u>(1,575,230)</u>	<u>(1,483,851)</u>	<u>(2,210,059)</u>	<u>(1,581,660)</u>
<u>\$(38,531,292)</u>	<u>\$(30,788,271)</u>	<u>\$(35,633,831)</u>	<u>\$(33,807,184)</u>	<u>\$(31,611,650)</u>	<u>\$(33,264,315)</u>
\$ 11,165,180	\$ 11,327,721	\$ 11,061,961	\$ 11,880,834	\$ 11,364,280	\$ 11,527,194
5,000,073	4,756,678	4,710,538	4,574,657	4,546,821	3,833,890
43,174	36,185	35,281	29,429	28,204	30,560
645,315	640,472	604,233	566,979	501,544	474,377
1,559,980	1,746,976	1,824,479	1,693,257	1,831,489	1,925,732
272,587	278,356	281,817	251,417	230,880	313,289
152,358	142,418	139,013	154,893	135,686	144,517
11,326,567	10,662,042	10,736,957	10,200,357	9,944,402	10,748,033
3,890,892	3,854,999	3,451,994	3,079,075	3,068,722	3,503,952
213,842	354,263	367,609	974,115	1,081,644	1,345,422
1,504,447	814,168	1,222,460	782,343	840,270	735,643
-	8,155,975	-	-	-	-
12,480	(848,275)	(1,697,616)	(1,252,036)	-	(402,017)
<u>35,786,895</u>	<u>41,921,978</u>	<u>32,738,726</u>	<u>32,935,320</u>	<u>33,573,942</u>	<u>34,180,592</u>
40,184	2,382	5,062	48,105	30,986	59,519
307,698	30,710	30,442	(2,751)	40,222	13,943
<u>(12,480)</u>	<u>848,275</u>	<u>1,697,616</u>	<u>1,252,036</u>	<u>-</u>	<u>402,017</u>
<u>335,402</u>	<u>881,367</u>	<u>1,733,120</u>	<u>1,297,390</u>	<u>71,208</u>	<u>475,479</u>
<u>\$ 36,122,297</u>	<u>\$ 42,803,345</u>	<u>\$ 34,471,846</u>	<u>\$ 34,232,710</u>	<u>\$ 33,645,150</u>	<u>\$ 34,656,071</u>
\$ (570,259)	\$ 10,033,195	\$ (1,319,875)	\$ 611,987	\$ 4,172,351	\$ 2,497,937
<u>(1,838,736)</u>	<u>1,981,879</u>	<u>157,890</u>	<u>(186,461)</u>	<u>(2,138,851)</u>	<u>(1,106,181)</u>
<u>\$ (2,408,995)</u>	<u>\$ 12,015,074</u>	<u>\$ (1,161,985)</u>	<u>\$ 425,526</u>	<u>\$ 2,033,500</u>	<u>\$ 1,391,756</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	2,455,422	2,295,685	1,807,119	1,578,916
Committed	3,796	3,128	3,128	3,128
Assigned	1,848,473	2,584,111	1,082,174	3,615,389
Unassigned	11,533,098	9,616,898	10,224,095	7,820,204
Total General Fund	\$ 15,840,789	\$ 14,499,822	\$ 13,116,516	\$ 13,017,637
All other governmental funds:				
Reserved:				
Other	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Nonspendable, reported in:				
Special Revenue Funds	8,075	4,923	7,860	7,392
Capital Projects Funds	38,280	-	-	-
Restricted, reported in:				
Special Revenue Funds	8,403,881	7,277,111	7,077,082	8,145,652
Debt Service Funds	470,617	535,819	607,044	656,450
Capital Projects Funds	8,670	97,819	97,819	193,425
Assigned, reported in:				
Special Revenue Funds	4,588,755	5,362,831	6,161,723	5,239,772
Capital Projects Funds	1,480,913	1,682,146	3,484,108	3,349,107
Unassigned, reported in:				
Special Revenue Funds	-	-	-	(1,621)
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Total all other governmental funds	\$ 14,999,191	\$ 14,960,649	\$ 17,435,636	\$ 17,590,177

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.

Fiscal Year Ended April 30,					
2014	2013	2012	2011	2010	2009
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,675,549
-	-	-	-	-	19,485,158
3,237,798	2,845,081	2,910,564	2,859,443	3,028,759	-
-	-	-	-	-	-
2,419,158	3,660,817	2,452,902	3,000,000	5,050,000	-
10,024,692	11,123,805	12,539,460	15,338,381	13,531,107	-
<u>\$ 15,681,648</u>	<u>\$ 17,629,703</u>	<u>\$ 17,902,926</u>	<u>\$ 21,197,824</u>	<u>\$ 21,609,866</u>	<u>\$ 22,160,707</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 448,696
-	-	-	-	-	18,621,408
-	-	-	-	-	836,020
-	-	-	-	-	(503,734)
429	82,460	150,365	174,629	472,933	-
-	-	-	-	-	-
8,662,682	8,521,260	9,082,375	9,760,597	10,822,453	-
664,234	44,827	969,634	850,866	906,392	-
349,145	-	-	-	-	-
5,489,662	6,069,521	7,008,252	10,935,899	10,188,580	-
3,431,874	3,994,997	4,200,746	2,032,886	6,328,647	-
-	-	-	-	-	-
-	(3,024)	(1,761)	(1,795)	(5,410)	-
(2,039,724)	(1,841,925)	(1,797,070)	(1,318,932)	-	-
<u>\$ 16,558,302</u>	<u>\$ 16,868,116</u>	<u>\$ 19,612,541</u>	<u>\$ 22,434,150</u>	<u>\$ 28,713,595</u>	<u>\$ 19,402,390</u>

