

CITY OF CRYSTAL LAKE, ILLINOIS

Comprehensive Annual Financial Report

For the Year Ended April 30, 2010

Prepared By Finance Department:

Mark Nannini
Director of Finance

City of Crystal Lake, Illinois
Comprehensive Annual Financial Report
For the Year Ended April 30, 2010

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INTRODUCTORY SECTION



CITY OF
Crystal Lake
ILLINOIS

October 26, 2010

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

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 of the City of Crystal Lake for the fiscal year ended April 30, 2010.

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. Because the cost of internal controls should not outweigh their benefits, the City of Crystal Lake's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Crystal Lake's financial statements for the fiscal year ended April 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

The City of Crystal Lake's financial presentation reflects GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for state and local governments*. The comprehensive annual report presents the MD&A, basic financial statements and required supplemental information. The MD&A provides an analytical overview of the City's financial activity. Included in the basic financial statements are the government-wide financial statements, fund financial statements and notes to the financial statements. The required supplementary information presents the budgetary comparison schedules and other schedules. This letter of transmittal is designed to complement 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 the Auditing Standard 120 and has complied with GASB 45, *Reporting for Post-employment Benefits (OPEB)*.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, the government's organization chart and a list of principal officials. The Financial Section includes MD&A, the basic financial statements and the combining and individual fund financial statements and schedules, as well as the independent auditor's report on the financial statements and schedules. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

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 farthest 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 2000 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 39,788. 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 of 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; construction and maintenance of highways, streets, and infrastructure; maintenance of the public storm drainage system; water, sanitary sewer service and wastewater treatment; growth management, planning and development control through the activities of the Engineering and Building Department, and the Planning and Economic 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 Council for review. The Council is required to hold public hearings 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 appropriated 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 manufacturing and 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.

Development 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 illustrates 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. The City's property valuation has leveled off with current economic conditions. This is evidence of the City's continued strong economic activity level and further underscores the City's strong non-residential tax base.

Despite substantial competition that has occurred from commercial growth in many of the areas surrounding Crystal Lake, the difficult retail environment for certain players in the very competitive Chicago arena, and state retail sales showing a decline from prior years, the City's retail sector has been stable over the past years. Although the current year reflects the impact of the economy, the City has continued to maintain strength as a retail base for serving the regular commercial needs for the immediate City population, and has continued as a regional point for commercial activities.

The City's economic development team has a multi-faceted approach which focuses on recruitment, retention and public relations components geared towards enhancing the business climate in Crystal Lake. Some of the key components include the implementation of three TIF Districts (as such term is hereinafter defined) to help facilitate redevelopment of certain key retail sectors of the City, including Route 14, the Three Oaks Recreation Area (formerly known as Vulcan Lakes) and Downtown Crystal Lake. The available properties are actively marketed by the City, including in-house marketing brochures, trade show representation, e-mail blasts, and website site selection inventory. Working in cooperation with the McHenry County Economic Development Corporation, Crystal Lake works to attract and retain manufacturers that provide significant economic benefits to the City as well as employment opportunities. Along with the Illinois Department of Commerce and Economic Opportunity, the City works to locate and assist businesses with their expansions in or relocations to the Crystal Lake area.

In 2009 and extended into 2010, the "I Shop Crystal Lake" program was created to help promote awareness of the benefits of shopping in Crystal Lake. This program showcased the City's retailers and service providers. Route 14 serves as the main retail corridor for the City of Crystal Lake, highlighted by Crystal Point Shopping Center (Best Buy, K-Mart, Office Depot, World Market, Borders, Bed, Bath and Beyond, The Sports Authority, Panera Bread, Boston Market, Arby's), The Commons Shopping Center (Jewel-Osco, Hobby Lobby, Toys R Us, Marshalls, Bath and Body Works), and The Bohl Farm Marketplace, (Kohl's department store, Target, Buy Buy Baby, scheduled to open November 2010, Dominick's Fresh store, Barnes and Noble, Dress Barn, Panda Express, Chili's restaurant). This successful "I Shop" program will continue into 2010 with the loyalty shopping cards.

The Archway East Center development includes a Portillo's restaurant, TGI Friday's restaurant, Corner Bakery, Sports Authority, Mario Triccoci Salon, Menards and three other small independent retailers. Chipotle, Noodles & Company, Culver's, Fast Eddie's Car Wash, the Village Squire Restaurant, and the Regal Cinemas are all located near this center. Construction of the recently approved 84-unit Staybridge Suites extended stay hotel will commence during the fall of 2011 for an opening in 2012.

The downtown sector of the City, which has continued to show substantial strength, exhibits a very low vacancy rate and continues to be a vital commercial destination. A Starbucks and an independent ice cream shop are located in the downtown area, as well as a number of unique dining establishments including Benedict's La Strata, Williams Street Public House, Georgio's Pizzeria, Café Olympiac, Duke's Alehouse, Finn McCool's, Brink Street Restaurant and Bar, The Cottage, Labemi's Bar & Grill, LePetit Marche, Crystal Lake Deli, Taqueria Las Cumbres, and Cucina Bella Due. The downtown district also 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 deco entertainment venue in the nation. The Raue Center provides a unique draw for the downtown area as the largest performing arts theater in McHenry County.

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. In addition, Pauly Toyota relocated their auto dealership to the Lutter Center at the intersection of Route 31 and Rakow Road, near Super Wal-Mart. The success of the Super Wal-Mart at this location has created a second very important retail corridor, the Route 31 corridor, for the City to expand its retail and service options.

US Granite has consolidated four divisions of granite and marble stone to a 100,000- square-foot manufacturing facility off of Dartmoor Drive. US Granite Sales, Marble Tech, Natural Stonework, and US Granite Machinery occupy the facility, bringing 80 jobs and \$10 million in annual sales to Crystal Lake.

The City of Crystal Lake is fortunate to have two Metra train stations within our corporate limits, the Downtown Metra Station located on Woodstock Street and the Pingree Road Metra Station. The second station, the 2,000-square-foot Pingree Road Metra Station, was completed in the winter of 2005 at a cost of \$2.1 million. Metra funded the construction of the Pingree Road Station as well as recent renovations to the downtown train station, which were completed the summer of 2006. Metra expanded the parking at the Pingree Station in the fall of 2009 and is currently considering the possible construction of a third train station in the northwest corner of the City limits.

Once again, the City has continued to have a very low property tax rate for municipal services when compared to other municipalities in southeastern McHenry County. The continued development of the City's non-residential tax base and the relatively stable retail sector of the community have facilitated this position. The City's retail base helps defray the cost of most General Fund supported services, such as police protection, street maintenance, brush and leaf pickup, and other services.

LONG-TERM FINANCIAL PLANNING

A number of potential future projects may significantly impact the City's future financial planning. These projects include the extension of sewer and water to the City's far northwest border. This utility extension is funded through Special Service Area Number 45, as part of the Bryn Mawr residential development. These improvements are projected to stimulate additional development on the City's northern and northwest boundaries in the future.

A Waste Transfer Station operated by Waste Management opened in the Spring of 2010. Host benefit fees associated with the Waste Transfer Station will provide increased revenue for the City over a twenty-three year agreement with Waste Management.

The City currently has three active Tax Increment Financing Districts (TIF). The TIF District for downtown Crystal Lake, which expired in December 2008, was very successful in spurring redevelopment of that area. Roadway improvements and streetscape elements were funded with TIF funds. The original 1985 equalized assessed valuation (EAV) for the Downtown TIF was \$3,284,169. The completion of the redevelopment has resulted in the EAV increasing by \$10.5 million for 2009.

Active TIF Districts include the Virginia Street Corridor, Crystal Lake Avenue and Main Street, and Vulcan Lakes. The 2003 EAV for the Virginia Street Corridor TIF was \$9,845,120. It is estimated that the EAV will be in excess of \$26 million in 2003 dollars upon completion of redevelopment. The Virginia Street Corridor TIF, as approved, will fund the installation of streetscape elements, such as pavers, sidewalks, and decorative pedestrian lighting, as well as utility pole relocation and facade improvements.

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 potential major redevelopment of key underutilized 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 the fall of 2008.

The Vulcan Materials Company began mining operations at the property known as Vulcan Lakes in the 1950's. Realizing the potential for a future recreation area, the City entered into an agreement with Vulcan Materials in the 1990's for the future ownership of the property. In 2007, the 462-acre property was officially deeded to the City.

The 2005 EAV for the Vulcan Lakes TIF was \$4,506,145. It is estimated that the EAV will be in excess of \$96 million in 2005 dollars upon completion of redevelopment. The revitalization of the properties surrounding the Three Oaks Recreation Area envisions the creation of a vibrant activity center with recreational, residential and commercial activities complementing the lakes. It anticipates commercial activities along U.S. Route 14, such as restaurants and entertainment venues. A mix of commercial uses is planned for South Main Street, and the interior quarry area includes a marina, fishing piers, beaches, trails and nature areas.

Construction of the recreational area began in May 2009. Completed in the fall of 2010, the public can enjoy numerous recreational amenities. A beach, lake house, marina, spray park and playground constitute the core amenities. The lake house provides shower facilities, concession areas, administrative offices and a maintenance garage. Attached to the lake house is an outside patio that overlooks the beach. The beach has over 200 lineal feet of sand and several grass picnic areas. Adjacent to the beach, patrons can enjoy a spray park and playground. Also, the public can enjoy a marina where patrons are able to rent fishing boats, paddle boats, canoes, kayaks and sail boats. Additional recreational amenities include shoreline fishing areas, walking trails, volleyball courts, a sledding hill and a picnic grove.

Finally, the City's pro-active economic development program will continue to recruit additional new businesses. A 210,000 square foot Wal-Mart Supercenter opened in October 2007 and the former site anticipates the opening of a new J.C. Penny Department Store. There is also the potential for additional retail establishments as well as the relocation of two additional automobile dealerships to the Route 31 corridor. Pauly Toyota relocated to a new \$40 million facility in October 2007. The adoption of the new TIF Districts will result in redevelopment and rehabilitation of existing properties and will add to the interest of private development in these corridors.

CASH MANAGEMENT POLICIES AND PRACTICES

Cash temporarily idle during the year was invested in the Illinois State Treasurer's Pool (Illinois Funds), Money Market Funds, U.S. Treasuries, U.S. Agencies and Certificates of Deposit. The funds invested in the Illinois Funds and Money Market Funds are immediately available. State law also allows the pension trust funds to invest up to 45% of the fund's assets in equities. Crystal Lake's Police and Fire Pension Funds invest in separate insurance accounts and mutual funds. The City's investment policy details the cash management objectives and guidelines for investing City cash. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. In addition, funds on deposit in excess of FDIC limits must be secured by collateral held in safekeeping by a third party.

RISK MANAGEMENT

Since joining the Intergovernmental Risk Management Agency (IRMA) in July 2004, the City has been active in its risk management and loss control focus. As a member of IRMA, the City receives liability, property and workers' compensation insurance. Since IRMA maintains a deductible for each event, the City budgets for potential losses in the General Fund. The City's risk management program is driven by two goals outlined in the City's loss prevention policy and purpose statement: "The primary goal of the Program is to safeguard the physical well-being of the City's residents and employees. In addition, the Program seeks to prevent or reduce damage to City properties and mitigate the monetary losses due to accidents."

In 2007, the City participated in IRMA's Management Assessment Program (IMAP), which is a thorough audit of the City's personnel policies, safety procedures, and training activities related to loss control. The City received an IMAP accreditation score of 96%. This was the highest IMAP score of any IRMA member during that year. In addition, the City received IMAP accreditation, which is awarded for members with an overall percentage of compliance with risk management best practices of 85% or greater. Because of the IMAP, the City established loss prevention goals and consequently improved many of its internal loss prevention functions, including safety committees, facility safety inspection, and the creation of personnel policies. Moreover, IRMA provided an assessment of the City's exposure to certain hazards, such as fire, electrical, and equipment. The City's risk management program also values employee training. During this past year, the City organized training related to the City's Emergency Action Plan, which provides guidelines in the event of a disaster or workplace trauma. Furthermore, the City's Police, Fire Rescue, and Public Works Departments require specific training to keep their employees abreast of the latest workplace safety procedures. Overall, the City hopes its risk management and loss control efforts lead to lower insurance pool contributions and greater employee productivity.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The City of Crystal Lake sponsors a single-employer defined benefit pension plan for its public safety employees. As a matter of policy, the City of Crystal Lake fully funds each year's annual required contribution to the pension plan as determined by an independent actuary.

The City of Crystal Lake allows retirees and their dependents to continue to receive post-employment health and dental care benefits (18 months after retirement), with the cost borne by the retiree. As of the end of the current fiscal year, there were six (6) retired employees receiving these benefits, which are billed to the retiree on a monthly basis.

Additional information on the City of Crystal Lake's pension arrangements and post-employment benefits can be found in the notes to the financial statements.

AWARDS AND ACKNOWLEDGEMENTS

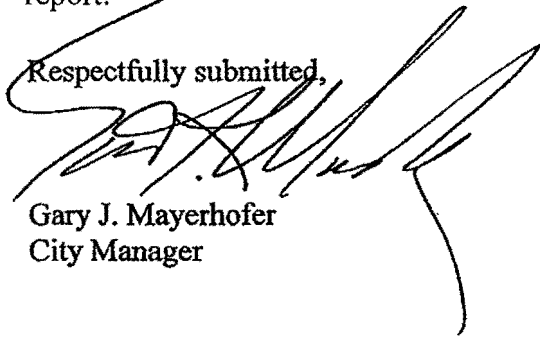
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Crystal Lake for its comprehensive annual financial report (CAFR) for the fiscal year ended April 30, 2009. This was the twentieth consecutive year that the City 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 2009 Budget Document for the second 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 for 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.

Respectfully submitted,



Gary J. Mayerhofer
City Manager



Mark F. Nannini
Director of Finance

**City of Crystal Lake, Illinois
Principal Officials
April 30, 2010**

Legislative

Mayor: Aaron T. Shepley

City Clerk: Nick Kachiroubas

Ellen Brady Mueller, Council Member
Ralph M. Dawson, Council Member
Carolyn Schofield, Council Member

Brett Hopkins, Council Member
Cathy A. Ferguson, Council Member
Jeffrey T. Thorsen, Council Member

Administrative

City Manager - Gary J. Mayerhofer

Deputy City Manager - George Koczwar

Deputy City Manager – Eric Helm

City Attorney – John L. Cowlin

Director of Finance – Mark Nannini

Director of Engineering and Building – Victor Ramirez

Director of Human Resources – Ann Everhart

Director of Information Technology – Greg Fettes

Director of Planning and Economic Development – Michelle Rentzsch

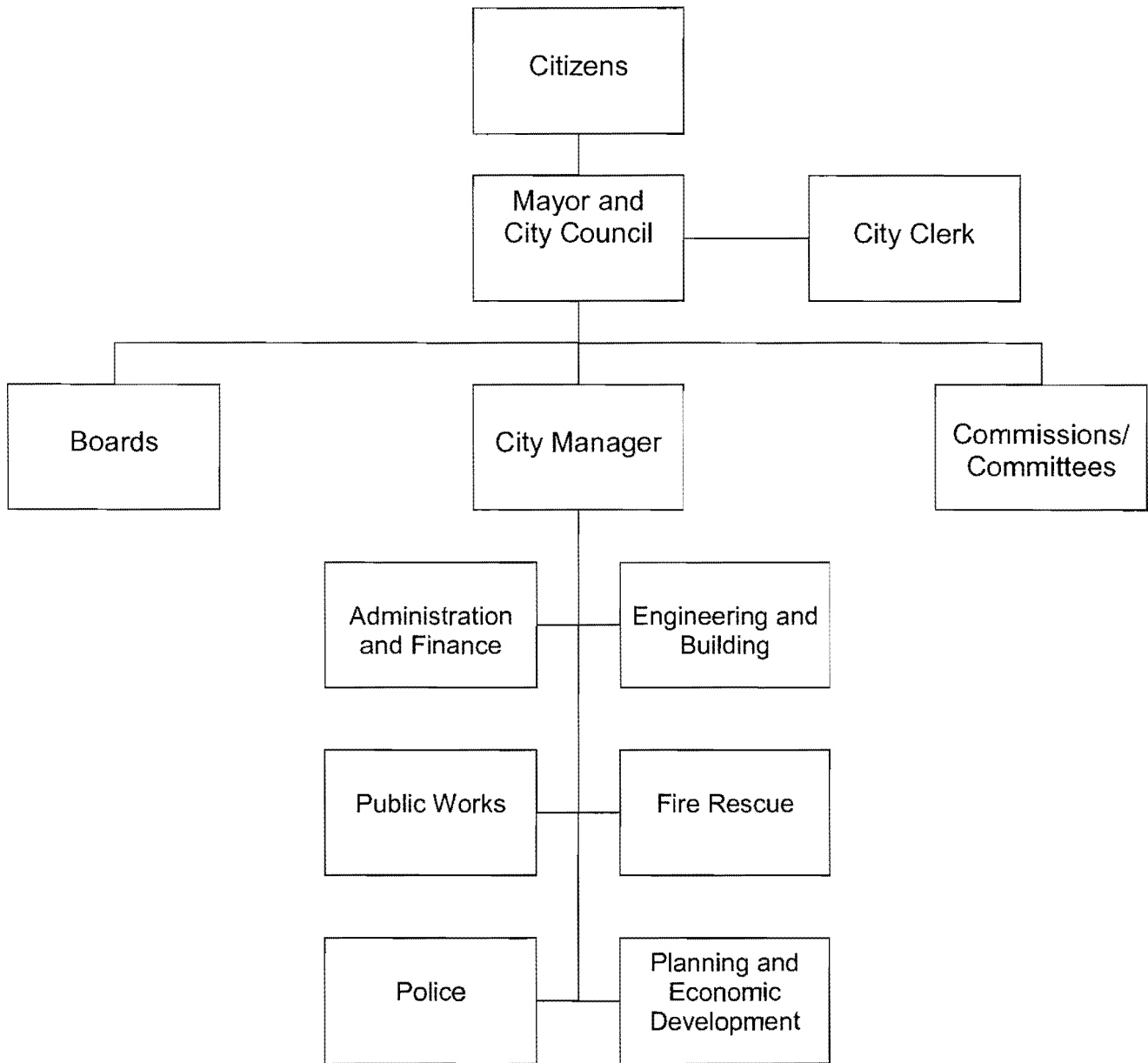
Director of Public Works – Eric Lecuyer

Police Chief – David Linder

Fire/Rescue Chief – James P. Moore

Library Director – Kathryn Martens

CITY OF CRYSTAL LAKE ORGANIZATIONAL STRUCTURE



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Crystal Lake
Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
April 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

INDEPENDENT AUDITOR'S REPORT

Selden Fox, LTD.

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements and the schedules of revenues, expenditures and changes in fund balance – budget and actual for the General and Major Special Revenue Funds of the **City of Crystal Lake, Illinois** as of and for the year ended April 30, 2010, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic 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, 2010, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General and Major Special Revenue Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, and the pension and other postemployment benefit plans' schedules of funding progress and employer contributions, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information listed as supplementary information and other financial schedules in the accompanying table of contents is presented for purposes of additional analysis, and is not a required part of the basic financial statements of the City of Crystal Lake, Illinois. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not audit the introductory and statistical information listed in the table of contents and, therefore, express no opinion thereon.

Selden Fox, Ltd.

October 26, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

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, 2010. 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.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$236,990 (net assets). Of this amount, \$49,060 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,033. This reflects the continued strong sales tax base within the City and management's strict adherence to budgeted constraints..
- As of the close of the current fiscal year, the City's governmental funds report combined ending fund balances of \$50,323, an increase of \$8,760 in comparison with the prior year.
- At the end of the current fiscal year, the unreserved and assigned fund balance for the general fund was \$18,581 or 69.7% percent of total general fund expenditures.
- The City's total debt (bonds and notes) increased by \$15,618 during the current fiscal year as the issuance of bonds for the development of the Three Oaks Recreation Area exceeded current year principal payments.

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 three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

Government-wide financial statements (cont'd)

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*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, and culture and recreation. 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 13 - 16 of this report.

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

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

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

The City maintains twenty-nine individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Motor Fuel Tax, the Fire Rescue Fund, IMRF, Home Rule Sales Tax Fund and Vulcan Lakes TIF District, all of which are considered to be major funds. Data from the other 23 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Overview of Fund Financial Statements (cont'd)

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17 - 22 of this report.

Proprietary funds. The City maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its waterworks and sewerage activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the waterworks and sewerage fund, which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 23 - 26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 27 and 28 of this report.

Notes to the financial statements. The 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 29 - 68 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees, as well as budgetary comparison schedules for certain major funds. Required supplementary information can be found on pages 69 - 79 of this report.

The combined statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found beginning on page 80 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$236,990 at the close of the most recent fiscal year.