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

	2018	2017	2016	2015
Revenues:				
Charges for services	\$ 5,264,409	\$ 5,259,621	\$ 4,561,965	\$ 4,255,331
Licenses and permits	659,908	626,878	546,408	594,261
Intergovernmental	18,841,214	17,740,346	22,510,761	19,178,195
Fines and forfeitures	520,692	687,186	715,857	1,186,481
Property taxes	12,499,057	12,368,764	13,424,456	11,054,823
Other taxes	7,317,786	7,251,411	7,451,052	7,504,131
Interest	334,734	484,987	470,909	179,247
Miscellaneous	1,350,750	943,772	1,232,711	1,037,793
Total revenues	46,788,550	45,362,965	50,914,119	44,990,262
Expenditures:				
Current:				
General government	8,312,721	8,176,893	8,013,493	8,433,073
Public safety	24,143,224	23,956,258	23,852,909	22,521,524
Highways and streets	5,426,131	7,122,954	7,333,376	8,248,411
Culture and recreation	723,546	736,944	618,351	563,450
Capital outlay	4,877,081	4,559,275	9,178,080	4,943,965
Debt service:				
Principal	1,447,120	1,426,983	1,383,967	1,338,673
Interest and fees	479,218	475,339	589,605	545,577
Total expenditures	45,409,041	46,454,646	50,969,781	46,594,673
Revenues over (under) expenditures before other financing sources (uses)	1,379,509	(1,091,681)	(55,662)	(1,604,411)
Other financing sources (uses):				
Transfers in	6,702,316	7,315,265	9,006,449	10,011,992
Transfers out	(6,702,316)	(7,315,265)	(9,006,449)	(10,039,717)
General obligation bonds	-	-	-	-
Bond premium	-	-	-	-
Payment to refunded bond escrow	-	-	-	-
SSA bonds issued	-	-	-	-
Total other financing sources (uses)	-	-	-	(27,725)
Net changes in fund balances	\$ 1,379,509	\$ (1,091,681)	\$ (55,662)	\$ (1,632,136)
Debt service as a percentage of noncapital expenditures	4.27%	4.42%	4.20%	4.39%

Source: Audited financial statements.

See independent auditor's report.

Fiscal Year Ended April 30,					
2014	2013	2012	2011	2010	2009
\$ 3,976,998	\$ 4,151,306	\$ 4,252,140	\$ 3,360,819	\$ 3,231,973	\$ 3,377,812
689,030	681,467	603,915	571,338	623,399	687,478
17,210,359	18,897,440	18,468,845	15,699,908	1,255,501	15,518,767
593,493	581,230	681,590	615,032	637,172	626,212
11,165,179	11,327,721	11,061,961	11,880,834	11,364,280	11,527,194
7,521,129	7,458,667	8,349,987	7,401,254	20,352,032	6,626,604
213,846	354,263	367,608	974,114	1,081,644	1,345,426
1,595,211	865,199	1,128,819	686,785	497,962	321,738
<u>42,965,245</u>	<u>44,317,293</u>	<u>44,914,865</u>	<u>41,190,084</u>	<u>39,043,963</u>	<u>40,031,231</u>
8,442,528	8,134,756	7,325,941	7,196,049	7,554,253	7,632,258
22,065,741	21,638,535	21,396,677	19,821,689	18,943,799	18,172,027
5,908,318	5,962,709	5,439,262	5,949,059	5,578,194	6,384,188
542,720	550,698	546,814	1,124,645	1,805,834	1,471,775
6,371,060	8,723,799	12,104,347	10,016,441	10,206,702	5,887,597
1,325,384	1,343,197	1,460,345	1,305,074	3,677,000	680,000
579,843	974,494	1,060,370	1,216,578	754,475	771,991
<u>45,235,594</u>	<u>47,328,188</u>	<u>49,333,756</u>	<u>46,629,535</u>	<u>48,520,257</u>	<u>40,999,836</u>
(2,270,349)	(3,010,895)	(4,418,891)	(5,439,451)	(9,476,294)	(968,605)
8,751,359	6,354,136	15,343,341	4,265,805	2,498,031	2,557,818
(8,738,879)	(7,273,393)	(17,040,957)	(5,517,841)	(2,498,031)	(2,522,991)
-	3,389,792	-	-	18,175,000	-
-	123,227	-	-	61,658	-
-	(2,600,517)	-	-	-	-
-	-	-	-	-	-
<u>12,480</u>	<u>(6,755)</u>	<u>(1,697,616)</u>	<u>(1,252,036)</u>	<u>18,236,658</u>	<u>34,827</u>
<u>\$ (2,257,869)</u>	<u>\$ (3,017,650)</u>	<u>\$ (6,116,507)</u>	<u>\$ (6,691,487)</u>	<u>\$ 8,760,364</u>	<u>\$ (933,778)</u>
4.50%	5.78%	6.10%	6.86%	10.25%	3.94%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Property tax	\$ 12,499,057	\$ 12,368,764	\$ 13,424,456	\$ 11,054,823
Replacement tax	147,318	160,573	133,431	156,225
State sales tax	11,522,209	11,266,148	11,146,198	11,075,104
Home rule sales tax	5,159,592	5,078,986	5,040,729	5,084,373
Auto rental tax	40,230	43,733	42,515	47,986
Income	3,707,369	3,841,569	4,167,471	4,104,684
Franchise fees - cable	728,314	615,070	790,182	692,094
Telecommunications	1,076,925	1,155,832	1,276,159	1,381,207
Hotel	312,725	320,639	301,467	298,471
Local use	1,073,315	1,010,946	957,511	828,192
	<u>\$ 36,267,054</u>	<u>\$ 35,862,260</u>	<u>\$ 37,280,119</u>	<u>\$ 34,723,159</u>

See independent auditor's report.

Fiscal Year Ended April 30,					
2014	2013	2012	2011	2010	2009
\$ 11,165,179	\$ 11,327,721	\$ 11,061,961	\$ 11,880,834	\$ 11,364,280	\$ 11,527,194
152,358	142,418	139,013	154,893	135,686	144,517
10,608,131	10,016,056	10,137,309	9,627,149	9,467,834	10,189,283
5,000,073	4,756,678	4,710,538	4,574,657	4,546,821	3,833,890
43,174	36,185	35,281	29,429	28,204	30,560
3,890,892	3,854,999	3,451,994	3,079,075	3,068,722	3,503,952
645,315	640,472	604,233	566,979	501,544	474,377
1,559,980	1,746,976	1,824,479	1,693,257	1,831,489	1,925,732
272,587	278,356	281,817	251,417	230,880	313,289
718,436	645,986	599,648	573,208	476,568	558,750
<u>\$ 34,056,125</u>	<u>\$ 33,445,847</u>	<u>\$ 32,846,273</u>	<u>\$ 32,430,898</u>	<u>\$ 31,652,028</u>	<u>\$ 32,501,544</u>

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
2008	\$ 1,350,877	\$ 1,028,670,946	\$ 326,161,997	\$ 82,471,180	\$ 451,126
2009	1,433,073	1,014,220,209	323,715,883	81,742,371	451,126
2010	1,437,002	917,883,229	312,815,076	81,683,777	451,126
2011	1,457,426	851,992,597	272,387,226	70,992,705	779,823
2012	2,406,232	770,473,587	246,203,281	64,005,237	784,880
2013	2,266,748	706,627,435	222,999,035	57,052,844	766,260
2014	1,275,219	682,859,738	215,592,383	56,205,928	766,260
2015	1,404,385	699,260,973	217,281,136	59,020,112	844,076
2016	1,526,396	740,647,736	228,349,107	61,366,135	844,076
2017	1,622,445	786,070,587	235,117,515	64,679,519	844,076

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.

Rail Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Percentage of Assessed Value
\$ 582,126	\$ 1,439,688,252	0.7021	\$ 4,319,064,756	33.33%
695,565	1,422,258,227	0.7370	4,266,774,681	33.33%
862,324	1,315,132,534	0.7574	3,945,397,602	33.33%
914,093	1,198,523,870	0.8590	3,595,571,610	33.33%
1,030,667	1,084,903,884	0.9797	3,254,711,652	33.33%
1,268,185	990,980,507	1.1786	2,972,941,521	33.33%
1,320,683	958,020,211	1.2351	2,874,060,633	33.33%
1,581,706	979,392,388	1.2130	2,938,177,164	33.33%
1,608,116	1,034,341,566	1.1485	3,103,024,698	33.33%
1,639,399	1,089,973,541	1.1452	3,269,920,623	33.33%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating:					
City of Crystal Lake	\$ 1.1452	\$ 1.1485	\$ 1.2130	\$ 1.2351	\$ 1.1786
Crystal Lake Public Library	0.4210	0.4345	0.4589	0.4670	0.4436
McHenry County	0.9019	1.0539	1.0781	1.1412	1.0960
District 47	4.0463	4.1616	4.3488	4.3867	4.1626
District 155	2.6953	2.7749	2.9060	2.9721	2.8118
Debt service:					
McHenry County	-	-	-	-	-
District 47	0.2143	0.2119	0.2103	0.2655	0.2446
District 155	0.0066	0.0537	0.1196	0.1227	0.1495
Other	-	-	-	-	-
Total tax rate:					
City of Crystal Lake	1.1452	1.1485	1.2130	1.2351	1.1786
Crystal Lake Public Library	0.4210	0.4345	0.4589	0.4670	0.4436
McHenry County	0.9019	1.0539	1.0781	1.1412	1.0960
District 47	4.2607	4.3735	4.5591	4.6522	4.4072
District 155	2.7019	2.8286	3.0256	3.0948	2.9613
Other	-	-	-	-	-
Other:					
College District	0.3847	0.4066	0.4348	0.4453	0.4306
McHenry County Conservation	0.2449	0.2588	0.2766	0.2840	0.2748
Crystal Lake Park District	0.5178	0.5310	0.5535	0.5582	0.5193
Township (Algonquin)	0.0638	0.0712	0.0828	0.0851	0.0821
Road and Bridge (Algonquin)	0.1527	0.1705	0.1862	0.1913	0.1827