Government-wide Financial Analysis (cont'd)

Changes in Net Assets

Consolidated Statement of Net Assets As of April 30, 2010 (In thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Current & other assets	\$ 56,339	\$ 67,750	\$ 5,712	\$ 7,487	\$ 62,051	\$ 75,237
Capital assets	158,877	169,113	67,932	65,642	226,809	234,755
Total assets	215,216	236,863	73,644	73,129	288,860	309,992
Long-term liabilities	19,912	34,286	15,616	16,529	35,528	50,815
Other liabilities	16,607	19,708	1,768	2,478	18,375	22,186
Total liabilities	36,519	53,994	17,384	19,007	53,903	73,001
Net assets:						
Invested capital assets, net of related debt	142,699	138,600	51,854	48,443	194,533	187,043
Restricted	836	847	-	-	836	847
Unrestricted	35,162	43,422	4,406	5,678	39,568	49,100
Total net assets	\$ 178,697	\$ 182,869	\$ 56,260	\$ 54,121	\$ 234,957	\$ 236,990

City of Crystal Lake Net Assets

By far, the largest portion of the City's net assets (78.9 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment) less any related debt used to acquire those assets that is 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, restricted net assets (0.37 percent), represents resources that are subject to external restrictions relative to how they may be used.

The government's net assets increased by \$2,033 during the current fiscal year. This reflects payments and refinancing of long-term debt.

City of Crystal Lake Net Assets (cont'd)

Governmental activities. Governmental activities increased the City's net assets by \$4,172. elements of this increase are as follows:

**For the Fiscal Year Ended April 30, 2010
(In thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Program revenues:						
Charges for services	\$ 4,241	\$ 4,125	\$ 7,530	\$ 7,206	\$ 11,771	\$ 11,331
Grants and contributions:						
Operating	1,153	1,308	-	-	1,153	1,308
Capital	19	2,282	-	184	19	2,466
General revenues:						
Property	11,527	11,364	-	-	11,527	11,364
Other taxes	20,500	19,786	-	-	20,500	19,786
Other	2,555	2,423	73	71	2,628	2,494
Total revenues	39,995	41,288	7,603	7,461	47,598	48,749
Expenses:						
Governmental activities:						
General government	8,610	8,652	-	-	8,610	8,652
Public safety	19,574	20,114	-	-	19,574	20,114
Highways and streets	7,821	6,934	-	-	7,821	6,934
Culture and recreation	324	665	-	-	324	665
Interest on long-term debt	766	751	-	-	766	751
Business-type activities - waterworks and sewerage	-	-	9,111	9,600	9,111	9,600
Total expenses	37,095	37,116	9,111	9,600	46,206	46,716
Revenues over (under) expenses	2,900	4,172	(1,508)	(2,139)	1,392	2,033
Transfers	(402)	-	402	-	-	-
Change in net assets	2,498	4,172	(1,106)	(2,139)	1,392	2,033
Net assets - beginning of year	176,199	178,697	57,366	56,260	233,565	234,957
Net assets - end of year	\$ 178,697	\$ 182,869	\$ 56,260	\$ 54,121	\$ 234,957	\$ 236,990

Governmental Activities:

- Charges for services (construction related activities, specifically) declined \$116 (2.74 percent) from the prior year as the economy slowed.
- Grant receipts increased \$2,418 (206.3 percent) as the City sought funding for citywide infrastructure projects.
- Property taxes allocated to governmental funds decreased by \$163 (1.41 percent) during the year. Alternatively, property taxes allocated to pension funds increased.
- Other taxes (which include sales and income taxes) declined \$714 (3.48 percent) as a result of a volatile economic climate.
- Governmental Activities' interest income (not itemized on the schedule above) declined \$263 from last year because of low rates of return in the financial environment.
- Increases in Public Safety expenditures reflect a full year's salary for personnel hired in the prior year to staff a Targeted Response Unit in the Police Department and to staff a fourth ambulance in the Fire Department.
- Highways and Streets expenditures in the General Fund decreased over prior year by \$887. The decrease in the Highways and streets expenditures is attributable to decrease in road salt costs and staff reductions.

Business-type activities. Business-type activities decreased the City's net assets by \$2,139. Key elements of this decrease are as follows:

- Charges for services for business-type activities decreased by 4.30 percent. The decline in revenues is largely attributable to a reduction in connection fee receipts originating from new construction.
- Grant receipts increased \$184 as the City sought funding for citywide infrastructure projects.
- Operationally, increases in expenses is due to increases in the cost of electricity and chemicals.

Financial Analysis of the Government's Funds

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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$50,323, an increase of \$8,760 in comparison with the prior year. Approximately 93.0% of this total amount, \$45,583 constitutes unreserved and assigned fund balance. The remainder of the combined ending fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service or is reserved for prepayments and inventories.

Financial Analysis of the Government's Funds (cont'd)

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved and assigned fund balance of the general fund was \$18,581. The total fund balance declined from the prior year to \$21,609. As a measure of the general fund's ability to meet daily operating expenses it may be useful to compare both the unreserved fund balance and the total fund balance to the total fund expenditures. The unreserved and assigned fund balance represents 69.7 percent of total actual general fund expenditures, while total fund balance represents 81.1 percent of that same amount.

The fund balance of the City's general fund decreased by \$551 during the current fiscal year. Key factors in this are as follows:

- The general fund interest income decreased significantly.
- Decreases in revenues from building permits and sales taxes.
- Planned use of fund balance to enhance economic development programs.
- Planned use of fund balance to purchase capital equipment.

The Motor Fuel Tax Fund has a total fund balance of \$9,597 all of which is set aside for street improvements. The net decrease in fund balance during the current year in the Motor Fuel Tax Fund was \$54. A decrease of \$4,974 was planned but not realized due to timing of major road projects.

The Fire Rescue Fund has a total fund balance of \$4,823, an increase of \$604 in the current year over last year.

The Illinois Municipal Retirement Fund has a total fund balance of \$1,224, all of which is unrestricted. The net increase in fund balance during the current year in the Illinois Municipal Retirement Fund was \$194 and represents revenues exceeding contributions to the Illinois Municipal Retirement Fund. Increases will be offset in future years when IMRF sets its rates in an attempt to cover earnings shortages in a volatile economic environment.

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

Unrestricted net assets of the waterworks and sewerage fund at the end of the year amounted to \$5,677. Total net assets decreased by \$2,138 from the prior year. Factors concerning the finances include charges for services for business-type activities decreased by 4.30 percent, decline in revenues is largely attributable to a reduction in connection fee receipts originating from new construction and grant receipts increased \$184 as the City sought funding for citywide infrastructure projects. Operationally, increases in expenses are due to increases in the cost of electricity and chemicals.

General Fund Budgetary Highlights

General Fund Budgetary Highlights (In thousands) Fiscal Year 2010

	Original Budget	Final Budget	Actual
Revenues and other financing sources:			
Property taxes	\$ 2,257	\$ 2,257	\$ 2,236
Other taxes	17,710	17,710	15,740
Other	2,826	2,826	2,670
Total revenues	22,793	22,793	20,646
Expenditures	28,495	28,495	26,643
Other financing uses /sources	3,824	3,824	5,446
Net change in fund balance	\$ (1,878)	\$ (1,878)	\$ (551)

During the year, budgetary estimates exceeded actual revenues, however, expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance.

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, 2010, amounted to \$234,754 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, improvements, and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 3.6 percent.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Land	\$ 102,589	\$ 102,928	\$ 628	\$ 628	\$ 103,217	\$ 103,556
Construction in progress	3,317	14,872	430	572	3,747	15,444
Buildings and improvements	19,297	18,690	11,820	11,186	31,117	29,876
Machinery, equipment and vehicles	3,888	3,579	2,047	1,923	5,935	5,502
Infrastructure	29,481	29,043	53,007	51,332	82,488	80,375
Total	\$ 158,572	\$ 169,112	\$ 67,932	\$ 65,641	\$ 226,504	\$ 234,753

Capital Asset and Debt Administration (cont'd)

Major capital asset purchases during the current fiscal year included the following:

- A variety of street construction projects, including widening and expansion projects for existing streets, public facilities (Three Oaks Recreation Area a/k/a Vulcan Lakes) and utility related projects totaling \$12,857.
- Several vehicles were purchased at a cost of \$129.

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$36,698. Of this amount, \$27,835 comprises debt backed by the full faith and credit of the government and \$8,863 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment.

Long-Term Debt at Year End (In thousands) Fiscal Year 2010

	Balance, May 1, 2009	Additions	Deletions	Balance, April 30, 2010
General obligation bonds	\$ 11,335	\$ 22,110	\$ 5,610	\$ 27,835
Special service area bonds	9,005	-	142	8,863
Notes payable	11,753	-	740	11,013
	<u>\$ 32,093</u>	<u>\$ 22,110</u>	<u>\$ 6,492</u>	<u>\$ 47,711</u>

The City's total debt increased by \$15,618 due to the issuance of bonds to develop the Three Oaks Recreation Area.

The City maintains an "Aa1" rating from Moody's for general obligation debt and "AA+" rating from Standards and Poor. These ratings were secured prior to the close of the fiscal year.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City is currently 9.4 percent, which is an increase from a rate of 9.0 percent a year ago. This compares favorably to the state's average unemployment rate of 10.3 percent and the national average rate of 11.2 percent.
- The occupancy rate of the government's central business district has remained at 96.5 percent for the past three years.
- Inflationary trends in the region compare favorably to national indices.

Economic Factors and Next Year's Budgets and Rates (cont'd)

All of these factors were considered in preparing the City's budget for the 2011 fiscal year.

Both the Water and Sewer rates were increased for the 2011 budget year. The water and sewer rates were increased by an average of 6.42 percent for all customers. These rate increases were necessary for the operational needs for the Water and Sewer Fund.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mark F. Nannini, Director of Finance, 100 W. Woodstock Street, Crystal Lake, Illinois 60014.

BASIC FINANCIAL STATEMENTS

City of Crystal Lake, Illinois
Statement of Net Assets
April 30, 2010

	Governmental Activities	Business-type Activities	Total	Component Unit
				Crystal Lake Public Library
Assets				
Cash and investments	\$ 46,675,397	\$ 6,607,239	\$ 53,282,636	\$ 3,437,007
Receivables, net:				
Property taxes	11,342,085	-	11,342,085	3,889,963
Accrued interest	839,609	7,821	847,430	-
Accounts	1,487,117	755,494	2,242,611	-
Internal balances	51,596	(51,596)	-	-
Due from fiduciary funds	213,053	-	213,053	-
Due from other governments	5,343,624	-	5,343,624	-
Inventory	99,140	-	99,140	-
Prepaid items and other assets	1,151,348	168,237	1,319,585	-
Total current assets	67,202,969	7,487,195	74,690,164	7,326,970
Noncurrent:				
Deferred bond issuance costs	547,255	-	547,255	-
Capital assets (net of accumulated depreciation):				
Land	102,928,633	628,095	103,556,728	661,569
Construction in progress	14,871,919	572,659	15,444,578	-
Buildings and improvements	18,690,572	11,186,215	29,876,787	5,606,854
Machinery, equipment and vehicles	3,578,511	1,922,968	5,501,479	20,809
Infrastructure	29,043,359	51,331,594	80,374,953	-
Total noncurrent assets	169,660,249	65,641,531	235,301,780	6,289,232
Total assets	\$ 236,863,218	\$ 73,128,726	\$ 309,991,944	\$ 13,616,202

(cont'd)

City of Crystal Lake, Illinois
Statement of Net Assets (cont'd)
April 30, 2010

	Governmental Activities	Business-type Activities	Total	Component Unit
				Crystal Lake Public Library
Liabilities				
Current:				
Accounts payable	\$ 3,364,849	\$ 798,079	\$ 4,162,928	\$ 144,943
Accrued liabilities	384,591	42,079	426,670	-
Recapture fees payable	1,734,876	-	1,734,876	-
Unearned property tax revenue	11,342,085	-	11,342,085	3,889,963
Deposits payable	24,413	99,150	123,563	-
Interest payable	547,944	178,871	726,815	-
General obligation bonds payable	1,085,579	474,421	1,560,000	-
Special service area bonds payable	220,000	-	220,000	-
Notes payable	-	759,107	759,107	-
Compensated absences payable	1,003,457	126,812	1,130,269	63,271
Total current liabilities	19,707,794	2,478,519	22,186,313	4,098,177
Noncurrent:				
Compensated absences payable	4,256,859	547,399	4,804,258	551,083
Claims and judgments	114,112	17,133	131,245	-
Deferred bond premium	61,658	-	61,658	-
Bonds payable:				
General obligation	20,564,421	5,710,579	26,275,000	-
Special service area	8,643,000	-	8,643,000	-
Notes payable	-	10,253,759	10,253,759	-
Net pension obligation	629,996	-	629,996	-
Net other post employment benefit obligation	16,101	-	16,101	-
Total noncurrent liabilities	34,286,147	16,528,870	50,815,017	551,083
Total liabilities	53,993,941	19,007,389	73,001,330	4,649,260
Net Assets				
Invested in capital assets, net of related debt	138,599,994	48,443,665	187,043,659	6,289,232
Restricted for:				
Working cash	-	-	-	50,773
Debt service	887,309	-	887,309	-
Unrestricted	43,381,974	5,677,672	49,059,646	2,626,937
Total net assets	\$ 182,869,277	\$ 54,121,337	\$ 236,990,614	\$ 8,966,942

See accompanying notes.

City of Crystal Lake, Illinois
Statement of Activities
For the Year Ended April 30, 2010

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General and administrative	\$ 8,652,289	\$ 798,578	\$ 52,282
Public safety	20,113,957	3,089,958	64,609
Highways and streets	6,934,366	236,273	1,190,741
Culture and recreation	664,816	-	-
Interest on long-term debt	751,000	-	-
Total governmental activities	37,116,428	4,124,809	1,307,632
Business-type activities - Waterworks and Sewerage	9,599,893	7,206,334	-
Total primary government	\$ 46,716,321	\$ 11,331,143	\$ 1,307,632
Component unit - Crystal Lake Public Library	\$ 3,636,340	\$ 158,793	\$ 48,136

General revenues:

Taxes:

Property	11,364,280	-	11,364,280	3,938,010
Replacement	135,686	-	135,686	-
State sales	9,944,402	-	9,944,402	-
Home rule sales	4,546,821	-	4,546,821	-
Auto rental	28,204	-	28,204	-
Income	3,068,722	-	3,068,722	-
Franchise fees - cable	501,544	-	501,544	-
Telecommunications	1,831,489	-	1,831,489	-
Hotel	230,880	-	230,880	-
Investment income	1,081,644	30,986	1,112,630	26,087
Miscellaneous	840,270	40,222	880,492	15,719

Total general revenues

Change in net assets

Net assets, beginning of the year

Net assets, end of the year

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Component Unit Crystal Lake Public Library
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (7,801,429)	\$ -	\$ (7,801,429)	\$ -
12,478	(16,946,912)	-	(16,946,912)	-
2,269,918	(3,237,434)	-	(3,237,434)	-
-	(664,816)	-	(664,816)	-
-	(751,000)	-	(751,000)	-
2,282,396	(29,401,591)	-	(29,401,591)	-
183,500	-	(2,210,059)	(2,210,059)	-
\$ 2,465,896	(29,401,591)	(2,210,059)	(31,611,650)	-
\$ -	-	-	-	(3,429,411)
	11,364,280	-	11,364,280	3,938,010
	135,686	-	135,686	-
	9,944,402	-	9,944,402	-
	4,546,821	-	4,546,821	-
	28,204	-	28,204	-
	3,068,722	-	3,068,722	-
	501,544	-	501,544	-
	1,831,489	-	1,831,489	-
	230,880	-	230,880	-
	1,081,644	30,986	1,112,630	26,087
	840,270	40,222	880,492	15,719
	33,573,942	71,208	33,645,150	3,979,816
	4,172,351	(2,138,851)	2,033,500	550,405
	<u>178,696,926</u>	<u>56,260,188</u>	<u>234,957,114</u>	<u>8,416,537</u>
	\$ 182,869,277	\$ 54,121,337	\$ 236,990,614	\$ 8,966,942

See accompanying notes.

City of Crystal Lake, Illinois
Balance Sheet - Governmental Funds
April 30, 2010

	Special		
	General Fund	Motor Fuel Tax Fund	Fire Rescue Fund
Assets			
Cash and investments	\$ 15,157,693	\$ 8,941,862	\$ 4,289,006
Receivables:			
Property taxes, net	2,493,809	-	5,755,749
Interest	654,580	100,317	-
Other	730,813	60,898	354,920
Due from other funds	2,359,193	501,190	-
Due from other governments	4,258,467	86,306	-
Inventory	99,140	-	-
Prepaid items	664,083	-	472,933
Total assets	\$ 26,417,778	\$ 9,690,573	\$ 10,872,608
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ 1,471,204	\$ 93,098	\$ 178,992
Accrued payroll	267,436	-	114,062
Recapture fees payable	61	-	-
Due to other funds	546,708	-	-
Interest payable	28,694	-	-
Deferred property tax revenue	2,493,809	-	5,755,749
Total liabilities	4,807,912	93,098	6,048,803
Fund balance:			
Restricted	3,028,759	-	472,933
Assigned	5,050,000	-	579,000
Unassigned, reported in:			
General Fund	13,531,107	-	-
Debt Service Funds	-	-	-
Special Revenue Funds	-	9,597,475	3,771,872
Total fund balances	21,609,866	9,597,475	4,823,805
Total liabilities and fund balances	\$ 26,417,778	\$ 9,690,573	\$ 10,872,608

Revenue Funds				
Illinois Municipal Retirement Fund	Home Rule Sales Tax Fund	Capital Projects Fund Vulcan Lakes TIF District	Other Governmental Funds	Total Governmental Funds
\$ 1,224,978	\$ 2,720,371	\$ 8,283,743	\$ 6,057,744	\$ 46,675,397
2,018,694	-	53,044	1,020,789	11,342,085
-	-	26,835	57,877	839,609
-	-	-	340,486	1,487,117
-	-	-	-	2,860,383
-	998,851	-	-	5,343,624
-	-	-	-	99,140
-	-	-	14,332	1,151,348
\$ 3,243,672	\$ 3,719,222	\$ 8,363,622	\$ 7,491,228	\$ 69,798,703
\$ -	\$ -	\$ 1,523,025	\$ 122,943	\$ 3,389,262
-	-	-	3,093	384,591
-	-	-	1,734,815	1,734,876
-	-	1,814,283	234,743	2,595,734
-	-	-	-	28,694
2,018,694	-	53,044	1,020,789	11,342,085
2,018,694	-	3,390,352	3,116,383	19,475,242
1,224,978	-	-	13,673	4,740,343
-	1,710,342	4,973,270	2,248,096	14,560,708
-	-	-	-	13,531,107
-	-	-	(5,410)	(5,410)
-	2,008,880	-	2,118,486	17,496,713
1,224,978	3,719,222	4,973,270	4,374,845	50,323,461
\$ 3,243,672	\$ 3,719,222	\$ 8,363,622	\$ 7,491,228	\$ 69,798,703

See accompanying notes.

City of Crystal Lake, Illinois
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
April 30, 2010

Total fund balance - governmental funds (page 18)	\$ 50,323,461
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	169,112,994
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Bond issuance costs are amortized over the life of the issue for governmental activities, but expensed in the period paid in the governmental funds.	547,255
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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.	(61,658)
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Some liabilities reported in the statement of net assets 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	(21,650,000)
Special service area bonds payable	(8,863,000)
Compensated absences payable	(5,260,316)
Claims and judgments	(114,112)
Net pension obligation	(629,996)
Net other postemployment benefit obligation	(16,101)
Interest payable	(519,250)

Net assets of governmental activities (page 14)	\$ 182,869,277
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See accompanying notes.