Source: McHenry County Clerk.

See independent auditor's report.

2012	2011	2010	2009	2008
\$ 0.9797	\$ 0.8590	\$ 0.7574	\$ 0.7370	\$ 0.7021
0.3878	0.3471	0.3145	0.2773	0.2773
0.9958	0.8879	0.7927	0.7157	0.7014
3.7347	3.2520	2.9484	2.6374	0.2588
2.5090	2.1864	1.9577	1.7711	1.7395
-	-	-	-	-
0.2129	0.1815	0.1591	0.0912	0.0863
0.1360	0.1115	0.0770	0.1344	0.1253
-	-	-	-	-
0.9797	0.8590	0.7574	0.7370	0.7021
0.3878	0.3471	0.3145	0.2773	0.2773
0.9958	0.8879	0.7927	0.7157	0.7014
3.9476	3.4335	3.1075	2.7286	0.3451
2.6450	2.2979	2.0347	1.9055	1.8648
-	-	-	-	-
0.3921	0.3395	0.3039	0.2740	0.2686
0.2481	0.2191	0.1956	0.1775	0.1732
0.4605	0.4135	0.3758	0.3519	0.3463
0.0742	0.0659	0.0577	0.0532	0.0522
0.1627	0.1450	0.1270	0.1171	0.1151

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

Taxpayer	Type of Business
Skyridge Partners LLC	Residential Housing
Inland Crystal Point LLC	Shopping
Centro Bradley Crystal Lake	Shopping
Colfin Cobalt Industrial	Industrial
ARHC Crystal Lake	Residential Housing
KPR US LLC	Industrial
Northern Illinois Medical Center	Healthcare
Walmart Real Est Business	Shopping
Watermark Crystal Lake	Residential Housing
Crystal Lake LP	Shopping
Darlington Court Apartments	Residential Housing
Sunrise Residential Housing	Residential Housing
Tyco Healthcare Group	Manufacturing
Inland Ryan LLC	Shopping
Inland Showplace LLC	Theater/Shopping

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.

2017			2008		
Taxable Assessed Value	Rank	Percent of Total District Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total District Taxable Assessed Value
\$ 8,657,222	1	0.79%	\$ 10,385,450	3	0.72%
6,632,670	2	0.61%	10,911,261	2	0.76%
6,037,186	3	0.55%	11,061,509	1	0.77%
5,715,312	4	0.52%	7,206,790	5	0.50%
5,295,348	5	0.49%	-	-	-
4,895,747	6	0.45%	-	-	-
3,729,882	7	0.34%	-	-	-
3,587,582	8	0.33%	6,009,504	8	0.42%
3,570,718	9	0.33%	-	-	-
3,359,670	10	0.31%	-	-	-
-	-	-	8,258,053	4	0.57%
-	-	-	6,912,329	6	0.48%
-	-	-	6,440,932	7	0.45%
-	-	-	5,490,702	9	0.38%
-	-	-	5,114,284	10	0.36%
\$ 51,481,337		4.72%	\$ 77,790,814		5.41%

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
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	10,588,864	10,565,666	99.78	-	10,565,666	99.78
2015	11,634,049	11,622,227	99.90	-	11,622,227	99.90
2016	11,785,312	11,765,244	99.83	-	11,765,244	99.83
2017	11,879,677	11,864,090	99.87	-	11,864,090	99.87
2018	11,879,703	11,873,307	99.95	-	11,873,307	99.95

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			
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	3.09	962.36
2017	13,423,170	-	19,541,830	10,426,422	43,391,422	3.05	1,065.00
2018	11,976,051	-	17,528,949	15,537,661	45,042,661	3.25	1,105.53

Note: Population and personal income data can be found at page 181, 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
2009	\$ 11,335,000	\$ 836,020	\$ 10,498,980
2010	27,835,000	906,392	26,928,608
2011	26,275,000	850,866	25,424,134
2012	24,579,324	967,874	23,611,450
2013	27,910,798	41,803	27,868,995
2014	43,972,909	664,234	43,308,675
2015	40,697,623	656,449	40,041,174
2016	37,309,250	607,044	36,702,206
2017	32,965,000	535,819	32,429,181
2018	29,505,000	470,617	29,034,383

Note: Population data can be found at page 181, Demographic and Economic Statistics.
Property value data can be found at pages 169 and 170, Assessed Value and
Actual Value of Taxable Property.

See independent auditor's report.

<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
0.81%	\$ 231.52
1.95%	593.81
1.77%	624.01
1.66%	579.52
2.12%	684.02
3.61%	1,062.97
3.69%	982.77
3.70%	900.82
3.39%	795.94
2.96%	712.62

City of Crystal Lake, Illinois
Direct and Overlapping Governmental Activities Debt
April 30, 2018

Governmental Unit	Outstanding Debt	Applicable to the City	
		Percent	Amount
City of Crystal Lake	\$ 11,976,051	100.00 %	\$ 11,976,051
Total direct debt	11,976,051		11,976,051
Overlapping:			
School District Number 47	4,580,000	60.24	2,758,992
School District Number 155	16,410,000	39.97	6,559,077
College District Number 528	2,715,000	15.00	407,250
School District Number 46	2,880,000	8.78	252,864
School District Number 200	101,136,940	1.08	1,092,279
School District Number 300	256,406,579	0.01	25,641
McHenry County	-	13.69	-
McHenry County Conservation District	91,070,000	13.69	12,467,483
Crystal Lake Park District	1,687,340	74.04	1,249,307
Cary Park District	1,255,683	0.03	377
Huntley Park District	3,885,818	0.69	26,812
LITH Sanitary District	-	7.14	-
Algonquin Township	-	25.63	-
Dorr Township	-	2.77	-
Grafton Township	-	14.76	-
Nunda Township Cemetery	-	21.22	-
Nunda Township	-	21.22	-
Total overlapping debt	\$ 482,027,360		24,840,082
Total direct and overlapping debt			\$ 36,816,133

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

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

See independent auditor's report.

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

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

Article VII, Section 6(k) of the Illinois Constitution governs computation of the legal debt margin.

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

See independent auditor's report.

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

Fiscal Year Ended April 30,	Estimated Population (1)	Personal Income	Per Capita Personal Income	School Enrollment (4)	Unemployment Rate (2)
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	1,138,359,420	27,940 (5)	14,937	8.6%
2014	40,743	1,138,359,420	27,940 (5)	14,716	6.3%
2015	40,743	1,434,275,829	35,203 (5)	14,336	4.9%
2016	40,743	1,263,937,534	31,133 (5)	14,020	5.0%
2017	40,743	1,420,912,125	34,875 (5)	13,896	3.2%
2018	40,743	1,386,932,463	34,041 (5)	13,695	3.5%

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%
	<u>4,689</u>		<u>11.50%</u>

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Government	44	44	43	42	43
Public Safety:					
Police	74	73	70	75	75
Fire	66	66	66	66	64
Highways and Streets:					
Engineering	6	7	8	8	9
Maintenance	16	17	17	17	18
Sanitation	12	12	12	13	12
Waterworks and Sewerage	15	16	17	18	18
	<u>233</u>	<u>235</u>	<u>233</u>	<u>239</u>	<u>239</u>

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

Source: City records.

See independent auditor's report.

2013	2012	2011	2010	2009
43	43	45	45	45
73	78	79	78	79
63	67	66	70	64
10	10	11	11	12
18	19	20	20	22
8	8	7	9	10
22	23	21	23	24
237	248	249	256	256

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

	2018	2017	2016	Fiscal Year 2015
Police:				
Physical arrests	838	905	935	1,010
Parking violations	3,310	3,724	4,131	5,406
Traffic violations	10,910	8,145	9,820	5,877
Fire:				
Number of calls answered	6,228	6,061	5,833	5,695
Inspections	981	969	833	1,104
Highways and Streets:				
Street resurfacing (miles)	6.9	8.3	6.0	6.9
Water:				
New connections	8	12	5	23
Water main breaks	19	24	18	29
Average daily consumption (millions of gallons)	3.853	3.850	3,910	3.930
Wastewater:				
Average daily sewage treatment (in gallons)	5,160	5,270	5,378	5,092

Source: City records.

See independent auditor's report.

Ended April 30,

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
918	979	1,089	956	1,170	1,660
4,569	5,018	7,173	7,019	8,569	8,824
5,914	5,067	6,185	6,287	7,614	7,093
5,452	5,475	5,357	5,069	4,940	5,116
1,060	1,077	976	879	970	749
8.1	8.8	6.2	3.8	7.6	6.5
7	7	15	14	15	50
34	23	34	28	31	27
4.400	4.140	4.060	4.300	4.650	4.940
4,800	4,167	4,793	3,934	5,000	5,870

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

	Fiscal Year				
	2018	2017	2016	2015	2014
Public safety:					
Police:					
Stations	1	1	1	1	1
Patrol units	19	19	21	24	24
Fire stations	3	3	3	3	3
Highways and Streets:					
Streets (miles)	160	160	160	160	160
Streetlights	1,996	1,996	1,996	1,996	1,996
Traffic signals	31	31	31	31	31
Culture and Recreation:					
Parks acreage	1,393	1,393	1,393	1,393	1,423
Parks	45	45	45	45	46
Tennis courts	30	30	30	30	30
Community centers	8	8	8	8	8
Water:					
Water mains (miles)	234	230	230	230	230
Fire hydrants	3,170	3,114	3,124	3,093	3,093
Maximum daily capacity (millions of gallons)	8.70	8.70	8.70	8.70	8.70
Sewer:					
Sanitary sewers (miles)	153	163	162	120	120
Storm sewers (miles)	121	117	61	60	60
Maximum daily treatment (thousands of gallons)	15,218	18,552	18,552	18,552	17,569

Source: City records.