City of Crystal Lake, Illinois
Statement of Revenues, Expenditures and Changes
in Fund Balances (Deficit) - Governmental Funds
For the Year Ended April 30, 2010

	Special			Revenue Funds				
	General Fund	Motor Fuel Tax Fund	Fire Rescue Fund	Illinois Municipal Retirement Fund	Home Rule Sales Tax Fund	Capital Projects Fund Vulcan Lakes TIF District	Other Governmental Funds	Total Governmental Funds
Revenues:								
Charges for services	\$ 403,882	\$ -	\$ 2,363,294	\$ -	\$ -	\$ -	\$ 464,797	\$ 3,231,973
Licenses and permits	387,126	-	-	-	-	-	236,273	623,399
Intergovernmental	52,282	1,190,741	12,478	-	-	-	-	1,255,501
Fines and forfeitures	637,172	-	-	-	-	-	-	637,172
Property taxes	2,236,800	-	5,781,992	1,894,648	-	-	1,450,840	11,364,280
Other taxes	15,740,927	-	-	-	4,546,821	-	64,284	20,352,032
Investment income	777,125	169,026	13,326	2,190	6,238	65,302	48,437	1,081,644
Miscellaneous	410,800	(1,575)	67,819	-	-	-	20,918	497,962
Total revenues	20,646,114	1,358,192	8,238,909	1,896,838	4,553,059	65,302	2,285,549	39,043,963
Expenditures:								
Current:								
General government	6,761,327	-	-	774,261	-	-	18,665	7,554,253
Public safety	10,918,983	-	7,621,574	308,648	-	-	94,594	18,943,799
Highways and streets	4,272,308	844,954	-	275,329	-	-	185,603	5,578,194
Culture and recreation	-	-	-	343,743	-	1,462,091	-	1,805,834
Debt service:								
Principal retirement	3,250,000	-	-	-	-	-	427,000	3,677,000
Interest and fiscal charges	147,230	-	-	-	-	-	607,245	754,475
Capital outlay	1,293,796	567,480	13,183	-	-	7,200,023	1,132,220	10,206,702
Total expenditures	26,643,644	1,412,434	7,634,757	1,701,981	-	8,662,114	2,465,327	48,520,257
Revenues over (under) expenditures before other financing sources (uses)	(5,997,530)	(54,242)	604,152	194,857	4,553,059	(8,596,812)	(179,778)	(9,476,294)
Other financing sources (uses):								
Bonds issued	2,940,000	-	-	-	-	15,235,000	-	18,175,000
Bond premium	61,658	-	-	-	-	-	-	61,658
Transfers in	2,445,031	-	-	-	-	-	53,000	2,498,031
Transfers out	-	-	-	-	(2,498,031)	-	-	(2,498,031)
Total other financing sources (uses)	5,446,689	-	-	-	(2,498,031)	15,235,000	53,000	18,236,658
Net changes in fund balances	(550,841)	(54,242)	604,152	194,857	2,055,028	6,638,188	(126,778)	8,760,364
Fund balances (deficits), beginning of the year	22,160,707	9,651,717	4,219,653	1,030,121	1,664,194	(1,664,918)	4,501,623	41,563,097
Fund balances, end of the year	\$ 21,609,866	\$ 9,597,475	\$ 4,823,805	\$ 1,224,978	\$ 3,719,222	\$ 4,973,270	\$ 4,374,845	\$ 50,323,461

See accompanying notes.

City of Crystal Lake, Illinois
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended April 30, 2010

Amounts reported for governmental activities in the statement of activities
(pages 15 and 16) are different because:

Net changes in fund balances (deficit) - total governmental funds (page 21)	\$ 8,760,364
Governmental funds report capital outlays as expenditures, however, they are capitalized and depreciated in the statement of activities.	12,465,864
Depreciation on capital assets is reported as an expense in the statement of activities.	(1,889,508)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net assets.	(35,171)
The issuance of long-term debt is reported as an other financing source in governmental funds but as an increase of principal outstanding in the statement of activities.	(18,175,000)
The repayment of long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities.	3,677,000
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	180,528
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	(295,993)
Increase in claims and judgments	(23,878)
Increase in net pension obligation	(174,256)
Decrease in interest payable	(317,599)
Change in net assets of governmental activities (page 16)	\$ 4,172,351

See accompanying notes.

City of Crystal Lake, Illinois
Proprietary Fund - Waterworks and Sewerage Fund
Statement of Net Assets
April 30, 2010

Assets	
Current assets:	
Cash and cash equivalents	\$ 6,607,239
Receivables - accounts	763,315
Due from other funds	45,777
Prepaid items	168,237
Total current assets	7,584,568
Noncurrent assets:	
Capital assets, net of accumulated depreciation:	
Land	628,095
Construction in progress	572,659
Building improvements	11,186,215
Machinery, equipment, and vehicles	1,922,968
Infrastructure	51,331,594
Total noncurrent assets	65,641,531
Total assets	73,226,099
Liabilities	
Current liabilities:	
Accounts payable	798,079
Deposits payable	99,150
Accrued payroll	42,079
Interest payable	178,871
Due to other funds	97,373
General obligation bonds - current	474,421
Notes payable	759,107
Compensated absences payable	126,812
Total current liabilities	2,575,892
Noncurrent liabilities:	
Compensated absences payable	547,399
Claims and judgments	17,133
Notes payable	10,253,759
General obligation bonds - noncurrent	5,710,579
Total noncurrent liabilities	16,528,870
Total liabilities	19,104,762
Net Assets	
Invested in capital assets, net of related debt	48,443,665
Assigned	5,677,672
Total net assets	\$ 54,121,337

See accompanying notes.

City of Crystal Lake, Illinois
Proprietary Fund - Waterworks and Sewerage Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended April 30, 2010

Operating revenues:	
Charges for services	\$ 6,700,735
Miscellaneous	<u>40,222</u>
Total operating revenues	6,740,957
Operating expenses - excluding depreciation	<u>6,425,147</u>
Operating income before depreciation	315,810
Depreciation	<u>2,718,253</u>
Operating loss	<u>(2,402,443)</u>
Nonoperating revenue (expense):	
Connection fees	324,327
Grant revenue	183,500
Interest income	30,986
Rental income	181,272
Interest expense	(474,377)
Gain on sale of capital assets	<u>17,884</u>
Total nonoperating revenue (expense)	<u>263,592</u>
Change in net assets	(2,138,851)
Total net assets, beginning of the year	<u>56,260,188</u>
Total net assets, end of the year	<u>\$ 54,121,337</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, 2010

<hr/>	
Cash flows from operating activities:	
Receipts from customers	\$ 6,840,170
Payments to suppliers	(2,905,282)
Payments to employees	<u>(3,071,742)</u>
Net cash from operating activities	<u>863,146</u>
Cash flows from capital and related financing activities:	
Capital assets purchased	(427,755)
Connection fees	324,327
Grant proceeds	183,500
Proceeds from sale of capital assets	17,884
Principal paid on general obligation bonds	1,860,000
Principal paid on notes payable	(740,224)
Interest paid on general obligation bonds and notes payable	<u>(452,089)</u>
Net cash from capital and related financing activities	<u>765,643</u>
Cash flows from noncapital financing activities - advances from (to) other funds	<u>(18,308)</u>
Cash flows from investing activities - interest and dividends	<u>30,986</u>
Net increase in cash and cash equivalents	1,641,467
Balance, beginning of the year	<u>4,965,772</u>
Balance, end of the year	<u><u>\$ 6,607,239</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, 2010

Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (2,402,443)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Rental income	181,272
Depreciation expense	2,718,253
Increase in receivables	(82,059)
Increase in prepaid items	(33,801)
Increase in accounts payable	502,461
Increase in deposits payable	788
Increase in accrued payroll	4,945
Increase in claims and judgments payable	4,832
Decrease in compensated absences payable	<u>(31,102)</u>
 Net cash from operating activities	 <u>\$ 863,146</u>

See accompanying notes.

City of Crystal Lake, Illinois
Fiduciary Funds - Trust and Agency Funds
Statement of Fiduciary Net Assets
April 30, 2010

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash	\$ 18,377	\$ 130,031
Investments:		
Illinois Funds Investment Pool	353,110	-
Money market accounts	411,237	-
U.S. government and agency securities	20,324,632	-
Insurance contracts	307,504	-
Municipal bonds	50,392	-
Mutual funds - bonds	1,137,999	-
Mutual funds - stocks	14,723,189	-
Interest receivable	206,380	-
Other receivable	-	621
Total assets	\$ 37,532,820	\$ 130,652
Liabilities		
Accounts payable	\$ -	\$ -
Recapture fees payable	-	(82,401)
Due to other funds	-	213,053
Total liabilities	-	130,652
Net Assets		
Restricted for pension benefits	37,532,820	-
Total liabilities and net assets	\$ 37,532,820	\$ 130,652

See accompanying notes.

City of Crystal Lake, Illinois
Fiduciary Funds - Pension Trust Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended April 30, 2010

Additions	
Contributions:	
Employer	\$ 2,236,761
Participant	937,404
	<u>3,174,165</u>
Investment income:	
Net depreciation in fair value of investments	4,678,356
Interest income	1,158,564
Less investment expenses	<u>(135,762)</u>
Total investment income	<u>5,701,158</u>
Total additions	<u>8,875,323</u>
Deductions	
Pension benefits and refunds	1,910,005
Administrative expenses	<u>26,100</u>
Total deductions	<u>1,936,105</u>
Changes in net assets	6,939,218
Total net assets, beginning of the year	<u>30,593,602</u>
Total net assets, end of the year	<u>\$ 37,532,820</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.

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, 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 assets 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 assets presents the City's nonfiduciary assets and liabilities with the difference reported in three categories:

Invested in capital assets, net of related debt 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 assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do 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 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.

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

Home Rule Sales Tax District – This fund accounts for revenues derived from the home rule sales tax which is transferred to other funds to provide resources for specific projects.

Vulcan Lakes TIF District – This fund is intended to spur a comprehensive development of this area and will include residential, retail and recreational facilities.

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.

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

Additionally, the City administers fiduciary (pension trust and agency) funds for assets held by the City in a fiduciary capacity. Included are the City's Police Pension Fund and Firefighters' Pension Fund that accumulate resources for retirement annuity payments to sworn police officers and firefighters. In addition, 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.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal year (60 days for property taxes and 180 days for income taxes).

Significant revenue sources which are susceptible to accrual include property taxes, other taxes, 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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.

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.

D. Budgets

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 following funds:

<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>
Special Service Area Nos. 4-18	Special Service Area No. 42
Special Service Area No. 19	Special Assessment No. 145
Special Service Area Nos. 21-31	Crystal Heights Utility Extension
Special Service Area Nos. 32-39	SSA 44 Tracy Trail Construction
Special Service Area No. 42	SSA 45 Bryn Mawr Project
Special Assessment No. 149	SSA 46 Ryland Main Construction

E. Assets, Liabilities and Equity

1. Deposits and Investments

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

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

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

E. Assets, Liabilities and Equity (cont'd)

1. Deposits and Investments (cont'd)

Investments – Investments are reported at fair value. Fair value is based on quoted market prices. Under Illinois law, the City (and Library) are 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 granted by the United States.
- 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)

E. Assets, Liabilities and Equity (cont'd)

1. Deposits and Investments (cont'd)

Investments (cont'd)

- Common and preferred stocks which meet the following requirements: (1) investments must be made through an investment advisor, (2) stocks of U.S. corporations that have been in existence for five years, (3) corporations not in arrears in payment of dividends in last five years, (4) market value of stock in any one corporation does not exceed 5% of cash and invested assets of pension fund, (5) stock in any one corporation does not exceed 5% of total outstanding stock in the corporation, (6) stock listed on national securities exchange or quoted in NASDAQNMS, and (7) limited to 35% of net present assets.

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

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

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

2. Inventory and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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

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

E. Assets, Liabilities and Equity (cont'd)

3. Capital Assets

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

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

Interest incurred during the construction phase of enterprise fund capital asset 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 assets 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)

E. Assets, Liabilities and Equity (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 taken as "terminal leave" at retirement.

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 postemployment benefits obligation, are reported as liabilities in the applicable governmental or business-type activities and proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, if any, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and are amortized over the term of the related debt.

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 is 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 services expenditures.

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

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

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

E. Assets, Liabilities and Equity (cont'd)

6. Reserved Fund Balances and Restricted Net Assets

Reserves and restrictions represent those portions of individual fund balances/net assets not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Individual Fund Restrictions and Assignments:

General Fund – The City has restricted a portion of the fund balance for inventory, prepaid items, long-term loan receivable to another fund, and other postemployment benefits totaling \$99,140, \$664,083, \$1,800,000 and \$465,536, respectively. The City has assigned a portion of the fund balance for capital technology reserve, a loan to water and sewer fund for water filtration system, and Raue Center contribution totaling \$3,000,000, \$2,000,000 and \$50,000, respectively.

Fire Rescue Fund – A portion of the fund balance has been restricted for prepaid items (\$472,933) and assigned for wireless fire alarm system (\$579,000).

Illinois Municipal Retirement Fund – The fund balance is restricted for pension benefits.

Home Rule Sales Tax Fund – A portion of the fund balance is assigned for the Virginia Street Corridor (\$761,861) and Vulcan Lakes Debt Service (\$948,481).

Vulcan Lakes TIF District Fund – The fund balance has been assigned for development costs.

Nonmajor Governmental Funds – A portion of the fund balance is restricted for prepaid items. A portion of the fund balance is assigned for debt service (\$892,719) and development costs (\$1,355,377).

Water and Sewer Fund – The net assets not invested in capital assets net of related debt have been assigned for system improvements.

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

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

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

E. Assets, Liabilities and Equity (cont'd)

6. Reserved Fund Balances and Restricted Net Assets (cont'd)

Restricted Net Assets – Governmental Activities:

Restricted for Debt Service – Represents net asset restrictions imposed by bond covenants.

Restricted for Working Cash – Represents net assets restricted through state of Illinois compiled statutes.

7. Capital Contributions

Capital contributions reported in the governmental and proprietary funds represent capital assets donated from outside parties, principally developers.

8. Accounting Estimates

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

9. Interfund Transactions

The City has the following types of transactions between funds:

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

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 assets.

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.

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

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

E. Assets, Liabilities and Equity (cont'd)

9. Interfund Transactions (cont'd)

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. Claims and Judgments

Liabilities resulting from claims and judgments have been reflected in the financial statements in accordance with NCGA Statement 4 and SFAS 5 provisions.

11. Unbilled Services

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

II. 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 100% 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:

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

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

A. Deposits and Investments (cont'd)

Custodial Credit Risk - Deposits (cont'd)

- a. Negotiable obligations of the United States Government
- b. Negotiable obligations of any agency or instrumentality of the United States Government guaranteed by the full faith and credit of the United States Government.

Investments – As of April 30, 2010, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	\$ 3,051,755	\$ 323,152	\$ 1,743,853	\$ 984,750	\$ -
Fixed Income Money Market funds	411,237	411,237	-	-	-
Mortgage-backed securities	260,661	-	-	82,273	178,388
Other agency securities	23,231,249	4,275,530	16,080,941	2,874,778	-
Certificates of deposit	25,739,028	9,703,690	15,939,338	96,000	-
Municipal bonds	50,392	-	30,101	20,291	-
Mutual funds*	15,861,188	15,861,188	-	-	-
Corporate notes	1,049,480	-	1,049,480	-	-
Insurance contracts	307,504	307,504	-	-	-
Illinois Funds Investment Pool*	16,417,261	16,417,261	-	-	-
Total investments	\$ 86,379,755	\$ 47,299,562	\$ 34,843,713	\$ 4,058,092	\$ 178,388

* Weighted average maturity of the Fund/Pool is less than one year.

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Firefighters' Pension Fund has the following limits on its investment maturities:

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

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

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

A. Deposits and Investments (cont'd)

Credit Risk – State law limits investment in commercial paper and corporate bonds to the top two 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, 2010, the City's investments were rated as follows:

Investment Type	Fair Value	Moody's
Fixed Income Money Market funds	\$ 411,237	NR
Other agency securities	23,231,249	AAA
Municipal bonds	50,392	A3/NR
Corporate notes	1,049,480	A1/Aaa
Illinois Funds Investment Pool	16,417,261	AAA

NR = 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.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in any one issuer. More than 5 percent of the City's investments (excludes the Pension Trust Funds) are in Federal Home Loan Bank debt securities, which account for 5.51% of the City's total investments respectively, and two specific certificates of deposit which account for 10.08% and 5.77% respectively, of the City's total investments. Concentration risk disclosures for the Police and Firefighters' Pension Funds are in Note III. B.

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

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

II. 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 with a fair value of \$3,177,107. The weighted average maturity of the Pool is less than one year. The Illinois Funds Investment Pool was rated AAA by Standard & Poors rating service.

B. Property Taxes

The City's property tax is levied each calendar year on all taxable real property located in the City. Because the 2009 levy is intended to fund the operations of fiscal year 2011, the 2009 property tax levy is recorded as a receivable and the 2009 property tax revenue is deferred.

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 2009 become due and payable in two installments in June 2010 and September 2010. 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)

II. 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, 2010 is as follows:

	Balance May 1	Additions	Deletions	Balance April 30
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 102,588,927	\$ 339,706	\$ -	\$ 102,928,633
Construction in progress	3,316,692	11,641,530	86,303	14,871,919
	105,905,619	11,981,236	86,303	117,800,552
Capital assets being depreciated:				
Buildings and improvements	24,695,660	-	-	24,695,660
Machinery, equipment and Vehicles	10,584,999	377,591	204,170	10,758,420
Infrastructure	42,398,805	193,340	-	42,592,145
	77,679,464	570,931	204,170	78,046,225
Less accumulated depreciation for:				
Buildings and improvements	5,398,595	606,493	-	6,005,088
Machinery, equipment and vehicles	6,696,794	652,114	168,999	7,179,909
Infrastructure	12,917,885	630,901	-	13,548,786
	25,013,274	1,889,508	168,999	26,733,783
Total capital assets being depreciated, net	52,666,190	(1,318,577)	35,171	51,312,442
Governmental activities capital assets, net	\$ 158,571,809	\$ 10,662,659	\$ 121,474	\$ 169,112,994

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

II. 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, 2010 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	430,225	148,534	6,100	572,659
	1,058,320	148,534	6,100	1,200,754
Capital assets being depreciated:				
Buildings and improvements	15,920,016	-	-	15,920,016
Machinery, equipment and vehicles	3,655,239	40,202	31,964	3,663,477
Infrastructure	87,863,872	245,119	-	88,108,991
	107,439,127	285,321	31,964	107,692,484
Less accumulated depreciation for:				
Buildings and improvements	4,099,812	633,989	-	4,733,801
Machinery, equipment and vehicles	1,608,484	163,989	31,964	1,740,509
Infrastructure	34,857,122	1,920,275	-	36,777,397
	40,565,418	2,718,253	31,964	43,251,707
Total capital assets being depreciated, net	66,873,709	(2,432,932)	-	64,440,777
Business-type activities capital assets, net	\$ 67,932,029	\$ (2,284,398)	\$ 6,100	\$ 65,641,531

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

II. 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, 2010 is as follows:

	<u>Balance May 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30</u>
Component Unit Activities:				
Capital assets not being depreciated – land	\$ 661,569	\$ -	\$ -	\$ 661,569
Capital assets being depreciated:				
Buildings and improvements	7,849,561	-	-	7,849,561
Machinery, equipment and Vehicles	<u>237,527</u>	<u>-</u>	<u>-</u>	<u>237,527</u>
	<u>8,087,088</u>	<u>-</u>	<u>-</u>	<u>8,087,088</u>
Less accumulated depreciation for:				
Buildings and improvements	2,082,509	160,198	-	2,242,707
Machinery, equipment and Vehicles	<u>193,912</u>	<u>22,806</u>	<u>-</u>	<u>216,718</u>
	<u>2,276,421</u>	<u>183,004</u>	<u>-</u>	<u>2,459,425</u>
Total capital assets being depreciated, net	<u>5,810,667</u>	<u>(183,004)</u>	<u>-</u>	<u>5,627,663</u>
Component unit activities capital assets, net	<u>\$ 6,472,236</u>	<u>\$ (183,004)</u>	<u>\$ -</u>	<u>\$ 6,289,232</u>

Depreciation was charged to functions/activities as follows:

	<u>Primary Government</u>		<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Public Library</u>
General and administrative	\$ 442,905	\$ -	\$ -
Public safety	626,187	-	-
Highways and streets	820,416	-	-
Culture and recreation	-	-	183,004
Waterworks and sewerage	-	2,718,253	-

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

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

D. Interfund Receivables, Payables and Transfers

The following interfund receivables and payables as of April 30, 2010 are expected to be liquidated in the next year during the normal course of operations:

Receivable Fund	Payable Fund	Amount
General	Vulcan Lakes TIF District	\$ 1,814,024
General	Waterworks and Sewerage	97,373
General	Nonmajor Governmental	234,743
General	Agency	213,053
Motor Fuel Tax	General	501,190
Waterworks and Sewerage	General	45,518
Waterworks and Sewerage	Vulcan Lakes TIF District	259
		\$ 2,906,160

The interfund balances 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.

Receiving Fund	Paying Fund	Amount
General	Home Rule Sales Tax	\$ 2,445,031
Nonmajor Governmental	Home Rule Sales Tax	53,000
		\$ 2,498,031

The transfers to the General Fund from the Home Rule Sales Tax Fund were for flooding mitigation, police officers for the Target Response Unit, economic development activities such as "I Shop Crystal Lake," and other core services. The transfer from the Home Rule Sales Tax Fund to the Road/Vehicle Fund was for road resurfacing.

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

II. 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, 2010:

	Balance May 1	Additions	Deletions	Balance April 30
City:				
General obligation bonds	\$ 7,010,000	\$ 18,175,000	\$ 3,535,000	\$ 21,650,000
Special service area				
Bonds	9,005,000	-	142,000	8,863,000
Claims and judgments	90,234	2,668,794	2,644,916	114,112
Net pension obligation*	455,740	2,267,114	2,092,858	629,996
Net OPEB	16,101	-	-	16,101
Compensated absences*	4,964,323	2,006,915	1,710,922	5,260,316
	<u>\$ 21,541,398</u>	<u>\$ 25,117,823</u>	<u>\$ 10,125,696</u>	<u>\$ 36,533,525</u>
Crystal Lake Public Library:				
Notes payable	\$ 375,000	\$ -	\$ 375,000	\$ -
Compensated absences	579,966	212,645	178,257	614,354
	<u>\$ 954,966</u>	<u>\$ 212,645</u>	<u>\$ 553,257</u>	<u>\$ 614,354</u>

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

Business-type Activities – The following is a summary of long-term obligation activities for the City associated with business-type activities for the year ended April 30, 2010.