See independent auditor's report.

Ended April 30,

2013	2012	2011	2010	2009
------	------	------	------	------

1	1	1	1	1
23	23	23	23	22
3	3	3	3	3
160	160	160	160	163
1,996	1,996	1,996	1,996	1,996
31	31	31	31	29
1,423	1,423	1,423	1,393	1,393
46	46	46	45	44
30	30	30	30	30
8	8	8	8	8
175	175	229	175	175
2,859	2,859	3,110	3,045	3,017
10.00	10.00	8.26	8.37	9.20
120	120	160	120	120
60	60	60	60	60
15,209	16,500	9,109	12,600	12,854

CONTINUING DISCLOSURE



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, 2017):

Coverage Afforded to: Intergovernmental Risk Management Agency & all Members
Coverage Period: November 1, 2017 to November 1, 2018

Types of Coverages	Limits
General Liability <ul style="list-style-type: none"> ▪ Professional Liability ▪ Law Enforcement Activities ▪ Employee Benefits 	\$12,000,000
Auto Liability <ul style="list-style-type: none"> ▪ Uninsured/Underinsured Motorist 	\$12,000,000 \$ 500,000
Public Officials Liability <ul style="list-style-type: none"> ▪ Wrongful Acts ▪ Employment Practices 	\$12,000,000
Workers' Compensation <ul style="list-style-type: none"> ▪ Employer's Liability 	Statutory \$2,500,000
First-Party Property – All Risk <ul style="list-style-type: none"> ▪ Flood Zone A/V ▪ Flood (Non-Zone A/V) ▪ Contingent Business Interruption (Sales Tax) ▪ Scheduled Emergency Vehicles-Agreed Value ▪ Boiler/Machinery 	\$250,000,000 per occurrence \$5,000,000 \$40,000,000 \$10,000,000 Scheduled \$ 50,000,000
Crime <ul style="list-style-type: none"> ▪ Employee Theft (Dishonesty) ▪ Forgery, Alteration & Counterfeit Currency ▪ Credit Card Forgery ▪ Computer Fraud ▪ Non-Faithful Performance 	\$5,000,000 \$5,000,000 \$5,000,000 \$5,000,000 \$2,500,000
Cyber Risk <ul style="list-style-type: none"> ▪ Liability & Defense ▪ Breach Response ▪ Name Malware ▪ Forensic IT Review ▪ Legal Review ▪ Public Relations 	\$250,000 \$100,000 \$50,000 \$15,000 \$10,000 \$5,000
Public Officials Bonds <ul style="list-style-type: none"> ▪ Mayor/President, Treasurer, Clerk ▪ Special District Trustees ▪ Supplemental 	Statutory Limits As Scheduled

Yearly Aggregates	Limits
Member Annual Payment Cap (Applies to general/auto liability and public officials' liability loss fund payments only)	\$6,000,000
Agency Aggregate Cap	\$70,407,125

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, 2018

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, 2018, and have issued our report thereon dated October 10, 2018. 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 January 8, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. The financial statements are the responsibility of management with your oversight. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management prior to field work beginning on May 2, 2018, and in our engagement letter dated January 8, 2018.

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 the year ended April 30, 2018, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure for OPEB provided to the employees of state and local governments. This Statement also addresses note disclosure and required supplementary information. There was a prior period restatement of beginning governmental activities net position as a result of adopting GASB Statement No. 75. No other new accounting policies were adopted and the application of existing policies was not changed during the year ended April 30, 2018.

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 and net OPEB obligation are based on actuarial studies. Management's determination that a liability for estimated claims incurred but not reported at April 30, 2018, 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, 2018.

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.

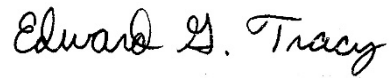
Other Matters

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
Executive Vice President

EGT/cr

**City of Crystal Lake, Illinois
Adjusting Journal Entries
For the Year Ended April 30, 2018**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>	<u>Income Increase (Decrease)</u>
Adjusting Journal Entry JE # 1				
Properly record balances due between Library funds.				
94000000016800	Due from Other Funds	\$ 1,481.18	\$ -	\$ -
94200000025800	Due to Other Funds		778.31	
94500000025800	Due to Other Funds		702.87	-
Adjusting Journal Entry JE # 2				
Record approved transfer between Library funds.				
94099601058860	Transfer to Special Reserve	460,058.25		
94400000049953	Transfer from Library Fund		460,058.25	-
Adjusting Journal Entry JE # 3				
Adjust accrued wages to actual at April 30, 2018.				
10105121054115	Wages-Part Time Employees	221.42		
10105690554115	Wages-Part Time Employees	1,886.98		
10105881054115	Wages-Part Time Employees	78.18		
10115201054115	Wages-Part Time Employees	559.08		
10115201054150	Wages-Overtime	6,458.75		
10120801054115	Wages-Part Time Employees	260.40		
10125421054115	Wages-Part Time Employees	84.18		
10125421054150	Wages-Overtime	485.34		
10125701054150	Wages-Overtime	25.82		
10125871054150	Wages-Overtime	43.44		
23018231054115	Wages-Part Time Employees	241.55		
23018231054150	Wages-Overtime	2,471.13		
62025431054150	Wages-Overtime	508.29		
62025701054150	Wages-Overtime	411.55		
10100000020010	Accrued Wages Payable		10,103.59	
23000000020010	Accrued Wages Payable		2,712.68	
62000000020010	Accrued Wages Payable		919.84	(13,736.11)
Adjusting Journal Entry JE # 4				
Client entry to record insurance receivable for damage at WTP #3.				
63000000015120	Accounts Receivable-Miscellaneous	133,785.61		
63000000048950	Reimbursements		133,785.61	133,785.61
Adjusting Journal Entry JE # 5				
Client entry to accrue reimbursement for school crossing guards.				
23500000015120	Accounts Receivable-Miscellaneous	16,379.50		
23500000048950	Reimbursements		16,379.50	(16,379.50)

(cont'd)

City of Crystal Lake, Illinois
Adjusting Journal Entries (cont'd)
For the Year Ended April 30, 2018

Account	Description	Debit	Credit	Income Increase (Decrease)
Adjusting Journal Entry JE # 6				
Client entry to adjust capital facility fees.				
10100000031010	Unreserved Fund Balance	\$ 668.00	\$ -	\$ -
10100000048110	Capital Facility Fees	1,494.00		
23000000025910	Capital Facilities Fees	1,494.00		
23000000031010	Unreserved Fund Balance	1,494.00		
10100000025910	Capital Facility Fees-Library		1,494.00	
10100000031200	Committed Capital Facility Fee		668.00	
23000000031200	Committed Capital Facility Fee		1,494.00	
23000000048100	Capital Facility Fees		1,494.00	-
Adjusting Journal Entry JE # 7				
Client entry to adjust FICA and IMRF employer contributions.				
10100000010010	Cash-Operating Account	62.72		
23605150054301	Employer's Social Security	3.22		
23605150054302	Employer's IMRF	59.50		
10105121054301	Employer's Social Security		3.22	
10105121054302	Employer's IMRF		59.50	
23600000010010	Cash-Operating Account		62.72	-
Adjusting Journal Entry JE # 8				
Client entry to properly record payment made out of motor fuel tax pass through account and related receivable.				
23700000015120	Accounts Receivable-Miscellaneous	1,747.40		
23720823755330	Traffic Signal Maintenance Ser	1,747.40		
23700000045990	Professional Services Passthrough		1,747.40	
23700000048950	Reimbursements		1,747.40	1,747.40
Adjusting Journal Entry JE # 9				
Client entry to reduce reimbursement on IEPA loan for ineligible costs.				
63000000088910	Digester Improvements-WWTP 2&3	90,221.00		
63000000015120	Accounts Receivable-Miscellaneous		90,221.00	(90,221.00)
Adjusting Journal Entry JE # 10				
Record Water Fund portion of adjustment to IMRF net pension liability and related accounts at April 30, 2018.				
69900000019991	Deferred Outflows-Contribution	11,206.00		
69900000029030	Net Pension Obligation IMRF	1,324,601.00		
69900000019990	Deferred Outflows-Actuarial		144,684.00	
69900000029031	Deferred Inflows-Actuarial		1,151,029.00	
69925411054302	Pension Expense-GASB 68-Administration		58,094.00	58,094.00
Net effect of adjusting journal entries				\$ 73,290.40

City of Crystal Lake, Illinois
Government-Wide Financial Statement Adjusting Entries
For the Year Ended April 30, 2018