	Balance May 1	Additions	Deletions	Balance April 30
General obligation bonds	\$ 4,325,000	\$ 3,935,000	\$ 2,075,000	\$ 6,185,000
Notes payable	11,753,090	-	740,224	11,012,866
Claims and judgments	12,301	397,105	392,273	17,133
Compensated absences	705,313	253,623	284,725	674,211
	<u>\$ 16,795,704</u>	<u>\$ 4,585,728</u>	<u>\$ 3,492,222</u>	<u>\$ 17,889,210</u>

The current portion of compensated absences for governmental, business-type, and library activities are \$1,003,457, \$126,812 and \$63,271, respectively.

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)

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:

Issue	Fund Debt Retired by	Balance May 1	Issuances	Retirements	Balance April 30	Due Within One Year
1998 General Obligation Bonds, original principal \$8,345,000 (partial Waterworks and TIF alternate revenue source), repaid in current year with 2009 General Obligation Bond proceeds.	General and Debt Service	\$ 3,250,000	\$ -	\$ 3,250,000	\$ -	\$ -
	Waterworks and Sewerage	1,885,000	-	1,885,000	-	-
2004 General Obligation Bonds, original principal \$7,825,000 (partial Waterworks and TIF alternate revenue source), due in annual installments of \$500,000 to \$650,000 through December 15, 2019; interest at 3.10% to 3.90% payable semi-annually on June 15 and December 15.	General and Debt Service	3,760,000	-	285,000	3,475,000	300,000
	Waterworks and Sewerage	2,440,000	-	190,000	2,250,000	200,000
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 December 15, 2019; interest at 1.40% to 5.30% payable semi-annually on June 15 and December 15.	General and Debt Service	-	18,175,000	-	18,175,000	785,579
	Waterworks and Sewerage	-	3,935,000	-	3,935,000	274,421
General Obligation Bonds		<u>\$11,335,000</u>	<u>\$22,110,000</u>	<u>\$ 5,610,000</u>	<u>\$27,835,000</u>	<u>\$1,560,000</u>
Reported in:						
Governmental activities		\$ 7,010,000	\$18,175,000	\$ 3,535,000	\$ 21,650,000	\$1,085,579
Business-type activities		4,325,000	3,935,000	2,075,000	6,185,000	474,421
		<u>\$11,335,000</u>	<u>\$22,110,000</u>	<u>\$ 5,610,000</u>	<u>\$27,835,000</u>	<u>\$1,560,000</u>

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)

Special service area bonds, included within the governmental activities, outstanding and the current year activity are as follows:

<u>Issue</u>	<u>Fund Debt Retired by</u>	<u>Balance May 1</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance April 30</u>	<u>Due Within One Year</u>
Special Service Area No. 45 Bonds, Series 2006 – original principal \$5,945,000, due in annual installments of \$160,000 to \$435,000, commencing February 2009 through February 2031; interest at 4.50% to 5.50% payable semiannually on August 1 and February 1.	Capital Projects	\$ 5,855,000	\$ -	\$ 85,000	\$ 5,770,000	\$ 160,000
Special Service Area No. 46 Bonds, Series 2007 – original principal \$2,500,000, due in annual installments of \$10,000 to \$240,000, commencing March 2010 through March 2036; interest at 5.75% payable semiannually on September 1 and March 1.	Capital Projects	2,500,000	-	7,000	2,493,000	10,000
Special Service Area No. 44 Bonds, Series 2007 – original principal \$750,000, due in annual installments of \$50,000 through March 2022; interest at 4.25% to 4.85% payable annually on December 1.	Capital Projects	650,000	-	50,000	600,000	50,000
		<u>\$ 9,005,000</u>	<u>\$ -</u>	<u>\$ 142,000</u>	<u>\$ 8,863,000</u>	<u>\$ 220,000</u>

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)

Notes payable, included within the business-type activities, outstanding and the current year activity are as follows:

Issue	Fund Debt Retired by	Balance May 1	Issuances	Retirements	Balance April 30	Due Within One Year
Notes payable due in annual installments beginning February 1, 2003; interest at 2.535%.	Waterworks and Sewerage	\$ 11,753,090	\$ -	\$ 740,224	\$ 11,012,866	\$ 759,107

The annual requirements to retire all governmental activities' debt outstanding of the City as of April 30, 2010 are as follows:

Fiscal Year End	General Obligation Bonds		SSA Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 1,085,579	\$ 1,082,143	\$ 220,000	\$ 475,921
2012	1,226,895	864,429	234,000	470,021
2013	1,251,425	838,069	243,000	463,271
2014	1,272,806	806,468	257,000	455,886
2015	1,298,302	770,975	272,000	448,541
2016-2020	6,778,210	3,134,315	1,587,000	2,100,942
2021-2025	4,141,783	2,154,439	1,933,000	1,817,427
2026-2030	4,595,000	964,257	2,497,000	1,481,534
2031-2035	-	-	1,380,000	1,207,677
2036	-	-	240,000	253,800
	<u>\$ 21,650,000</u>	<u>\$ 10,615,094</u>	<u>\$ 8,863,000</u>	<u>\$ 9,175,020</u>

The annual requirements to retire all business-type activities' debt outstanding of the City as of April 30, 2010 are as follows:

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)

Fiscal Year End	General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2011	\$ 474,421	\$ 244,621	\$ 759,107	\$ 274,396
2012	508,105	199,647	778,472	255,030
2013	528,575	187,669	798,332	235,171
2014	547,194	174,120	818,698	214,805
2015	541,698	159,016	839,583	193,919
2016-2020	2,781,790	507,218	4,530,331	637,183
2021-2023	803,217	119,221	2,488,343	95,414
	<u>\$ 6,185,000</u>	<u>\$ 1,591,513</u>	<u>\$ 11,012,866</u>	<u>\$ 1,905,918</u>

The Crystal Lake Public Library entered into a \$1,000,000 promissory note dated December 17, 2006 and maturing December 17, 2014. The Library is required to make annual principal payments of \$125,000 commencing December 17, 2007. Interest is payable monthly at 4.50%. The note is secured by a construction mortgage and assignment of rents dated December 17, 2006. During prior years, the Library repaid an additional \$375,000 in principal and during the current year the Library repaid an additional \$250,000 in principal such that the note was paid in full as of April 30, 2010.

III. 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 \$75,000 per claim.

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

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

A. **Risk Management** (cont'd)

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

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

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

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

Unpaid claims liability – 4/30/07	\$ 171,896
Claims incurred – fiscal year 2008	2,725,050
Claims paid – fiscal year 2008	<u>(2,796,187)</u>
Unpaid claims liability – 4/30/08	100,759
Claims incurred – fiscal year 2009	3,282,952
Claims paid – fiscal year 2009	<u>(3,281,176)</u>
Unpaid claims liability – 4/30/09	102,535
Claims incurred – fiscal year 2010	3,065,899
Claims paid – fiscal year 2010	<u>(3,037,189)</u>
Unpaid claims liability – 4/30/10	<u>\$ 131,245</u>

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

III. Other Information (cont'd)

B. Defined Benefit Pension Plan

Illinois Municipal Retirement

Plan Description – The City's defined benefit pension plan for Regular employees provides retirement and disability benefits, postretirement increases, and death benefits to plan members and beneficiaries. The City's plan is affiliated with IMRF, an agent-multiple-employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois. Benefit provisions are established by state statute and can only be changed by the General Assembly of the State of Illinois. The IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy – 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 rate for calendar year 2009 was 10.15% of payroll. The City also contributes for disability 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.

Annual Pension Cost – For fiscal year ended April 30, 2009 (latest available as actuarial valuations are done on a calendar year basis), the City's annual pension cost of \$1,135,341 for the Regular plan was equal to the City's required and actual contributions.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed
4/30/09	\$ 1,056,168	100 %
4/30/08	996,724	100
4/30/07	955,895	100

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

III. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Illinois Municipal Retirement (cont'd)

The required contribution for 2009 was determined as part of the December 31, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.0% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3% annually. The actuarial value of the IMRF's assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period using a 15% corridor. The City's Regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at the December 31, 2007 valuation was 23 years.

Funding Status and Funding Progress – As of December 31, 2009, the most recent actuarial valuation date, the Regular plan was 69.17% funded. The actuarial accrued liability for benefits was \$29,364,612 and the actuarial value of assets was \$20,311,024, resulting in an underfunded actuarial accrued liability (UAAL) of \$9,053,588. The covered payroll (annual payroll of active employees covered by the plan) was \$11,185,631 and the ratio of the UAAL to the covered payroll was 81%. In conjunction with the December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payrolls on an open 30 year basis.

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

Police Pension

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.

At April 30, 2009 (consistent with the actuarial valuation date), the Police Pension Plan membership consisted of:

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

III. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Police Pension (cont'd)

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	25
Current employees:	
Vested	37
Nonvested	29
Total	<u>91</u>

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.

Funding Policy – Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2032, 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 biannually.

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

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

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

Police Pension (cont'd)

Current Year Annual Pension Cost and Net Pension Asset – The City’s annual pension cost was \$1,256,062. The annual pension cost is based on an actuarial valuation performed as of April 30, 2009. The City’s actual contribution was \$1,187,907. For a description of the significant actuarial assumptions see page 61.

The net pension liability of \$212,143 was comprised of the following:

Annual required contribution	\$ 1,252,867
Interest on the net pension asset	10,079
Adjustment to the ARC	<u>(6,884)</u>
Annual pension cost	1,256,062
2009 contribution	<u>1,187,907</u>
Increase in pension liability	68,155
Net pension liability at April 30, 2009	<u>143,988</u>
Net pension liability at April 30, 2010	<u>\$ 212,143</u>

The City has recorded the net pension obligation of \$212,143 in the government-wide statement of net assets.

Reserves and Concentration of Investments – There are no assets legally reserved for purposes other than the payment of plan member benefits. There are no long-term contracts for contributions. 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 assets available for benefits:

<u>Investment Type</u>	<u>% of Net Assets</u>
FFCB	5.45%
FHLMC	18.28%
FHLB	15.70%
FNMA	14.25%

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

III. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Firefighters' Pension

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.

At April 30, 2009 (consistent with the actuarial valuation date), the Firefighters' Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	10
Current employees:	
Vested	18
Nonvested	46
Total	74

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 through 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 greater 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.

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

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

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

Firefighters' Pension (cont'd)

Funding Policy – 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 2032, 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.

Current Year Annual Pension Cost and Net Pension Asset – The City's annual pension cost was \$1,011,052. The annual pension cost is based on the actuarial valuation performed as of April 30, 2009. The City's actual contribution was \$904,951. For a description of the significant actuarial assumptions, see page 61.

The net pension liability of \$417,853 was comprised of the following:

Annual required contributions (ARC)	\$ 1,004,134
Interest on the net pension asset	21,823
Adjustment to the ARC	<u>(14,905)</u>
Annual pension cost	1,011,052
2009 contribution	<u>904,951</u>
Increase in pension liability	106,101
Net pension liability at April 30, 2009	<u>311,752</u>
Net pension liability at April 30, 2010	<u>\$ 417,853</u>

The City has recorded the net pension obligation of \$417,853 in the government-wide statement of net assets.

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

III. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Firefighters' Pension (cont'd)

Reserves and Concentration of Investments – There are no assets legally reserved for purposes other than the payment of plan member benefits. There are no long-term contracts for contributions. 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 assets available for benefits:

<u>Investment Type</u>	<u>% of Net Assets</u>
FHLB	8.63%
FNMA	11.95%

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting – The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

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

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

III. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

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

Pension Plan Statements – The following page contains the individual pension fund statements for the year ended April 30, 2010.

Statement of Plan Net Assets	Police Pension	Firefighters' Pension
Assets:		
Cash	\$ 1	\$ 18,376
Investments:		
Illinois funds	100,829	252,281
Money market accounts	294,223	117,014
U.S. government and agency securities	11,804,496	8,520,136
Insurance contracts	-	307,504
Municipal bonds	-	50,392
Mutual funds – bonds	1,137,999	-
Mutual funds – stocks	9,058,190	5,664,999
Interest receivable	115,902	90,478
Total assets	22,511,640	15,021,180
Liabilities	-	-
Plan net assets held in trust for pension benefits	22,511,640	15,021,180
Total liabilities and plan net assets	\$ 22,511,640	\$ 15,021,180
Statement of Changes in Plan Net Assets	Police Pension	Firefighters' Pension
Additions:		
Contributions:		
Employer	\$ 1,240,961	\$ 995,800
Members	488,183	449,221
	1,729,144	1,445,021
Investment income:		
Net appreciation in fair value of investments	3,048,304	1,630,052
Interest income	755,379	403,185
Less investment expenses	(87,321)	(48,441)
	3,716,362	1,984,796
Total additions	5,445,506	3,429,817
Deductions:		
Pension benefits and refunds	1,386,666	523,339
Administrative expense	15,544	10,556
Total deductions	1,402,210	533,895
Change in net assets	4,043,296	2,895,922
Beginning net assets held in trust for pension benefits	18,468,344	12,125,258
Ending net assets held in trust for pension benefits	\$ 22,511,640	\$ 15,021,180

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

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

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

Significant Actuarial Assumptions

The information presented in the notes and the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial valuation date	December 31, 2007	April 30, 2009	April 30, 2009
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Significant actuarial assumptions:			
(a) Rate of return on investment of present and future assets	7.50% compounded annually	7.00% compounded annually	7.00% compounded annually
(b) Projected salary increases – attributable to inflation	4.00%	5.50%	5.50%
(c) Additional projected salary increases -- attributable to seniority/merit	0.40% to 10.00%, depending on age and service	(Note: Separate information for (b) and (c) not available)	
(d) Postretirement benefit increases	3.00%	3.00%	3.00%
Method used to determine actuarial value of assets	Five-year smoothed market value	Three-year smoothed market value	Three-year smoothed market value
Amortization method and remaining period	Level percentage of projected payroll, closed basis, 23 years	Level percentage of projected payroll, closed basis, 24 years	Level percentage of projected payroll, closed basis, 24 years

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

III. Other Information (cont'd)

B. Defined Benefit Pension Plan (cont'd)

Trend Information

Employer annual required contributions (ARC), actual contributions and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the ARC and the actual contribution made.

	Fiscal Year	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual pension cost	2005	\$ 775,783	\$ 696,732	\$ 466,858
	2006	872,700	735,256	543,254
	2007	940,438	967,919	711,840
	2008	986,799	1,113,556	820,030
	2009	1,016,583	1,190,390	910,353
	2010	1,135,341	1,256,062	1,011,052
Actual contributions	2005	\$ 775,783	\$ -	\$ -
	2006	872,700	735,907	541,367
	2007	940,438	966,026	707,944
	2008	986,799	1,073,638	708,003
	2009	1,016,583	1,111,640	817,496
	2010	1,135,341	1,187,907	904,951
Percent contributed	2005	% 100	% 101.3	% 97.4
	2006	100	100.1	99.7
	2007	100	99.8	99.5
	2008	100	96.4	86.3
	2009	100	93.4	89.8
	2010	100	94.6	89.5
Net pension obligation	2005	\$ -	\$ (24,078)	\$ (101,085)
	2006	-	(23,427)	(102,972)
	2007	-	(25,320)	(106,868)
	2008	-	(65,238)	(218,895)
	2009	-	(143,988)	(311,752)
	2010	-	(212,143)	(417,853)

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

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

C. **Other Postemployment Benefits (OPEB)**

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

At April 30, 2009 (consistent with the latest actuarial valuation date), 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	7
Current employees:	
Vested	269
Nonvested	0
Total	276

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

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of time not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the net OPEB obligation:

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

III. Other Information (cont'd)

C. Other Postemployment Benefits (OPEB) (cont'd)

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

Annual required contribution	\$	29,773
Interest on net OPEB obligation		1,156
Adjustment to the ARC		<u>(771)</u>
Annual OPEB cost		30,158
2008 contribution		<u>37,178</u>
Decrease in net OPEB obligation		(7,020)
Net OPEB obligation at April 30, 2008		<u>23,121</u>
Net OPEB obligation at April 30, 2009 and 2010	\$	<u>16,101</u>

The City has recorded the net pension obligation of \$16,101 in the government-wide statement of net assets.

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
4/30/09	\$ 30,158	123.3 %	\$ 16,101
4/30/07	30,025	0.0	30,025
4/30/06	N/A	N/A	

Funding Status and Funding Progress – The OPEB plan is being funded on a pay-as-you-go basis. At April 30, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,233,800. Annual covered payroll was zero.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

III. Other Information (cont'd)

C. Other Postemployment Benefits (OPEB) (cont'd)

Funding Status and Funding Progress (cont'd)

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 30, 2009 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), including a 3.0 percent inflation assumption, projected salary increases of 5.0 percent annually, and an annual healthcare inflation rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 6.0 percent. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2009 was 30 years.

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

D. Contingent Liabilities

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

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

E. Construction Commitments

The City had commitments under construction contracts of approximately \$2,500,000 outstanding at April 30, 2010.

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

III. 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 5-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 \$1,236,691 to SEECOM during fiscal year 2010.

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

III. Other Information (cont'd)

G. New Governmental Accounting Standards

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

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The City is required to implement this Statement for the year ending April 30, 2011.

Statement No. 53, *Accounting and Reporting for Derivative Instruments*, addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. The City is required to implement this Statement for the year ending April 30, 2011.

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The City early implemented this Statement in the current year.

Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, addresses issues related to the use of alternative measurement methods by employers that participate in agent multiple-employer OPEB plans.

Statement No. 58, *Accounting and Reporting for Chapter 9 Bankruptcies*, provides guidance for governments that have filed for bankruptcy protection, and is effective beginning in fiscal year ended April 30, 2011.

Management has not yet completed its assessment of these statements; however they are not expected to have a material effect on the overall financial statement presentation.

Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. The City was required to implement this Statement in the current year.

H. Subsequent Event

Subsequent to year end, Moody's upgraded the City's bond rating from Aa3 to Aa2, which is expected to result in significant savings on future borrowings.

REQUIRED SUPPLEMENTARY INFORMATION

**City of Crystal Lake, Illinois
 Illinois Municipal Retirement Fund
 Required Supplementary Information -
 Schedule of Funding Progress
 April 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/09	\$ 20,311,024	\$ 29,364,612	\$ 9,053,588	69.17 %	\$ 11,185,631	80.94 %
12/31/08	20,536,625	28,307,042	7,770,417	72.55	10,437,197	74.45
12/31/07	23,938,555	26,951,188	3,012,633	88.82	9,917,574	30.38
12/31/06	22,917,309	25,094,454	2,177,145	91.32	9,302,054	23.40
12/31/05	20,976,856	23,367,856	2,391,000	89.77	9,414,245	25.40
12/31/04	19,256,697	21,534,880	2,278,183	89.42	8,815,720	25.84

See independent auditor's report.

**City of Crystal Lake, Illinois
Police Pension Fund
Required Supplementary Information -
Schedule of Funding Progress
April 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
04/30/10	\$ 18,468,343	\$ 39,294,808	\$ 20,826,465	47.00 %	\$ 4,873,269	427.36 %
04/30/09	21,079,158	36,079,367	15,000,209	58.42	4,115,343	364.49
04/30/08	20,366,745	33,981,410	13,614,665	59.93	3,950,211	344.66
04/30/07	18,189,042	30,682,017	12,492,975	59.28	3,949,442	316.32
04/30/06	15,830,954	28,204,041	12,373,087	56.13	3,662,402	337.84
04/30/05	14,650,126	25,475,775	10,825,649	57.51	3,399,984	318.40

See independent auditor's report.

**City of Crystal Lake, Illinois
Firefighters' Pension Fund
Required Supplementary Information -
Schedule of Funding Progress
April 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
04/30/10	\$ 12,125,259	\$ 22,561,770	\$ 10,436,511	53.74 %	\$ 4,491,808	232.35 %
04/30/09	12,718,081	19,271,158	6,553,077	66.00	3,648,703	179.60
04/30/08	11,186,566	16,690,125	5,503,559	67.03	3,344,163	164.57
04/30/07	9,841,460	14,929,757	5,088,297	65.92	3,036,863	167.55
04/30/06	8,184,906	13,194,759	5,009,853	62.03	2,693,675	185.99
04/30/05	7,331,686	11,451,905	4,120,219	64.02	2,307,887	178.53

See independent auditor's report.

City of Crystal Lake, Illinois
Other Postemployment Benefits Retiree Healthcare Plan
Required Supplementary Information -
Schedule of Funding Progress
April 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
04/30/09	\$ -	\$ 1,233,800	\$ 1,233,800	- %	\$ -	- %
04/30/07	-	224,593	224,593	-	-	-
04/30/06	-	-	-	-	-	-

See independent auditor's report.

**City of Crystal Lake, Illinois
Police and Firefighters' Pension Plans
Required Supplementary Information -
Schedule of Employer Contributions
April 30, 2010**

Year Ended	Police Pension		Firefighters' Pension	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
4/30/10	\$ 1,256,062	94.57 %	\$ 1,011,052	89.51 %
4/30/09	1,190,390	93.39	910,353	89.80
4/30/08	1,113,556	96.42	820,030	86.34
4/30/07	967,919	99.80	711,840	99.45
4/30/06	735,256	100.09	543,254	99.65
4/30/05	734,590	100.00	540,456	100.00

See independent auditor's report.

City of Crystal Lake, Illinois
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Major Funds
For the Year Ended April 30, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 482,200	\$ 403,882	\$ (78,318)
Licenses and permits	379,500	387,126	7,626
Intergovernmental	12,500	52,282	39,782
Fines and forfeitures	944,070	637,172	(306,898)
Property taxes	2,257,001	2,236,800	(20,201)
Other taxes	17,709,915	15,740,927	(1,968,988)
Investment income	513,902	777,125	263,223
Miscellaneous	493,633	410,800	(82,833)
Total revenues	22,792,721	20,646,114	(2,146,607)
Expenditures:			
Current:			
General government	7,960,638	6,761,327	1,199,311
Public safety	11,393,556	10,918,983	474,573
Highways and streets	4,607,056	4,272,308	334,748
Capital outlay	1,140,150	1,293,796	(153,646)
Debt service:			
Principal	3,250,000	3,250,000	-
Interest and fees	143,195	147,230	(4,035)
Total expenditures	28,494,595	26,643,644	1,850,951
Revenues under expenditures before other financing sources (uses)	(5,701,874)	(5,997,530)	(295,656)
Other financing sources (uses):			
Bonds issued	2,940,000	2,940,000	-
Bond premium	-	61,658	61,658
Transfer in	1,150,273	2,445,031	1,294,758
Transfers out	(265,284)	-	265,284
Total other financing sources (uses)	3,824,989	5,446,689	1,621,700
Net changes in fund balance	\$ (1,876,885)	(550,841)	\$ 1,326,044
Fund balance, beginning of the year		22,160,707	
Fund balance, end of the year		\$ 21,609,866	

See independent auditor's report.

City of Crystal Lake, Illinois
Motor Fuel Tax Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Major Funds
For the Year Ended April 30, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,191,229	\$ 1,190,741	\$ (488)
Investment income	186,297	169,026	(17,271)
Other	-	(1,575)	(1,575)
	<u>1,377,526</u>	<u>1,358,192</u>	<u>(19,334)</u>
Total revenues			
Expenditures - current:			
Highways and street:			
Contractual services	1,731,482	530,790	1,200,692
Supplies and materials	602,706	314,164	288,542
Capital outlay - streets	4,017,612	567,480	3,450,132
	<u>6,351,800</u>	<u>1,412,434</u>	<u>4,939,366</u>
Total expenditures			
Net changes in fund balance	<u>\$ (4,974,274)</u>	<u>(54,242)</u>	<u>\$ 4,920,032</u>
Fund balance, beginning of the year		<u>9,651,717</u>	
Fund balance, end of the year		<u>\$ 9,597,475</u>	

See independent auditor's report.

City of Crystal Lake, Illinois
Fire Rescue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Major Funds
For the Year Ended April 30, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 2,235,939	\$ 2,363,294	\$ 127,355
Intergovernmental	-	12,478	12,478
Property taxes	5,830,389	5,781,992	(48,397)
Investment income	55,000	13,326	(41,674)
Other	17,000	67,819	50,819
Total revenues	8,138,328	8,238,909	100,581
Expenditures:			
Public safety:			
Personal services	6,643,261	6,313,855	329,406
Contractual services	1,211,412	1,083,292	128,120
Materials and supplies	283,655	224,427	59,228
Capital outlay	20,000	13,183	6,817
Total expenditures	8,158,328	7,634,757	523,571
Revenues over (under) expenditures	\$ (20,000)	604,152	\$ 624,152
Fund balance, beginning of the year		4,219,653	
Fund balance, end of the year		\$ 4,823,805	

See independent auditor's report.

City of Crystal Lake, Illinois
Illinois Municipal Retirement Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Major Funds
For the Year Ended April 30, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property taxes	\$ 1,912,823	\$ 1,894,648	\$ (18,175)
Other taxes - replacement	19,000	-	(19,000)
Investment income	18,303	2,190	(16,113)
Total revenues	<u>1,950,126</u>	<u>1,896,838</u>	<u>(53,288)</u>
Expenditures - current - personal services:			
General government	899,766	774,261	125,505
Public safety	381,506	308,648	72,858
Highways and streets	325,763	275,329	50,434
Culture and recreation	406,709	343,743	62,966
Total expenditures	<u>2,013,744</u>	<u>1,701,981</u>	<u>311,763</u>
Net changes in fund balance	<u>\$ (63,618)</u>	<u>194,857</u>	<u>\$ 258,475</u>
Fund balance, beginning of the year		<u>1,030,121</u>	
Fund balance, end of the year		<u>\$ 1,224,978</u>	

See independent auditor's report.

City of Crystal Lake, Illinois
Home Rule Sales Tax Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Major Fund
For the Year Ended April 30, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 4,655,313	\$ 4,546,821	\$ (108,492)
Investment income	-	6,238	6,238
Total revenues	4,655,313	4,553,059	(102,254)
Other financing uses - transfers out	(3,740,971)	(2,498,031)	(1,242,940)
Net changes in fund balance	<u>\$ 914,342</u>	<u>2,055,028</u>	<u>\$ (1,345,194)</u>
Fund balance, beginning of the year		<u>1,664,194</u>	
Fund balance, end of the year		<u>\$ 3,719,222</u>	

See independent auditor's report.

City of Crystal Lake, Illinois
Note to the Required Supplementary Information

Budgetary Information

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

- A. 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.
- B. A public hearing is conducted to obtain taxpayer comments.

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

- C. 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. No budget modifications were made for the year ended April 30, 2009. The Library approved supplemental appropriations.

As of April 30, 2010, the following funds had an excess of actual expenditures over budget:

Fund Name	Excess
Crystal Heights Debt Service Fund	\$ 89,528
SSA #44 Tracy Trail Project Debt Service Fund	45,371
SSA #45 Bryn Mawr Water and Sewer Project Fund	2,000
SSA #46 Ryland Water and Sewer Project Debt Service Fund	3,000
Police Pension Fund	182,700
Firefighters' Pension Fund	35,935

SUPPLEMENTARY INFORMATION

**City of Crystal Lake, Illinois
General Fund
Schedule of Revenues - Budget and Actual
For the Year Ended April 30, 2010**

	Original and Final Budget	Actual	Variance Positive (Negative)
Charges for services:			
Zoning and subdivision fees	\$ 8,000	\$ 3,626	\$ (4,374)
Plan review fees	115,000	43,989	(71,011)
Parking	280,000	245,966	(34,034)
Police revenue	64,000	89,492	25,492
Annexation fees	1,200	-	(1,200)
Other fees	14,000	20,809	6,809
	<u>482,200</u>	<u>403,882</u>	<u>(78,318)</u>
Licenses and permits:			
Liquor licenses	94,000	103,693	9,693
Miscellaneous licenses and permits	5,250	36,335	31,085
Building permits	275,000	242,173	(32,827)
Occupancy permits	5,250	4,925	(325)
	<u>379,500</u>	<u>387,126</u>	<u>7,626</u>
Intergovernmental - grants	<u>12,500</u>	<u>52,282</u>	<u>39,782</u>
Fines and forfeitures:			
Police fines	894,070	593,109	(300,961)
Adjudication fines	50,000	44,063	(5,937)
	<u>944,070</u>	<u>637,172</u>	<u>(306,898)</u>
Property taxes	<u>2,257,001</u>	<u>2,236,800</u>	<u>(20,201)</u>

(cont'd)

**City of Crystal Lake, Illinois
General Fund
Schedule of Revenues - Budget and Actual (cont'd)
For the Year Ended April 30, 2010**

	Original and Final Budget	Actual	Variance Positive (Negative)
Other taxes:			
Replacement tax	\$ 133,049	\$ 135,686	\$ 2,637
State sales tax	10,696,446	9,467,834	(1,228,612)
Auto rental tax	25,000	28,204	3,204
Income tax	3,688,300	3,068,722	(619,578)
Franchise fees - cable	425,000	501,544	76,544
Telecommunications tax	1,911,000	1,831,489	(79,511)
Hotel tax	290,000	230,880	(59,120)
Local use tax	541,120	476,568	(64,552)
	<u>17,709,915</u>	<u>15,740,927</u>	<u>(1,968,988)</u>
Investment income	<u>513,902</u>	<u>777,125</u>	<u>263,223</u>
Miscellaneous:			
Rental income	59,500	84,783	25,283
Other	434,133	326,017	(108,116)
	<u>493,633</u>	<u>410,800</u>	<u>(82,833)</u>
Total revenues	<u>\$ 22,792,721</u>	<u>\$ 20,646,114</u>	<u>\$ (2,146,607)</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, 2010**

	Original and Final Budget	Actual	Variance Positive (Negative)
General government:			
Executive department:			
Personnel services	\$ 22,800	\$ 20,720	\$ 2,080
Contractual services	371,135	359,591	11,544
	<u>393,935</u>	<u>380,311</u>	<u>13,624</u>
Legal and judiciary department - contractual services	<u>283,350</u>	<u>298,798</u>	<u>(15,448)</u>
Administration department:			
Personnel services	1,621,539	1,537,363	84,176
Contractual services	245,881	180,591	65,290
Supplies and materials	88,695	82,711	5,984
	<u>1,956,115</u>	<u>1,800,665</u>	<u>155,450</u>
Administrative adjudication department:			
Personnel services	49,187	39,055	10,132
Contractual services	45,700	25,039	20,661
Supplies and materials	4,000	1,730	2,270
	<u>98,887</u>	<u>65,824</u>	<u>33,063</u>
Building department:			
Personnel services	990,900	864,929	125,971
Contractual services	68,418	45,188	23,230
Supplies and materials	25,054	18,105	6,949
	<u>1,084,372</u>	<u>928,222</u>	<u>156,150</u>
Engineering department:			
Personnel services	1,161,268	1,075,427	85,841
Contractual services	226,196	148,015	78,181
Supplies and materials	39,530	23,617	15,913
	<u>1,426,994</u>	<u>1,247,059</u>	<u>179,935</u>

(cont'd)

**City of Crystal Lake, Illinois
General Fund
Schedule of Expenditures - Budget and Actual (cont'd)
For the Year Ended April 30, 2010**

	Original and Final Budget	Actual	Variance Positive (Negative)
General government (cont'd):			
Planning department:			
Personnel services	\$ 476,172	\$ 459,316	\$ 16,856
Contractual services	800,332	581,627	218,705
Supplies and materials	22,235	5,410	16,825
	<u>1,298,739</u>	<u>1,046,353</u>	<u>252,386</u>
Information technology:			
Personnel services	321,704	296,673	25,031
Contractual services	26,403	17,217	9,186
Supplies and materials	106,430	97,742	8,688
	<u>454,537</u>	<u>411,632</u>	<u>42,905</u>
Health services - contractual services	<u>147,452</u>	<u>107,138</u>	<u>40,314</u>
Shared services - contractual services	<u>454,235</u>	<u>307,255</u>	<u>146,980</u>
Special projects department:			
Contractual services	276,800	165,859	110,941
Supplies and materials	85,222	2,211	83,011
	<u>362,022</u>	<u>168,070</u>	<u>193,952</u>
Total general government	<u>7,960,638</u>	<u>6,761,327</u>	<u>1,199,311</u>
Public safety:			
Police department:			
Personnel services	7,273,393	7,017,715	255,678
Contractual services	1,426,930	1,305,595	121,335
Supplies and materials	398,658	322,742	75,916
	<u>9,098,981</u>	<u>8,646,052</u>	<u>452,929</u>
Pension contributions	<u>2,257,001</u>	<u>2,236,800</u>	<u>20,201</u>

(cont'd)

City of Crystal Lake, Illinois
General Fund
Schedule of Expenditures - Budget and Actual (cont'd)
For the Year Ended April 30, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Public safety (cont'd):			
Fire and police commission:			
Contractual services	\$ 37,114	\$ 36,131	\$ 983
Supplies and materials	460	-	460
	<u>37,574</u>	<u>36,131</u>	<u>1,443</u>
Total public safety	<u>11,393,556</u>	<u>10,918,983</u>	<u>474,573</u>
Highways and streets:			
Street department:			
Personnel services	2,074,022	1,871,891	202,131
Contractual services	835,440	839,539	(4,099)
Supplies and materials	323,705	353,193	(29,488)
	<u>3,233,167</u>	<u>3,064,623</u>	<u>168,544</u>
Storm sewer maintenance department:			
Personnel services	590,509	499,621	90,888
Contractual services	52,436	49,405	3,031
Supplies and materials	49,105	48,143	962
	<u>692,050</u>	<u>597,169</u>	<u>94,881</u>
Fleet services:			
Personnel services	584,097	517,534	66,563
Contractual services	62,992	44,013	18,979
Supplies and materials	34,750	48,969	(14,219)
	<u>681,839</u>	<u>610,516</u>	<u>71,323</u>
Total highways and streets	<u>4,607,056</u>	<u>4,272,308</u>	<u>334,748</u>
Capital outlay:			
Police department	136,650	130,974	5,676
Storm sewer maintenance department	344,500	344,422	78
Street department	119,000	91,309	27,691
Special projects department	540,000	727,091	(187,091)
Total capital outlay	<u>1,140,150</u>	<u>1,293,796</u>	<u>(153,646)</u>

(cont'd)

**City of Crystal Lake, Illinois
General Fund
Schedule of Expenditures - Budget and Actual (cont'd)
For the Year Ended April 30, 2010**

	Original and Final Budget	Actual	Variance Positive (Negative)
Debt service - special projects department:			
Principal	\$ 3,250,000	\$ 3,250,000	\$ -
Interest	143,195	147,230	(4,035)
Total debt service	<u>3,393,195</u>	<u>3,397,230</u>	<u>(4,035)</u>
Total expenditures	<u>\$ 28,494,595</u>	<u>\$ 26,643,644</u>	<u>\$ 1,850,951</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, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenue - investment income	\$ -	\$ 65,302	\$ 65,302
Total revenues	-	65,302	65,302
Expenditures:			
Current - contractual services	-	1,462,091	(1,462,091)
Capital outlay - public works improvements	16,000,000	7,200,023	8,799,977
Total expenditures	16,000,000	8,662,114	7,337,886
Revenues under expenditures before other financing sources	(16,000,000)	(8,596,812)	7,403,188
Other financing sources - bonds issued	16,000,000	15,235,000	(765,000)
Net changes in fund deficit	\$ -	6,638,188	\$ 6,638,188
Fund deficit, beginning of the year		(1,664,918)	
Fund balance, end of the year		\$ 4,973,270	

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:

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.

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 Service Area Nos. 4-18 – To account for the accumulation of resources for, and the payment of, principal and interest on the Special Service Area Nos. 4-18 bonds. Financing is being provided by a property tax levy.

Special Service Area No. 19 – To account for the accumulation of resources for, and the payment of, principal and interest on the Special Service Area No. 19 bonds. Financing is being provided by a property tax levy.

Special Service Area Nos. 21-31 – To account for the accumulation of resources for, and the payment of, principal and interest on the Special Service Area Nos. 21-31 bonds. Financing is being provided by a property tax levy.

Special Service Area Nos. 32-39 – To account for the accumulation of resources for, and the payment of, principal and interest on the Special Service Area Nos. 32-39 bonds. Financing is being provided by a property tax levy.

Special Service Area No. 42 – To account for the accumulation of resources for, and the payment of, principal and interest on the Special Service Area No. 42 bonds. Financing is being provided by a property tax levy.

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.

Nonmajor Governmental Funds (cont'd)

Debt Service Funds (cont'd)

2007 Special Service Area No. 44 Tracy Trail Street Project – To account for the accumulation of resources for, and the payment of, principal and interest on the 2007 Special Service Area No. 44 bonds. Financing is being provided by a property tax levy on property owners in the Service Area No. 44.

2006 Special Service Area No. 45 Bryn Mawr Water and Sewer Project – To account for the accumulation of resources for, and the payment of, principal and interest on the 2006 Special Service Area No. 45 bonds. Financing is being provided by a property tax levy on property owners in the Service Area No. 45.

2006 Special Service Area No. 46 Ryland Water and Sewer Project – To account for the accumulation of resources for, and the payment of, principal and interest on the 2006 Special Service Area No. 46 bonds. Financing is being provided by a property tax levy on property owners in the Service Area No. 46.

Vulcan Lakes TIF 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.

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 Service Area No. 42 – To account for the proceeds of special service area bonds used for capital improvements in special service districts within the City.

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.

Crystal Heights Utility Extension – To account for the extension of utilities to the Crystal Heights subdivision.

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.

Special Service Area No. 44 Tracy Trail Construction – To account for the proceeds of special service area bonds used for capital improvements in special service districts within the City.

Special Service Area No. 45 Bryn Mawr Project – To account for the proceeds of special service area bonds used for capital improvements in special service districts within the City.

Special Service Area No. 46 Ryland Main Construction – To account for the proceeds of special service area bonds used for capital improvements in special service districts within the City.

**City of Crystal Lake, Illinois
Combining Balance Sheet -
Nonmajor Governmental Funds
April 30, 2010**

Assets	Total	Special Revenue	Debt Service	Capital Projects
Cash and investments	\$ 6,057,744	\$ 2,179,637	\$ 2,405,548	\$ 1,472,559
Receivables:				
Property taxes	1,020,789	47,207	771,793	201,789
Accrued interest	57,877	57,877	-	-
Other	340,486	6,224	274,262	60,000
Prepaid items	14,332	659	13,673	-
Total assets	\$ 7,491,228	\$ 2,291,604	\$ 3,465,276	\$ 1,734,348
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 122,943	\$ 122,818	\$ -	\$ 125
Accrued expenses	3,093	3,093	-	-
Recapture fees payable	1,734,815	-	1,557,758	177,057
Due to other funds	234,743	-	234,743	-
Deferred revenue - property taxes	1,020,789	47,207	771,793	201,789
Total liabilities	3,116,383	173,118	2,564,294	378,971
Fund balances:				
Restricted	13,673	-	13,673	-
Assigned	2,248,096	-	892,719	1,355,377
Unassigned	2,113,076	2,118,486	(5,410)	-
Total fund balances	4,374,845	2,118,486	900,982	1,355,377
Total liabilities and fund balances	\$ 7,491,228	\$ 2,291,604	\$ 3,465,276	\$ 1,734,348

See independent auditor's report.

City of Crystal Lake, Illinois
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended April 30, 2010

	Total	Special Revenue	Debt Service	Capital Projects
Revenues:				
Charges for services	\$ 464,797	\$ -	\$ 464,797	\$ -
Licenses and permits	236,273	236,273	-	-
Property taxes	1,450,840	483,605	755,372	211,863
Other taxes	64,284	64,284	-	-
Interest	48,437	46,532	264	1,641
Miscellaneous	20,918	20,918	-	-
Total revenues	2,285,549	851,612	1,220,433	213,504
Expenditures:				
Current:				
General government	18,665	-	5,444	13,221
Public safety	94,594	94,594	-	-
Highways and streets	185,603	185,603	-	-
Capital outlay	1,132,220	996,675	129,455	6,090
Debt service:				
Principal	427,000	-	427,000	-
Interest and fees	607,245	-	607,245	-
Total expenditures	2,465,327	1,276,872	1,169,144	19,311
Excess (deficiency) of revenues over (under) expenditures before other financing sources	(179,778)	(425,260)	51,289	194,193
Other financing sources - transfers in	53,000	53,000	-	-
Net changes in fund balances	(126,778)	(372,260)	51,289	194,193
Fund balances, beginning of the year	4,501,623	2,490,746	849,693	1,161,184
Fund balances, end of the year	\$ 4,374,845	\$ 2,118,486	\$ 900,982	\$ 1,355,377

See independent auditor's report.

**City of Crystal Lake, Illinois
Combining Balance Sheet -
Nonmajor Special Revenue Funds
April 30, 2010**

Assets	Total	Road/ Vehicle License	School Crossing Guard	Foreign Fire Insurance
Cash and investments	\$ 2,179,637	\$ 2,047,347	\$ 45,032	\$ 87,258
Receivables:				
Property taxes	47,207	-	47,207	-
Accrued interest	57,877	57,877	-	-
Other	6,224	119	6,105	-
Prepaid expenses	659	659	-	-
Total assets	\$ 2,291,604	\$ 2,106,002	\$ 98,344	\$ 87,258
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 122,818	\$ 122,747	\$ -	\$ 71
Accrued expenses	3,093	-	3,093	-
Deferred revenue - property taxes	47,207	-	47,207	-
Total liabilities	173,118	122,747	50,300	71
Fund balances - unassigned	2,118,486	1,983,255	48,044	87,187
Total liabilities and fund balances	\$ 2,291,604	\$ 2,106,002	\$ 98,344	\$ 87,258

See independent auditor's report.