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>	<u>Income Increase (Decrease)</u>
GASB 34 Adjusting Entry # 1				
Accrue for additional sick time in governmental activities.				
19905121054998	Change Comp Absences - Public Safety	\$ 9,017.00	\$ -	\$ -
19900000029010	Compensated Absences - Short Term		4,508.50	
19900000029015	Compensated Absences - Long Term		4,508.50	(9,017.00)
GASB 34 Adjusting Entry # 2				
Adjust IMRF net pension liability and related accounts to actual in the Library activities.				
99800000019000	Deferred Outflows - Actuarial	362,505.00		
99800000019001	Deferred Outflows - Contributions	106,095.00		
99800000031010	Governmental Activities - Net Assets	1,612,729.00		
99800000025000	Net Pension Obligation - GASB 68 IMRF		768,584.00	
99800000025001	Deferred Inflows - Actuarial - GASB 68 IMRF		1,234,054.00	
99800000051000	Pension Expense - GASB 68 IMRF		78,691.00	78,691.00
GASB 34 Adjusting Entry # 3				
Adjust IMRF net pension liability and related accounts to actual in the governmental activities.				
19900000019510	Deferred Outflows Contribution	22,401.00		
19900000029030	Net Pension Obligation IMRF	3,803,638.00		
19900000019500	Deferred Outflows - Actuarial		433,132.00	
19900000029050	Deferred Inflows - Actuarial		3,103,637.00	
19900000053000	Pension Expense - GASB 68 - General Govt.		161,615.00	
19900000053001	Pension Expense - GASB 68 - Public Safety		61,441.00	
19900000053002	Pension Expense - GASB 68 - Public Works		66,214.00	
GASB 34 Adjusting Entry # 4				
Adjust governmental activities net OPEB obligation to actual.				
19900000025010	Net OPEB Obligation	530,002.00		
19900000031799	Prior Period Adjustment	4,164,077.00		
19900000053009	OPEB Expense	56,411.00		
19900000025011	Total OPEB Liability		4,220,488.00	
19900000031799	Prior Period Adjustment		530,002.00	(56,411.00)

(cont'd)

City of Crystal Lake, Illinois
Government-Wide Financial Statement Adjusting Entries (cont'd)
For the Year Ended April 30, 2018

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>	<u>Income Increase (Decrease)</u>
GASB 34 Adjusting Entry # 5				
Record GASB 68 adjustment for police and firefighters' pensions within governmental activities at April 30, 2018.				
19900000019511	Deferred Outflows - Contributions - Police	\$ 100,164.00	\$ -	\$ -
19900000025002	Net Pension Obligation - Police	1,956,318.00		
19900000025003	Net Pension Obligation - Fire	1,142,708.00		
19900000053001	Pension Expense - GASB 68 - Public Safety	3,142,242.00		
19900000019501	Deferred Outflows - Actuarial - Police		1,944,211.00	
19900000019502	Deferred Outflows - Actuarial - Fire		477,097.00	
19900000019512	Deferred Outflows - Contributions - Fire		82,441.00	
19900000029501	Deferred Inflows - Actuarial - Police		2,313,632.00	
19900000029502	Deferred Inflows - Actuarial - Fire		1,524,051.00	(3,142,242.00)
GASB 34 Adjusting Entry # 6				
Record Library capital assets.				
99800000010100	Library - Land	2,363,039.72		
99800000010200	Library - Buildings and Improvements	7,919,793.84		
99800000010300	Library - Equipment	329,755.03		
99800000050000	Library - Depreciation	199,109.23		
99800000011200	Library - Accumulated Depreciation - Buildings		3,558,221.90	
99800000011300	Library - Accumulated Depreciation - Equipment		263,624.13	
99800000030100	Library - Net Assets Invested in Capital Assets		6,910,252.21	
99800000057999	Library Activities - Capital Asset Additions		79,599.58	(119,509.65)
GASB 34 Adjusting Entry # 7				
Record compensated absences payable in the Library activities.				
94000000031010	Unreserved Fund Balance	129,739.94		
94060601054125	Vacation Benefits Used	14,831.95		
94000000029010	Compensated Absences Payable - Current		93,986.19	
94000000029015	Compensated Absences Payable - Noncurrent		50,585.70	(14,831.95)
Net effect of GASB 34 adjusting entries				<u>\$ (3,263,320.60)</u>

**City of Crystal Lake, Illinois
Proposed Adjusting Entries
For the Year Ended April 30, 2018**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>	<u>Income Increase (Decrease)</u>
Proposed Journal Entry # 1				
Record effect of certain expenses related to fiscal year ended April 30, 2018, recorded in the prior fiscal year.				
94060601055311	Equipment Maintenance-Building	\$ 6,308.33	\$ -	\$ -
94060601055320	Equipment Maintenance-Operations	19,770.70		
94060601056440	Electronic Resources-Adult Reference	24,901.28		
94060601056452	Periodicals	13,264.39		
94000000031010	Fund Balance-Operations		64,244.70	<u>(64,244.70)</u>
Net effect of passed adjusting journal entries - Library				<u>\$ (64,244.70)</u>

Selden Fox

Accounting for your future

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October 10, 2018

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

We have audited the financial statements of the **City of Crystal Lake, Illinois, (City)** as of and for the year ended April 30, 2018, and have issued our report thereon dated October 10, 2018. During our audit, we noted the following operational or administrative matters we believe to be of potential benefit to you.

Future Accounting and Auditing Pronouncements

The Governmental Accounting Standards Board (GASB) has issued a number of pronouncements that become effective in future years that may impact the City. Those recently issued statements which may have an impact on the City are detailed below:

GASB Statement 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. 85 is effective for the fiscal year ending April 30, 2019.

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.

Future Accounting and Auditing Pronouncements (cont'd)

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, requires additional essential information related to debt be disclosed in the notes to the financial statements. Statement No. 88 is effective for the fiscal year ending April 30, 2020.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, requires interest cost incurred before the end of a construction period be recognized as an expense in business-type activity or enterprise fund financial statements. Statement No. 89 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.