City of Crystal Lake, Illinois
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Special Revenue Funds
For the Year Ended April 30, 2010

	<u>Total</u>	<u>Road/ Vehicle License</u>	<u>School Crossing Guard</u>	<u>Foreign Fire Insurance</u>
Revenues:				
Licenses and permits	\$ 236,273	\$ 236,273	\$ -	\$ -
Property taxes	483,605	436,381	47,224	-
Other taxes	64,284	-	-	64,284
Investment income (loss)	46,532	46,017	154	361
Miscellaneous	20,918	-	20,618	300
Total revenues	851,612	718,671	67,996	64,945
Expenditures:				
Current:				
Public safety	94,594	-	54,771	39,823
Highways and streets	185,603	185,603	-	-
Capital outlay	996,675	996,675	-	-
Total expenditures	1,276,872	1,182,278	54,771	39,823
Excess (deficiency) of revenues over (under) expenditures before other financing sources	(425,260)	(463,607)	13,225	25,122
Other financing sources - transfers in	53,000	53,000	-	-
Net changes in fund balances	(372,260)	(410,607)	13,225	25,122
Fund balances, beginning of the year	2,490,746	2,393,862	34,819	62,065
Fund balances, end of the year	\$ 2,118,486	\$ 1,983,255	\$ 48,044	\$ 87,187

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, 2010**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Licenses and permits	\$ 212,000	\$ 236,273	\$ 24,273
Property taxes	421,586	436,381	14,795
Other taxes - replacement	9,300	-	(9,300)
Investment income	82,112	46,017	(36,095)
Miscellaneous	50,000	-	(50,000)
Total revenues	774,998	718,671	(56,327)
Expenditures:			
Highways and streets	302,220	185,603	116,617
Capital outlay	1,150,600	996,675	153,925
Total expenditures	1,452,820	1,182,278	270,542
Revenues over (under) expenditures before other financing sources	(677,822)	(463,607)	214,215
Other financing sources - transfers in	53,000	53,000	-
Net changes in fund balance	\$ (624,822)	(410,607)	\$ 214,215
Fund balance, beginning of the year		2,393,862	
Fund balance, end of the year		\$ 1,983,255	

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, 2010**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property taxes	\$ 47,665	\$ 47,224	\$ (441)
Investment income	955	154	(801)
Miscellaneous	16,500	20,618	4,118
Total revenues	65,120	67,996	2,876
Expenditures - public safety:			
Personal services	56,769	54,655	2,114
Materials and supplies	-	116	(116)
Total expenditures	56,769	54,771	1,998
Net changes in fund balance	\$ 8,351	13,225	\$ 4,874
Fund balance, beginning of the year		34,819	
Fund balance, end of the year		\$ 48,044	

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, 2010**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Foreign fire insurance	\$ 48,755	\$ 64,284	\$ 15,529
Investment income	1,400	361	(1,039)
Miscellaneous	-	300	300
	<u>50,155</u>	<u>64,945</u>	<u>14,790</u>
Total revenues			
Expenditures - public safety:			
Personnel services	1,500	850	650
Contractual services	6,800	4,277	2,523
Materials and supplies	51,693	34,696	16,997
	<u>59,993</u>	<u>39,823</u>	<u>20,170</u>
Total expenditures			
Net changes in fund balance	<u>\$ (9,838)</u>	<u>25,122</u>	<u>\$ 34,960</u>
Fund balance, beginning of the year		<u>62,065</u>	
Fund balance, end of the year		<u>\$ 87,187</u>	

See independent auditor's report.

**City of Crystal Lake, Illinois
Combining Balance Sheet -
Nonmajor Debt Service Funds
April 30, 2010**

	<u>Total</u>	<u>Special Service Area Nos. 4-18</u>	<u>Special Service Area No. 19</u>	<u>Special Service Area Nos. 21-31</u>	<u>Special Service Area Nos. 32-39</u>	<u>Special Service Area No. 42</u>	<u>Special Assess- ment No. 149</u>
Assets							
Cash and investments	\$ 2,405,548	\$ 505,558	\$ 18,061	\$ 120,945	\$ 1,616,657	\$ -	\$ -
Receivables:							
Property taxes	771,793	-	-	-	-	-	-
Other	274,262	-	-	-	(10,364)	-	276,665
Prepaid items	13,673	-	-	-	-	-	-
Total assets	\$ 3,465,276	\$ 505,558	\$ 18,061	\$ 120,945	\$ 1,606,293	\$ -	\$ 276,665
Liabilities and Fund Balances							
Liabilities:							
Recapture fees payable	\$ 1,557,758	\$ 507,253	\$ 15,047	\$ 115,462	\$ 909,394	\$ 100	\$ -
Due to other funds	234,743	-	-	-	-	-	231,128
Deferred revenue - property taxes	771,793	-	-	-	-	-	-
Total liabilities	2,564,294	507,253	15,047	115,462	909,394	100	231,128
Fund balances (deficits):							
Restricted	13,673	-	-	-	-	-	-
Assigned	892,719	-	3,014	5,483	696,899	-	45,537
Unassigned	(5,410)	(1,695)	-	-	-	(100)	-
Total fund balances (deficits)	900,982	(1,695)	3,014	5,483	696,899	(100)	45,537
Total liabilities and fund balances	\$ 3,465,276	\$ 505,558	\$ 18,061	\$ 120,945	\$ 1,606,293	\$ -	\$ 276,665

(cont'd)

City of Crystal Lake, Illinois
Combining Balance Sheet -
Nonmajor Debt Service Funds (cont'd)
April 30, 2010

	Crystal Heights Debt Service	2007 SSA #44 Tracy Trail Street Project	2006 SSA #45 Bryn Mawr Water and Sewer Project	2007 SSA #46 Ryland Water and Sewer Project	Vulcan Lakes TIF Debt Service Fund
Assets					
Cash and investments	\$ 51,292	\$ 38,535	\$ -	\$ 1,689	\$ 52,811
Receivables:					
Property taxes	85,800	76,156	451,092	158,745	-
Other	-	7,961	-	-	-
Prepaid items	-	-	13,673	-	-
Total assets	\$ 137,092	\$ 122,652	\$ 464,765	\$ 160,434	\$ 52,811
Liabilities and Fund Balances					
Liabilities:					
Recapture fees payable	\$ 10,502	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	3,615	-	-
Deferred revenue - property taxes	85,800	76,156	451,092	158,745	-
Total liabilities	96,302	76,156	454,707	158,745	-
Fund balances (deficits) :					
Restricted	-	-	13,673	-	-
Assigned	40,790	46,496	-	1,689	52,811
Unassigned	-	-	(3,615)	-	-
Total fund balances (deficits)	40,790	46,496	10,058	1,689	52,811
Total liabilities and fund balances	\$ 137,092	\$ 122,652	\$ 464,765	\$ 160,434	\$ 52,811

See independent auditor's report.

City of Crystal Lake, Illinois
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficits) - Nonmajor Debt Service Funds
For the Year Ended April 30, 2010

	Total	Special Service Area Nos. 4-18	Special Service Area No. 19
Revenues:			
Charges for services	\$ 464,797	\$ -	\$ -
Property taxes	755,372	-	-
Investment income (loss)	264	-	-
Total revenues	1,220,433	-	-
Expenditures:			
Current - general government	5,444	-	-
Debt service:			
Principal	427,000	-	-
Interest and fees	607,245	-	-
Miscellaneous	129,455	-	-
Total expenditures	1,169,144	-	-
Revenues over (under) expenditures	51,289	-	-
Fund balances (deficits), beginning of the year	849,693	(1,695)	3,014
Fund balances (deficits), end of the year	\$ 900,982	\$ (1,695)	\$ 3,014

Special Service Area Nos. 21-31	Special Service Area Nos. 32-39	Special Service Area No. 42	Special Assess- ment No. 149	Crystal Heights Debt Service
\$ -	\$ -	\$ -	\$ 2,671	\$ 126,285
-	-	-	-	81,490
-	-	-	(4)	(52)
-	-	-	2,667	207,723
-	-	-	-	5,444
-	-	-	-	90,000
-	-	-	-	40,524
-	-	-	-	84,084
-	-	-	-	220,052
-	-	-	2,667	(12,329)
5,483	696,899	(100)	42,870	53,119
\$ 5,483	\$ 696,899	\$ (100)	\$ 45,537	\$ 40,790

(cont'd)

City of Crystal Lake, Illinois
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficits) - Nonmajor Debt Service Funds (cont'd)
For the Year Ended April 30, 2010

	SEECOM Debt Service	2007 SSA #44 Tracy Trail Street Project	2006 SSA #45 Bryn Mawr Water and Sewer Project	2007 SSA #46 Ryland Water and Sewer Project	Vulcan Lakes TIF Debt Service Fund
Revenues:					
Charges for services	\$ 283,608	\$ 52,233	\$ -	\$ -	\$ -
Property taxes	-	78,975	384,388	157,750	52,769
Investment income (loss)	-	2	194	82	42
Total revenues	283,608	131,210	384,582	157,832	52,811
Expenditures:					
Current - general government	-	-	-	-	-
Debt service:					
Principal	195,000	50,000	85,000	7,000	-
Interest and fees	88,608	28,975	302,388	146,750	-
Miscellaneous	-	45,371	-	-	-
Total expenditures	283,608	124,346	387,388	153,750	-
Revenues over (under) expenditures	-	6,864	(2,806)	4,082	52,811
Fund balances (deficits), beginning of the year	-	39,632	12,864	(2,393)	-
Fund balances (deficits), end of the year	\$ -	\$ 46,496	\$ 10,058	\$ 1,689	\$ 52,811

See independent auditor's report.

City of Crystal Lake, Illinois
Crystal Heights Debt Service Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 131,000	\$ 126,285	\$ (4,715)
Property taxes	-	81,490	81,490
Investment income (loss)	2,110	(52)	(2,162)
Total revenues	133,110	207,723	74,613
Expenditures:			
Current - general government - contractual services	-	5,444	(5,444)
Debt service:			
Principal	90,000	90,000	-
Interest	40,524	40,524	-
Miscellaneous	-	84,084	(84,084)
Total expenditures	130,524	220,052	(89,528)
Net changes in fund balance	\$ 2,586	(12,329)	\$ (14,915)
Fund balance, beginning of the year		53,119	
Fund balance, end of the year		\$ 40,790	

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, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues - charges for services	\$ 283,608	\$ 283,608	\$ -
Expenditures:			
Debt service:			
Principal	195,000	195,000	-
Interest	88,608	88,608	-
Total expenditures	283,608	283,608	-
Net changes in fund balance	\$ -	-	\$ -
Fund balance, beginning of the year		-	
Fund balance, end of the year		\$ -	

See independent auditor's report.

City of Crystal Lake, Illinois
SSA #44 Tracy Trail Street Project Debt Service Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ -	\$ 52,233	\$ 52,233
Property taxes	78,975	78,975	-
Investment income	-	2	2
	<u>78,975</u>	<u>131,210</u>	<u>52,235</u>
Total revenues	<u>78,975</u>	<u>131,210</u>	<u>52,235</u>
Expenditures:			
Debt service:			
Principal	50,000	50,000	-
Interest	28,975	28,975	-
Miscellaneous	-	45,371	(45,371)
	<u>78,975</u>	<u>124,346</u>	<u>(45,371)</u>
Total expenditures	<u>78,975</u>	<u>124,346</u>	<u>(45,371)</u>
Revenues over expenditures	<u>\$ -</u>	<u>6,864</u>	<u>\$ 6,864</u>
Fund balance, beginning of the year		<u>39,632</u>	
Fund balance, end of the year		<u>\$ 46,496</u>	

See independent auditor's report.

City of Crystal Lake, Illinois
SSA #45 Bryn Mawr Water and Sewer Project Debt Service Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property taxes	\$ 385,388	\$ 384,388	\$ (1,000)
Investment income	-	194	194
Total revenues	<u>385,388</u>	<u>384,582</u>	<u>(806)</u>
Expenditures - debt service:			
Principal	85,000	85,000	-
Interest	300,388	302,388	(2,000)
Total expenditures	<u>385,388</u>	<u>387,388</u>	<u>(2,000)</u>
Net changes in fund balance	<u>\$ -</u>	<u>(2,806)</u>	<u>\$ (2,806)</u>
Fund balance, beginning of the year		<u>12,864</u>	
Fund balance, end of the year		<u>\$ 10,058</u>	

See independent auditor's report.

City of Crystal Lake, Illinois
SSA #46 Ryland Water and Sewer Project Debt Service Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance (Deficit) - Budget and Actual
For the Year Ended April 30, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property tax	\$ 157,750	\$ 157,750	\$ -
Investment income	-	82	82
Total revenues	<u>157,750</u>	<u>157,832</u>	<u>82</u>
Expenditures:			
Debt service:			
Principal retirement	7,000	7,000	-
Interest	143,750	146,750	(3,000)
Total expenditures	<u>150,750</u>	<u>153,750</u>	<u>(3,000)</u>
Net changes in fund balance	<u>\$ 7,000</u>	<u>4,082</u>	<u>\$ 3,082</u>
Fund deficit, beginning of the year		<u>(2,393)</u>	
Fund balance, end of the year		<u>\$ 1,689</u>	

See independent auditor's report.

City of Crystal Lake, Illinois
Vulcan Lakes TIF Debt Service Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property tax	\$ 41,000	\$ 52,769	\$ (11,769)
Investment income	-	42	(42)
Total revenues	<u>41,000</u>	<u>52,811</u>	<u>(11,811)</u>
Expenditures - debt service - interest	<u>1,283,888</u>	<u>-</u>	<u>1,283,888</u>
Revenues over (under) expenditures before other financing sources	(1,242,888)	52,811	(1,295,699)
Other financing sources - transfers in	<u>1,242,888</u>	<u>-</u>	<u>1,242,888</u>
Net changes in fund deficit	<u>\$ -</u>	<u>52,811</u>	<u>\$ (52,811)</u>
Fund balance, beginning of the year		<u>-</u>	
Fund balance, end of the year		<u>\$ 52,811</u>	

See independent auditor's report.

**City of Crystal Lake, Illinois
Combining Balance Sheet -
Nonmajor Capital Projects Funds
April 30, 2010**

	<u>Total</u>	<u>Special Service Area No. 42</u>	<u>Special Assessment No. 145</u>
Assets			
Cash and investments	\$ 1,472,559	\$ 99,954	\$ 117,173
Receivables:			
Property taxes	201,789	-	-
Accounts	60,000	-	-
Total assets	\$ 1,734,348	\$ 99,954	\$ 117,173
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 125	\$ -	\$ -
Recapture fees payable	177,057	69,475	107,582
Deferred revenue - property taxes	201,789	-	-
Total liabilities	378,971	69,475	107,582
Fund balances - assigned	1,355,377	30,479	9,591
Total liabilities and fund balances	\$ 1,734,348	\$ 99,954	\$ 117,173

<u>Crystal Heights Utility Extension</u>	<u>Main Street TIF Construction</u>	<u>Virginia Street Corridor TIF</u>	<u>SSA 44 Tracy Trail Construction</u>	<u>SSA 45 Bryn Mawr Project</u>	<u>SSA 46 Ryland Main Construction</u>
\$ 673,011	\$ 110,758	\$ 151,417	\$ 120,193	\$ 173,888	\$ 26,165
-	57,215	144,574	-	-	-
-	-	60,000	-	-	-
\$ 673,011	\$ 167,973	\$ 355,991	\$ 120,193	\$ 173,888	\$ 26,165
\$ -	\$ -	\$ 125	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	57,215	144,574	-	-	-
-	57,215	144,699	-	-	-
673,011	110,758	211,292	120,193	173,888	26,165
\$ 673,011	\$ 167,973	\$ 355,991	\$ 120,193	\$ 173,888	\$ 26,165

See independent auditor's report.

City of Crystal Lake, Illinois
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Capital Projects Funds
For the Year Ended April 30, 2010

	Total	Special Service Area No. 42	Special Assessment No. 145
Revenues:			
Property taxes	\$ 211,863	\$ -	\$ -
Investment income	1,641	-	-
Total revenues	213,504	-	-
Expenditures:			
Current - contractual services	13,221	-	-
Capital outlay - public works improvements	6,090	-	-
Total expenditures	19,311	-	-
Net changes in fund balances	194,193	-	-
Fund balances, beginning of the year	1,161,184	30,479	9,591
Fund balances, end of the year	\$ 1,355,377	\$ 30,479	\$ 9,591

Crystal Heights Utility Extension	Main Street TIF Construction	Virginia Street Corridor TIF	SSA 44 Tracy Trail Construction	SSA 45 Bryn Mawr Project	SSA 46 Ryland Main Construction
\$ -	\$ 56,631	\$ 155,232	\$ -	\$ -	\$ -
939	115	183	156	248	-
939	56,746	155,415	156	248	-
-	11,378	1,843	-	-	-
-	-	-	-	6,090	-
-	11,378	1,843	-	6,090	-
939	45,368	153,572	156	(5,842)	-
672,072	65,390	57,720	120,037	179,730	26,165
\$ 673,011	\$ 110,758	\$ 211,292	\$ 120,193	\$ 173,888	\$ 26,165

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, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property taxes	\$ -	\$ 155,232	\$ 155,232
Interest	-	183	183
Total revenues	-	155,415	155,415
Expenditures:			
Contractual services	-	1,843	(1,843)
Capital outlay - public works	4,000,000	-	4,000,000
Total expenditures	4,000,000	1,843	3,998,157
Revenues over (under) expenditures before other financing sources	(4,000,000)	153,572	4,153,572
Other financing sources - bonds issued	4,000,000	-	(4,000,000)
Net changes in fund balance	\$ -	153,572	\$ 153,572
Fund balance, beginning of the year		57,720	
Fund balance, end of the year		\$ 211,292	

See independent auditor's report.

**City of Crystal Lake, Illinois
Main Street TIF Construction Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2010**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property taxes	\$ -	\$ 56,631	\$ 56,631
Interest	-	115	115
Total revenues	-	56,746	56,746
Expenditures:			
Current - contractual services	-	11,378	(11,378)
Capital outlay - public works improvements	8,000,000	-	8,000,000
Total expenditures	8,000,000	11,378	7,988,622
Net changes in fund balance	\$ (8,000,000)	45,368	\$ 8,045,368
Fund balance, beginning of the year		65,390	
Fund balance, end of the year		\$ 110,758	

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, 2010**

	Original and Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Charges for services:			
Water sales	\$ 3,499,932	\$ 3,105,271	\$ (394,661)
Sewer sales	3,579,991	3,232,435	(347,556)
Penalties	145,000	328,712	183,712
Water meter fees	70,000	12,867	(57,133)
Water tap fees	1,500	21,450	19,950
Miscellaneous	35,000	40,222	5,222
Total operating revenues	7,331,423	6,740,957	(590,466)
Nonoperating revenue:			
Connection fees	862,500	324,327	(538,173)
Grant revenue	-	183,500	183,500
Investment income	169,253	30,986	(138,267)
Rental income	181,272	181,272	-
Total nonoperating revenues	1,213,025	720,085	(492,940)
Total revenues	\$ 8,544,448	\$ 7,461,042	\$ (1,083,406)

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, 2010

	Original and Final Budget	Actual	Variance Positive (Negative)
Operating expenses, excluding depreciation:			
Administration:			
Personal services	\$ 485,831	\$ 428,130	\$ 57,701
Contractual services	137,391	144,548	(7,157)
Supplies and materials	59,535	52,177	7,358
Total administration	682,757	624,855	57,902
Operations:			
Water division:			
Personal services	1,400,830	1,353,633	47,197
Contractual services	838,238	781,361	56,877
Supplies and materials	581,938	606,946	(25,008)
Capital outlay	470,000	46,100	423,900
Total water division	3,291,006	2,788,040	502,966
Wastewater division:			
Personal services	1,012,599	948,288	64,311
Contractual services	999,355	781,780	217,575
Supplies and materials	487,076	458,941	28,135
Capital outlay	581,000	231,475	349,525
Total wastewater division	3,080,030	2,420,484	659,546
Sewer and lifts division:			
Personal services	323,988	315,534	8,454
Contractual services	126,755	131,967	(5,212)
Supplies and materials	76,535	55,117	21,418
Capital outlay	111,500	89,150	22,350
Total sewer and lifts division	638,778	591,768	47,010
Total operations	7,009,814	5,800,292	1,209,522
Total operating expenses, excluding depreciation	\$ 7,692,571	\$ 6,425,147	\$ 1,267,424
Nonoperating expenses:			
Interest	\$ 465,200	\$ 474,377	\$ (9,177)
(Gain) loss on sale of capital assets	-	(17,884)	17,884
Total nonoperating expenses	\$ 465,200	\$ 456,493	\$ 8,707

See independent auditor's report.

**City of Crystal Lake, Illinois
Pension Trust Funds
Combining Statement of Plan Net Assets
April 30, 2010**

Assets	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
Cash	\$ 1	\$ 18,376	\$ 18,377
Investments:			
Illinois Funds Investment Pool	100,829	252,281	353,110
Money market accounts	294,223	117,014	411,237
U.S. government and agency securities	11,804,496	8,520,136	20,324,632
Insurance contracts	-	307,504	307,504
Municipal bonds	-	50,392	50,392
Mutual funds - bonds	1,137,999	-	1,137,999
Mutual funds - stocks	9,058,190	5,664,999	14,723,189
Interest receivable	115,902	90,478	206,380
Total assets	<u>\$ 22,511,640</u>	<u>\$ 15,021,180</u>	<u>\$ 37,532,820</u>
Liabilities and Net Assets			
Liabilities	\$ -	\$ -	\$ -
Net assets - restricted for pension benefits	<u>22,511,640</u>	<u>15,021,180</u>	<u>37,532,820</u>
Total liabilities and net assets	<u>\$ 22,511,640</u>	<u>\$ 15,021,180</u>	<u>\$ 37,532,820</u>

See independent auditor's report.

**City of Crystal Lake, Illinois
Pension Trust Funds
Combining Statement of Changes in Plan Net Assets
For the Year Ended April 30, 2010**

	Police Pension	Firefighters' Pension	Total
Additions:			
Contributions:			
Employer	\$ 1,240,961	\$ 995,800	\$ 2,236,761
Members	488,183	449,221	937,404
	<u>1,729,144</u>	<u>1,445,021</u>	<u>3,174,165</u>
Investment income:			
Net appreciation in fair value of investments	3,048,304	1,630,052	4,678,356
Interest income	755,379	403,185	1,158,564
Less investment expenses	(87,321)	(48,441)	(135,762)
	<u>3,716,362</u>	<u>1,984,796</u>	<u>5,701,158</u>
Total additions	<u>5,445,506</u>	<u>3,429,817</u>	<u>8,875,323</u>
Deductions:			
Pension benefits and refunds	1,386,666	523,339	1,910,005
Administrative expenses	15,544	10,556	26,100
Total deductions	<u>1,402,210</u>	<u>533,895</u>	<u>1,936,105</u>
Changes in net assets	4,043,296	2,895,922	6,939,218
Total net assets, beginning of the year	<u>18,468,344</u>	<u>12,125,258</u>	<u>30,593,602</u>
Total net assets, end of the year	<u>\$ 22,511,640</u>	<u>\$ 15,021,180</u>	<u>\$ 37,532,820</u>

See independent auditor's report.

**City of Crystal Lake, Illinois
Police Pension Fund
Schedule of Changes in Plan
Net Assets - Budget and Actual
For the Year Ended April 30, 2010**

	Original and Final Budget	Actual	Variance Positive (Negative)
Additions:			
Contributions:			
Employer	\$ 1,252,867	\$ 1,240,961	\$ (11,906)
Members	438,000	488,183	50,183
	<u>1,690,867</u>	<u>1,729,144</u>	<u>38,277</u>
Investment income:			
Net appreciation in fair value of investments	-	3,048,304	3,048,304
Interest income	487,091	755,379	268,288
Less investment expenses	(92,905)	(87,321)	5,584
	<u>394,186</u>	<u>3,716,362</u>	<u>3,322,176</u>
Total additions	<u>2,085,053</u>	<u>5,445,506</u>	<u>3,360,453</u>
Deductions:			
Pension benefits and refunds	1,206,160	1,386,666	(180,506)
Administrative expenses	13,350	15,544	(2,194)
Total deductions	<u>1,219,510</u>	<u>1,402,210</u>	<u>(182,700)</u>
Changes in net assets	<u>\$ 865,543</u>	<u>4,043,296</u>	<u>\$ 3,177,753</u>
Total net assets, beginning of the year		<u>18,468,344</u>	
Total net assets, end of the year		<u>\$ 22,511,640</u>	

See independent auditor's report.

**City of Crystal Lake, Illinois
Firefighters' Pension Fund
Schedule of Changes in Plan
Net Assets - Budget and Actual
For the Year Ended April 30, 2010**

	Original and Final Budget	Actual	Variance Positive (Negative)
Additions:			
Contributions:			
Employer	\$ 1,004,134	\$ 995,800	\$ (8,334)
Members	365,479	449,221	83,742
	<u>1,369,613</u>	<u>1,445,021</u>	<u>75,408</u>
Investment income:			
Net appreciation (depreciation) in fair value of investments	-	1,630,052	1,630,052
Interest income	311,059	403,185	92,126
Less investment expenses	(37,874)	(48,441)	(10,567)
	<u>273,185</u>	<u>1,984,796</u>	<u>1,711,611</u>
Total additions	<u>1,642,798</u>	<u>3,429,817</u>	<u>1,787,019</u>
Deductions:			
Pension benefits and refunds	491,460	523,339	(31,879)
Administrative expenses	6,500	10,556	(4,056)
Total deductions	<u>497,960</u>	<u>533,895</u>	<u>(35,935)</u>
Changes in net assets	<u>\$ 1,144,838</u>	<u>2,895,922</u>	<u>\$ 1,751,084</u>
Total net assets, beginning of the year		<u>12,125,258</u>	
Total net assets, end of the year		<u>\$ 15,021,180</u>	

See independent auditor's report.

City of Crystal Lake, Illinois
Agency Fund - Special Assessment Fund
Combining Statement of Changes in Assets and Liabilities
For the Year Ended April 30, 2010

	<u>Balance May 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance April 30, 2010</u>
Assets				
Cash	\$ 129,774	\$ 257	\$ -	\$ 130,031
Other receivables	621	-	-	621
	<u>\$ 130,395</u>	<u>\$ 257</u>	<u>\$ -</u>	<u>\$ 130,652</u>
Liabilities				
Recapture fees payable	\$ (82,658)	\$ 257	\$ -	\$ (82,401)
Due to other funds	213,053	-	-	213,053
	<u>\$ 130,395</u>	<u>\$ 257</u>	<u>\$ -</u>	<u>\$ 130,652</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, 2010

Assets

Governmental funds capital assets:

Land	\$ 102,928,633
Construction in progress	14,871,919
Buildings and improvements	24,695,660
Machinery, equipment and vehicles	10,758,420
Infrastructure	<u>42,592,145</u>

Total governmental funds capital assets	<u>\$ 195,846,777</u>
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Investment in Governmental Funds
Capital Assets By Source

General Fund	\$ 137,882,816
Special Revenue Funds	10,426,041
Capital Projects Funds	8,412,338
Developer contributions	<u>39,125,582</u>

Total governmental funds capital assets	<u>\$ 195,846,777</u>
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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, 2010

	Land	Construction in Progress	Buildings and Improvements
General government	\$ 102,731,806	\$ 10,232,576	\$ 10,768,141
Public safety	-	-	13,538,645
Highways and streets	196,827	4,639,343	388,874
	<u>\$ 102,928,633</u>	<u>\$ 14,871,919</u>	<u>\$ 24,695,660</u>

	Machinery, Equipment and Vehicles	Infrastructure	Total
	\$ 1,321,318	\$ 789,117	\$ 125,842,958
	5,420,778	-	18,959,423
	4,016,324	41,803,028	51,044,396
	<u>\$ 10,758,420</u>	<u>\$ 42,592,145</u>	<u>\$ 195,846,777</u>

See independent auditor's report.

City of Crystal Lake, Illinois
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
April 30, 2010

	Balance May 1, 2009	Additions	Deletions and Transfers	Balance April 30, 2010
General government	\$ 116,847,324	\$ 8,995,634	\$ -	\$ 125,842,958
Public safety	19,128,563	19,913	189,053	18,959,423
Highways and streets	47,609,196	3,450,317	15,117	51,044,396
	<u>\$ 183,585,083</u>	<u>\$ 12,465,864</u>	<u>\$ 204,170</u>	<u>\$ 195,846,777</u>

See independent auditor's report.

City of Crystal Lake, Illinois
Discretely Presented Component Unit - Crystal Lake Public Library
Statement of Net Assets and Governmental Funds Balance Sheet
April 30, 2010

	Governmental Funds		
	General Operating	Gift and Memorial	Ames
Assets			
Current:			
Cash and investments	\$ 2,605,279	\$ 8,499	652,861
Property tax receivable	3,889,963	-	-
Capital assets, net of accumulated depreciation	-	-	-
Total assets	\$ 6,495,242	\$ 8,499	\$ 652,861
Liabilities			
Current:			
Accounts payable	\$ 144,943	\$ -	\$ -
Unearned property tax revenue	3,889,963	-	-
Compensated absences	-	-	-
Total current liabilities	4,034,906	-	-
Noncurrent:			
Compensated absences payable	-	-	-
Total noncurrent liabilities	-	-	-
Total liabilities	4,034,906	-	-
Fund balance/net assets:			
Reserved for - working cash	-	-	-
Unreserved	2,460,336	8,499	652,861
Invested in capital assets, net of related debt	-	-	-
Restricted for working cash	-	-	-
Unrestricted	-	-	-
Total fund balance/net assets	2,460,336	8,499	652,861
Total liabilities and fund balance/net assets	\$ 6,495,242	\$ 8,499	\$ 652,861

Nonmajor Funds	Total	Adjustments	Statement of Net Assets
\$ 170,368	\$ 3,437,007	\$ -	\$ 3,437,007
-	3,889,963	-	3,889,963
-	-	6,289,232	6,289,232
\$ 170,368	\$ 7,326,970	\$ 6,289,232	\$ 13,616,202
\$ -	\$ 144,943	\$ -	\$ 144,943
-	3,889,963	-	3,889,963
-	-	63,271	63,271
-	4,034,906	63,271	4,098,177
-	-	551,083	551,083
-	-	551,083	551,083
-	4,034,906	614,354	4,649,260
50,102	50,102	(50,102)	-
120,266	3,241,962	(3,241,962)	-
-	-	6,289,232	6,289,232
-	-	50,773	50,773
-	-	2,626,937	2,626,937
170,368	3,292,064	5,674,878	8,966,942
\$ 170,368	\$ 7,326,970	\$ 6,289,232	\$ 13,616,202

See independent auditor's report.

City of Crystal Lake, Illinois
Reconciliation of Balance Sheet - Governmental Funds
to the Statement of Net Assets
Discretely Presented Component Unit - Crystal Lake Public Library
April 30, 2010

Total fund balance - governmental funds \$ 3,292,064

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

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. 6,289,232

Some liabilities reported in the statement of net assets 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 (614,354)

Net assets of governmental activities \$ 8,966,942

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, 2010

	Governmental Funds		
	General Operating	Gift and Memorial	Ames
Expenditures/expenses - culture and recreation	\$ 3,758,974	\$ 12,395	\$ 8,900
Program revenues:			
Fines and fees	144,537	-	-
Rental income	-	-	-
Intergovernmental	48,136	-	-
Total program revenues	<u>192,673</u>	<u>-</u>	<u>-</u>
Net program expenditures/expenses	<u>(3,566,301)</u>	<u>(12,395)</u>	<u>(8,900)</u>
General revenues:			
Property taxes	3,938,010	-	-
Interest	9,707	48	16,025
Capital facilities	-	-	-
Miscellaneous	1,079	12,380	-
Total general revenues	<u>3,948,796</u>	<u>12,428</u>	<u>16,025</u>
Other financing sources (uses):			
Transfers in	773	-	175,942
Transfers out	(175,942)	-	-
Total other financing sources (uses)	<u>(175,169)</u>	<u>-</u>	<u>175,942</u>
Net changes in fund balances	<u>207,326</u>	<u>33</u>	<u>183,067</u>
Fund balances, beginning of the year	2,253,010	8,466	469,794
Fund balances, end of the year	<u>\$ 2,460,336</u>	<u>\$ 8,499</u>	<u>\$ 652,861</u>

Nonmajor Funds	Total	Adjustments	Statement of Activities
\$ 13,679	\$ 3,793,948	\$ (157,608)	\$ 3,636,340
-	144,537	-	144,537
14,256	14,256	-	14,256
-	48,136	-	48,136
14,256	206,929	-	206,929
577	(3,587,019)	157,608	(3,429,411)
-	3,938,010	-	3,938,010
307	26,087	-	26,087
2,260	2,260	-	2,260
-	13,459	-	13,459
2,567	3,979,816	-	3,979,816
-	176,715	-	176,715
(773)	(176,715)	-	(176,715)
(773)	-	-	-
2,371	392,797	157,608	550,405
167,997	2,899,267	5,517,270	8,416,537
\$ 170,368	\$ 3,292,064	\$ 5,674,878	\$ 8,966,942

See independent auditor's report.

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
Discretely Presented Component Unit - Crystal Lake Public Library
For the Year Ended April 30, 2010

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

Net change in fund balances - total governmental funds	\$ 392,797
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 (\$183,004) exceeds capital outlay (\$0) in the current period.	(183,004)
The repayment of principal of long-term debt is reported as an expenditure in governmental funds but as a reduction of the liability outstanding in the statement of activities.	375,000
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	(34,388)
Change in net assets of governmental activities	\$ 550,405

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, 2010

Assets	Total	Capital Project Fund <u>Public Library Repair and Construction</u>	Permanent Fund <u>Working Cash</u>
Cash and investments	\$ 170,368	\$ 120,266	\$ 50,102
Liabilities and Fund Balances			
Liabilities	\$ -	\$ -	\$ -
Fund balances:			
Reserved for working cash	50,102	-	50,102
Unreserved	120,266	120,266	-
Total fund balances	170,368	120,266	50,102
Total liabilities and fund balances	\$ 170,368	\$ 120,266	\$ 50,102

See independent auditor's report.

City of Crystal Lake, Illinois
Discretely Presented Component Unit - Crystal Lake Public Library
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended April 30, 2010

	<u>Total</u>	<u>Capital Project Fund Public Library Repair and Construction</u>	<u>Permanent Fund Working Cash</u>
Revenues:			
Interest	\$ 307	\$ 205	\$ 102
Capital facilities	2,260	2,260	-
Rental income	14,256	14,256	-
Total revenues	16,823	16,721	102
Expenditures - current - culture and recreation	13,679	13,679	-
Revenues over expenditures before other financing uses	3,144	3,042	102
Other financing uses - transfer out	(773)	-	(773)
Change in fund balances	2,371	3,042	(671)
Fund balances, beginning of the year	167,997	117,224	50,773
Fund balances, end of the year	\$ 170,368	\$ 120,266	\$ 50,102

See independent auditor's report.

City of Crystal Lake
Crystal Lake Public Library Component Unit - General Operating Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 4,348,924	\$ 4,348,924	\$ 3,938,010	\$ (410,914)
Intergovernmental	103,000	103,000	48,136	(54,864)
Fines and forfeitures	168,050	168,050	144,537	(23,513)
Interest	20,000	20,000	9,707	(10,293)
Miscellaneous	1,000	1,000	1,079	79
Total revenues	4,640,974	4,640,974	4,141,469	(499,505)
Expenditures:				
Culture and recreation:				
Personal services	2,625,000	2,625,000	2,348,298	276,702
Contractual services	583,269	583,269	385,962	197,307
Supplies and materials	1,169,499	1,169,499	575,779	593,720
Debt service:				
Principal	250,000	250,000	375,000	(125,000)
Interest	25,000	25,000	7,172	17,828
Capital outlay:				
Building	17,406	17,406	25,392	(7,986)
Operating equipment	95,971	95,971	41,371	54,600
Total expenditures	4,766,145	4,766,145	3,758,974	1,007,171
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	(125,171)	(125,171)	382,495	507,666

(cont'd)

City of Crystal Lake
Crystal Lake Public Library Component Unit - General Operating Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (cont'd)
For the Year Ended April 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Other financing sources (uses):				
Transfers in	\$ 2,000	\$ 2,000	\$ 773	\$ (1,227)
Transfers out	-	(175,942)	(175,942)	-
Total other financing sources (uses)	<u>2,000</u>	<u>(173,942)</u>	<u>(175,169)</u>	<u>(1,227)</u>
Net changes in fund balance	<u>\$ (123,171)</u>	<u>\$ (299,113)</u>	<u>207,326</u>	<u>\$ 506,439</u>
Fund balance, beginning of the year			<u>2,253,010</u>	
Fund balance, end of the year			<u>\$ 2,460,336</u>	

See independent auditor's report.

City of Crystal Lake
Crystal Lake Public Library Component Unit - Gift and Memorial Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Interest	\$ -	\$ -	\$ 48	\$ 48
Miscellaneous	27,000	27,000	12,380	(14,620)
Total revenues	<u>27,000</u>	<u>27,000</u>	<u>12,428</u>	<u>(14,572)</u>
Expenditures:				
Culture and recreation:				
Contractual services	14,900	14,900	8,975	5,925
Supplies and materials	12,100	12,100	1,500	10,600
Capital outlay	-	-	1,920	(1,920)
Total expenditures	<u>27,000</u>	<u>27,000</u>	<u>12,395</u>	<u>14,605</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>33</u>	<u>\$ 33</u>
Fund balance, beginning of the year			<u>8,466</u>	
Fund balance, end of the year			<u>\$ 8,499</u>	

See independent auditor's report.

City of Crystal Lake
Crystal Lake Public Library Component Unit - Ames Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues - interest	\$ -	\$ -	\$ 16,025	\$ 16,025
Expenditures - culture and recreation - contractual services	8,900	8,900	8,900	-
Revenues over (under) expenditures before other financing sources	(8,900)	(8,900)	7,125	16,025
Other financing sources - transfers in	-	175,942	175,942	-
Changes in fund balance	\$ (8,900)	\$ 167,042	183,067	\$ 16,025
Fund balance, beginning of the year			469,794	
Fund balance, end of the year			\$ 652,861	

See independent auditor's report.

City of Crystal Lake
Crystal Lake Public Library Component Unit - Public Library Repair and
Construction Fund (Capital Project Fund) - Schedule of Revenues,
Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended April 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Interest	\$ -	\$ -	\$ 205	\$ 205
Capital facilities	8,000	8,000	2,260	(5,740)
Rental income	18,600	18,600	14,256	(4,344)
Total revenues	<u>26,600</u>	<u>26,600</u>	<u>16,721</u>	<u>(9,879)</u>
Expenditures - culture and recreation - contractual services	<u>26,600</u>	<u>26,600</u>	<u>13,679</u>	<u>12,921</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,042</u>	<u>\$ 3,042</u>
Fund balance, beginning of the year			<u>117,224</u>	
Fund balance, end of the year			<u>\$ 120,266</u>	

See independent auditor's report.

City of Crystal Lake
Crystal Lake Public Library Component Unit - Working Cash Fund (Permanent Fund)
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues - interest	\$ 2,000	\$ 4,000	\$ 102	\$ (3,898)
Other financing uses - transfers out	(2,000)	(2,000)	(773)	1,227
Net changes in fund balance	\$ -	\$ 2,000	(671)	\$ (2,671)
Fund balance, beginning of the year			<u>50,773</u>	
Fund balance, end of the year			<u>\$ 50,102</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.	144 – 155
Revenue Capacity These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	156 – 162
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.	163 – 166
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.	167 – 168
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.	169 - 174

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

	Fiscal Year		Ended April 30,				
	2010	2009	2008	2007	2006	2005	2004
Governmental activities:							
Invested in capital assets, net of related debt	\$ 138,599,994	\$ 142,698,809	\$ 139,028,556	\$ 136,717,137	\$ 143,207,897	\$ 140,891,791	\$ 141,765,596
Restricted	846,519	836,020	806,392	1,262,516	11,179,914	9,971,068	11,373,072
Unrestricted	43,422,764	35,162,097	36,364,037	35,403,503	20,671,704	19,817,257	17,387,044
Total governmental activities	\$ 182,869,277	\$ 178,696,926	\$ 176,198,985	\$ 173,383,156	\$ 175,059,515	\$ 170,680,116	\$ 170,525,712
Business-type activities:							
Invested in capital assets, net of related debt	\$ 48,443,665	\$ 51,853,939	\$ 52,187,382	\$ 52,830,550	\$ 46,823,209	\$ 46,395,885	\$ 50,675,313
Unrestricted	5,677,672	4,406,249	5,178,987	5,185,544	5,221,328	6,655,756	3,756,297
Total business-type activities	\$ 54,121,337	\$ 56,260,188	\$ 57,366,369	\$ 58,016,094	\$ 52,044,537	\$ 53,051,641	\$ 54,431,610
Primary government:							
Invested in capital assets, net of related debt	\$ 187,043,659	\$ 194,552,748	\$ 191,215,938	\$ 189,547,687	\$ 190,031,106	\$ 187,287,676	\$ 192,440,909
Restricted	846,519	836,020	806,392	1,262,516	11,179,914	9,971,068	11,373,072
Unrestricted	49,100,436	39,568,346	41,543,024	40,589,047	25,893,032	26,473,013	21,143,341
Total primary government	\$ 236,990,614	\$ 234,957,114	\$ 233,565,354	\$ 231,399,250	\$ 227,104,052	\$ 223,731,757	\$ 224,957,322

Source: Audited financial statements.

The City implemented GASB Statement 34 in the fiscal year ended April 30, 2004.

See independent auditor's report.

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

	Fiscal Year		Ended April 30,				
	2010	2009	2008	2007	2006	2005	2004
Expenses:							
Governmental activities:							
General and administrative	\$ 8,652,289	\$ 8,609,775	\$ 8,124,338	\$ 7,410,758	\$ 6,840,977	\$ 7,949,231	\$ 5,362,775
Public safety	20,113,957	19,574,409	17,132,484	17,180,813	14,010,932	13,592,326	11,644,238
Highways and streets	6,934,366	7,820,886	7,250,516	6,100,201	6,641,246	6,833,764	5,777,522
Culture and recreation	664,816	323,582	299,181	251,717	258,943	232,296	193,990
Interest on long-term debt	751,000	766,112	741,136	646,250	560,334	540,505	523,231
Total governmental activities expenses	37,116,428	37,094,764	33,547,655	31,589,739	28,312,432	29,148,122	23,501,756
Business-type activities - waterworks and sewerage	9,599,893	9,110,643	8,905,333	8,605,569	7,812,546	7,774,757	6,827,295
Total business-type activities expenses	9,599,893	9,110,643	8,905,333	8,605,569	7,812,546	7,774,757	6,827,295
Total expenses	\$ 46,716,321	\$ 46,205,407	\$ 42,452,988	\$ 40,195,308	\$ 36,124,978	\$ 36,922,879	\$ 30,329,051
Program revenues:							
Governmental activities:							
Charges for services:							
General and administrative	\$ 798,578	\$ 869,769	\$ 1,344,296	\$ 1,418,677	\$ 1,767,822	\$ 1,129,894	\$ 809,658
Public safety	3,089,958	3,122,362	2,565,009	2,966,666	2,606,313	2,614,586	2,337,109
Highways and streets	236,273	248,958	220,544	220,926	851,872	465,495	515,358
Operating grants and contributions:							
Highways and streets	1,190,741	1,077,248	1,150,479	1,213,479	1,170,289	1,183,739	1,331,828
Other activities	116,891	76,141	169,777	211,743	41,468	148,564	162,363
Capital grants and contributions:							
Highways and streets	2,269,918	-	-	-	-	-	-
Other activities	12,478	17,631	-	-	-	-	-
Total governmental activities program revenues	7,714,837	5,412,109	5,450,105	6,031,491	6,437,764	5,542,278	5,156,316
Business-type activities:							
Charges for services - waterworks and sewerage	7,206,334	7,528,983	7,388,909	7,718,993	6,611,350	5,720,245	5,560,988
Capital grants and contributions	183,500	-	-	-	-	467,038	-
Total business-type activities program revenues	7,389,834	7,528,983	7,388,909	7,718,993	6,611,350	6,187,283	5,560,988
Total program revenues	\$ 15,104,671	\$ 12,941,092	\$ 12,839,014	\$ 13,750,484	\$ 13,049,114	\$ 11,729,561	\$ 10,717,304

(cont'd)

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

	Fiscal Year		Ended April 30,				
	2010	2009	2008	2007	2006	2005	2004
Net (expense) revenue:							
Governmental activities	\$ (29,401,591)	\$ (31,682,655)	\$ (28,097,550)	\$ (25,558,248)	\$ (21,874,668)	\$ (23,605,844)	\$ (18,345,440)
Business-type activities	(2,210,059)	(1,581,660)	(1,516,424)	(886,576)	(1,201,196)	(1,587,474)	(1,266,307)
Total net (expense) revenue	\$ (31,611,650)	\$ (33,264,315)	\$ (29,613,974)	\$ (26,444,824)	\$ (23,075,864)	\$ (25,193,318)	\$ (19,611,747)
General revenues and other changes in net assets:							
Governmental activities:							
Taxes:							
Property	\$ 11,364,280	\$ 11,527,194	\$ 10,364,823	\$ 9,187,482	\$ 7,875,234	\$ 6,485,545	\$ 5,827,463
Replacement	135,686	144,517	171,107	162,583	146,870	104,106	95,384
State sales/home rule	14,491,223	14,581,923	11,471,956	11,680,593	11,296,923	10,989,717	11,017,810
Auto rental	28,204	30,560	26,807	26,677	26,619	28,203	29,971
Income	3,068,722	3,503,952	3,748,680	3,431,732	2,806,403	2,888,037	2,292,329
Franchise fees - cable	501,544	474,377	433,134	403,659	364,175	346,628	661,232
Telecommunications	1,831,489	1,925,732	2,022,417	1,911,745	2,097,640	1,925,304	-
Hotel	230,880	313,289	241,208	157,955	152,288	141,625	142,765
Interest	1,081,644	1,345,422	1,794,262	1,902,500	1,375,656	520,949	382,345
Miscellaneous	840,270	735,643	1,271,781	1,633,322	112,259	330,134	653,642
Transfers	-	(402,017)	(632,796)	(6,616,359)	-	-	-
Total governmental activities	33,573,942	34,180,592	30,913,379	23,881,889	26,254,067	23,760,248	21,102,941
Business-type activities:							
Investment earnings	30,986	59,519	222,720	215,259	194,092	83,887	33,114
Miscellaneous	40,222	13,943	11,183	26,515	-	123,618	-
Transfers	-	402,017	632,796	6,616,359	-	-	-
Total business-type activities	71,208	475,479	866,699	6,858,133	194,092	207,505	33,114
Total	\$ 33,645,150	\$ 34,656,071	\$ 31,780,078	\$ 30,740,022	\$ 26,448,159	\$ 23,967,753	\$ 21,136,055
Change in net assets:							
Governmental activities	\$ 4,172,351	\$ 2,497,937	\$ 2,815,829	\$ (1,676,359)	\$ 4,379,399	\$ 154,404	\$ 2,757,501
Business-type activities	(2,138,851)	(1,106,181)	(649,725)	5,971,557	(1,007,104)	(1,379,969)	(1,233,193)
Total change in net assets	\$ 2,033,500	\$ 1,391,756	\$ 2,166,104	\$ 4,295,198	\$ 3,372,295	\$ (1,225,565)	\$ 1,524,308

Source: Audited financial statements.
The City implemented GASB Statement 34 in the fiscal year ended April 30, 2004.

See independent auditor's report.

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

					Fiscal Year Ended April 30,					
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Fund:										
Reserved	\$ 3,028,759	\$ 2,675,549	\$ 677,431	\$ 611,212	\$ 340,272	\$ 525,307	\$ 2,517,619	\$ 10,277,714	\$ 10,220,000	\$ 8,420,000
Unreserved	18,581,107	19,485,158	21,744,305	19,788,129	17,260,266	15,419,241	12,701,026	11,592,553	12,851,531	12,314,598
Total General Fund	\$ 21,609,866	\$ 22,160,707	\$ 22,421,736	\$ 20,399,341	\$ 17,600,538	\$ 15,944,548	\$ 15,218,645	\$ 21,870,267	\$ 23,071,531	\$ 20,734,598
All other governmental funds:										
Reserved:										
Other	\$ 486,606	\$ 448,696	\$ 434,922	\$ 398,899	\$ 213,839	\$ -	\$ 1,977,500	\$ 700,000	\$ 1,040,000	\$ 927,500
Unreserved, reported in:										
Special Revenue Funds	21,011,033	18,621,408	16,396,284	15,231,274	12,924,791	12,082,978	11,778,954	9,897,314	8,719,679	7,665,413
Debt service	887,309	836,020	806,392	1,262,516	2,695,631	2,226,871	2,092,935	4,131,105	3,856,774	3,630,075
Capital Projects Funds	6,328,647	(503,734)	2,437,541	4,037,027	951,259	2,224,513	22,852	(86,804)	3,206,714	4,679,309
Total all other governmental funds	\$ 28,713,595	\$ 19,402,390	\$ 20,075,139	\$ 20,929,716	\$ 16,785,520	\$ 16,534,362	\$ 15,872,241	\$ 14,641,615	\$ 16,823,167	\$ 16,902,297

Note - The City adopted GASB Statement No. 54 in the current year. Fund balances on this schedule for 2010 are presented using the prior presentation format, to remain consistent with the other years presented.

Source: Audited financial statements.

See independent auditor's report.

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

					Fiscal Year Ended April 30,					
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:										
Charges for services	\$ 3,231,973	\$ 3,377,812	\$ 3,160,600	\$ 4,288,313	\$ 2,916,576	\$ 2,383,571	\$ 2,312,564	\$ -	\$ -	\$ -
Licenses and permits	623,399	687,478	860,051	1,210,611	632,204	549,297	585,454	740,384	693,846	583,363
Intergovernmental	1,255,501	1,122,265	1,263,765	1,652,364	1,211,757	1,146,559	1,494,191	2,296,335	2,781,023	2,411,210
Fines and forfeitures	637,172	626,212	501,930	663,780	432,197	677,795	764,107	2,329,572	2,030,966	2,100,889
Property taxes	11,364,280	11,527,194	10,364,823	7,709,144	7,875,234	6,485,545	5,827,463	5,254,389	5,247,633	4,675,773
Other taxes	20,352,032	21,023,106	18,171,800	17,754,485	16,890,918	16,423,621	14,239,491	13,349,530	13,056,092	12,713,937
Interest	1,081,644	1,345,426	1,794,262	1,902,500	1,204,294	520,949	382,345	876,418	1,466,420	2,191,631
Miscellaneous	497,962	321,738	971,674	1,289,021	1,357,289	1,171,489	713,058	721,433	739,945	822,920
Total revenues	39,043,963	40,031,231	37,088,905	36,470,218	32,520,469	29,358,826	26,318,673	25,568,061	26,015,925	25,499,723
Expenditures:										
Current:										
General government	7,554,253	7,632,258	7,356,181	6,696,934	6,826,624	6,003,834	5,001,352	5,314,595	4,881,700	4,398,890
Public safety	18,943,799	18,172,027	16,060,090	15,186,465	14,032,258	12,161,148	11,145,716	10,000,453	9,290,460	8,528,566
Highways and streets	5,578,194	6,384,188	5,390,757	5,035,142	4,335,035	4,203,136	4,254,149	3,565,612	3,390,587	3,506,561
Culture and recreation	1,805,834	1,471,775	299,181	251,717	258,943	232,296	193,990	-	-	-
Capital outlay	10,206,702	5,887,597	5,991,202	9,192,871	3,938,417	6,831,460	9,770,958	8,294,127	4,371,243	2,940,645
Debt service:										
Principal	3,677,000	680,000	830,000	1,040,000	805,000	2,700,000	1,055,000	1,125,000	1,105,000	1,170,000
Interest and fees	754,475	771,991	743,676	559,090	417,044	493,547	562,453	651,090	719,132	798,640
Total expenditures	48,520,257	40,999,836	36,671,087	37,962,219	30,613,321	32,625,421	31,983,618	28,950,877	23,758,122	21,343,302
Revenues over (under) expenditures before other financing sources (uses)	(9,476,294)	(968,605)	417,818	(1,492,001)	1,907,148	(3,266,595)	(5,664,945)	(3,382,816)	2,257,803	4,156,421
Other financing sources (uses):										
Transfers in	2,498,031	2,557,818	234,945	3,856,920	430,906	2,382,798	8,471,360	3,177,495	38,921	49,489
Transfers out	(2,498,031)	(2,522,991)	(234,945)	(3,856,920)	(430,906)	(2,382,798)	(8,471,360)	(3,177,495)	(38,921)	(49,489)
General obligation bonds	18,175,000	-	-	-	-	4,654,619	-	-	-	-
Bond premium	61,658	-	-	-	-	-	-	-	-	-
SSA bonds issued	-	-	750,000	8,435,000	-	-	-	-	-	-
Total other financing sources (uses)	18,236,658	34,827	750,000	8,435,000	-	4,654,619	-	-	-	-
Net change in fund balances	\$ 8,760,364	\$ (933,778)	\$ 1,167,818	\$ 6,942,999	\$ 1,907,148	\$ 1,388,024	\$ (5,664,945)	\$ (3,382,816)	\$ 2,257,803	\$ 4,156,421

Debt service as a percentage of noncapital expenditures 12.29% 4.07% 4.84% 4.51% 4.49% 9.79% 5.06% 6.13% 7.68% 9.22%

Source: Audited financial statements.

See independent auditor's report.

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

	2010	2009	2008	2007
Property tax	\$ 11,364,280	\$ 11,527,194	\$ 10,364,823	\$ 7,709,144
Replacement tax	135,686	144,517	171,107	142,124
State sales tax	9,467,834	10,189,283	10,915,086	11,168,510
Home rule sales tax	4,546,821	3,833,890	-	-
Auto rental tax	28,204	30,560	26,807	26,677
Income	3,068,722	3,503,952	3,748,680	3,431,732
Franchise fees - cable	501,544	474,377	433,134	403,659
Telecommunications	1,831,489	1,925,732	2,022,417	1,911,745
Hotel	230,880	313,289	241,208	157,955
Local use	476,568	558,750	556,870	512,083
	\$ 31,652,028	\$ 32,501,544	\$ 28,480,132	\$ 25,463,629

Fiscal Year Ended April 30,					
2006	2005	2004	2003	2002	2001
\$ 7,875,234	\$ 6,485,545	\$ 5,827,463	\$ 5,254,389	\$ 5,247,633	\$ 4,675,773
146,870	104,107	95,384	104,047	68,809	86,223
11,296,923	10,989,717	11,017,810	10,680,299	10,356,373	9,875,681
-	-	-	-	-	-
26,619	28,203	29,971	24,068	26,866	29,133
2,806,403	2,888,037	2,292,329	2,471,800	2,604,044	2,722,900
364,175	346,628	661,232	-	-	-
2,097,640	1,925,304	-	-	-	-
152,288	141,625	142,765	69,316	-	-
-	-	-	-	-	-
\$ 24,766,152	\$ 22,909,166	\$ 20,066,954	\$ 18,603,919	\$ 18,303,725	\$ 17,389,710

See independent auditor's report.

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

Levy Year	Farm Property	Residential Property	Commercial Property	Industrial Property	Mineral Property	Rail Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Percentage of Assessed Value
2000	\$ 852,010	\$ 552,017,420	\$ 195,324,625	\$ 49,068,381	\$ 133,168	\$ 357,830	\$ 797,753,434	\$0.4338	\$ 2,393,260,302	33.33%
2001	954,894	592,824,200	206,610,201	52,456,150	138,095	371,714	853,355,254	0.4396	2,560,065,762	33.33%
2002	969,882	650,506,995	222,449,942	56,792,526	146,022	435,480	931,300,847	0.4609	2,793,902,541	33.33%
2003	1,271,412	718,258,807	235,377,010	62,570,088	156,244	467,883	1,018,101,444	0.5180	3,054,304,332	33.33%
2004	1,285,944	774,447,288	251,783,539	66,396,250	167,884	522,927	1,094,603,832	0.6049	3,283,811,496	33.33%
2005	1,262,723	860,469,362	266,195,135	71,554,658	684,018	493,168	1,200,659,064	0.6499	3,601,977,192	33.33%
2006	1,273,866	924,013,250	292,876,714	74,250,686	537,447	509,716	1,293,461,679	0.6962	3,880,385,037	33.33%
2007	1,301,267	998,313,489	303,911,661	78,105,425	553,367	779,271	1,382,964,480	0.7056	4,148,893,440	33.33%
2008	1,350,877	1,028,670,946	326,161,997	82,471,180	451,126	582,126	1,439,688,252	0.7021	4,319,064,756	33.33%
2009	1,433,073	1,014,220,209	323,715,883	81,742,371	451,126	695,565	1,422,258,227	0.7370	4,266,774,681	33.33%

Source: McHenry County Clerk.

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

See independent auditor's report.

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

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Operating:										
City of Crystal Lake	\$ 0.7370	\$ 0.7021	\$ 0.7056	\$ 0.6962	\$ 0.6499	\$ 0.6049	\$ 0.5180	\$ 0.4609	\$ 0.4396	\$ 0.4338
Crystal Lake Public Library	0.2773	0.2773	0.2773	0.2773	0.2773	0.2773	0.2773	0.2773	0.2795	0.2798
McHenry County	0.7157	0.7014	0.6871	0.7060	0.7278	0.7346	0.7040	0.6240	0.5601	0.5610
District 47	2.6374	0.2588	2.5283	2.8974	2.6392	2.7506	2.8467	2.9721	3.0897	3.0919
District 155	1.7711	1.7395	1.6992	2.1707	1.7781	1.8490	1.9115	1.9997	2.0798	2.0837
Debt service:										
McHenry County	-	-	-	-	-	-	0.0113	0.0485	0.0779	0.0830
District 47	0.0912	0.0863	0.1313	0.1330	0.1355	0.1421	0.1466	0.1543	0.1596	0.1636
District 155	0.1344	0.1253	0.1221	0.1230	0.1242	0.1290	0.1318	0.0898	0.0935	0.0947
Other	-	-	-	1.2152	0.9678	1.0095	1.1712	1.1984	1.2424	1.2069
Total tax rate:										
City of Crystal Lake	0.7370	0.7021	0.7056	0.6962	0.6499	0.6049	0.5180	0.4609	0.4396	0.4338
Crystal Lake Public Library	0.2773	0.2773	0.2773	0.2773	0.2773	0.2773	0.2773	0.2773	0.2795	0.2798
McHenry County	0.7157	0.7014	0.6871	0.7060	0.7278	0.7346	0.7153	0.6725	0.6380	0.6440
District 47	2.7286	0.3451	2.6596	3.0304	2.7747	2.8927	2.9933	3.1264	3.2493	3.2555
District 155	1.9055	1.8648	1.8213	2.2937	1.9023	1.9780	2.0433	2.0895	2.1733	2.1784
Other	-	-	-	0.9379	0.9678	1.0095	1.1712	1.1984	1.2424	1.2069
Other:										
College District	0.274	0.2686	0.2634	0.2741	0.2922	0.3033	N/A	N/A	N/A	N/A
McHenry County Conservation	0.1775	0.1732	0.1738	0.1425	0.1490	0.1580	N/A	N/A	N/A	N/A
Crystal Lake Park District	0.3519	0.3463	0.3431	0.3536	0.3562	0.3714	N/A	N/A	N/A	N/A
Township (Algonquin)	0.0532	0.0522	0.0510	0.0523	0.0531	0.0551	N/A	N/A	N/A	N/A
Road and Bridge (Algonquin)	0.1171	0.1151	0.1124	0.1154	0.1173	0.1217	N/A	N/A	N/A	N/A

Source: McHenry County Clerk.

See independent auditor's report.

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

Taxpayer	Type of Business	2009		2000	
		Taxable Assessed Value	Rank	Taxable Assessed Value	Rank
Bradley Oper. Ltd. Partnership	Shopping	\$ 11,061,509	1	\$ -	-
Crystal Point LLC	Shopping	10,911,261	2	7,829,220	1
Skyridge Partners II LLC	Residential housing	9,488,999	3	4,005,067	6
Cobalt Industrial	Industrial	7,134,159	4	-	-
Sunrise Residential Housing	Residential Housing	6,912,329	5	-	-
Tyco Healthcare Group	Manufacturing	5,962,359	6	4,223,851	4
Walmart Real Estate Business	Shopping	5,908,743	7	-	-
Inland Ryan LLC	Shopping	4,992,113	8	-	-
Inland Showplace LLC	Theater/shopping	4,574,757	9	-	-
Menards	Shopping	4,396,032	10	3,435,609	10
Darlington Court Apartments	Residential housing	-	-	4,016,065	5
The Fountains	Residential housing	-	-	6,240,135	3
Crystal Lake Commons	Shopping	-	-	7,157,864	2
Holiday Inn	Hotel	-	-	3,515,840	7
Dayton Hudson Group	Shopping	-	-	3,497,937	8
Home Depot	Shopping	-	-	3,477,740	9
		\$ 71,342,261		\$ 47,399,328	
			5.04%		5.94%

Source: McHenry County Treasurer.

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

See independent auditor's report.

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

Fiscal Year Ended April 30,	Taxes Extended for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Extension		Amount	Percentage of Extension
2001	\$ 3,196,659	\$ 2,895,821	90.59 %	\$ -	\$ 2,895,821	90.59 %
2002	3,430,267	3,426,325	99.89	-	3,426,325	99.89
2003	3,732,587	3,696,263	99.03	-	3,696,263	99.03
2004	4,274,118	4,269,999	99.90	-	4,269,999	99.90
2005	5,253,795	5,253,393	99.99	-	5,253,393	99.99
2006	6,596,164	6,580,448	99.76	-	6,580,448	99.76
2007	7,774,180	7,749,837	99.69	-	7,749,837	99.69
2008	8,891,222	8,882,151	99.90	-	8,882,151	99.90
2009	9,629,102	9,619,778	99.90	-	9,619,778	99.90
2010	10,047,908	9,960,624	99.13	-	9,960,624	99.13

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			
2001	\$ 9,495,000	\$ -	\$ 2,970,000	\$ 8,468,848	\$ 20,933,848	N/A	\$ 573.53
2002	8,390,000	-	2,835,000	14,340,525	25,565,525	2.49	650.52
2003	7,265,000	-	2,690,000	15,820,000	25,775,000	2.46	644.38
2004	5,425,000	785,000	2,535,000	15,246,931	23,991,931	2.24	585.17
2005	9,645,000	540,000	5,575,000	14,583,022	30,343,022	2.83	740.07
2006	9,100,000	280,000	5,285,000	13,902,122	28,567,122	2.75	717.98
2007	8,340,000	8,435,000	4,975,000	13,865,098	35,615,098	3.42	895.12
2008	7,560,000	9,135,000	4,660,000	12,474,889	33,829,889	3.25	850.25
2009	7,010,000	9,005,000	4,325,000	11,753,090	32,093,090	2.30	707.69
2010	21,650,000	8,863,000	6,185,000	11,012,866	47,710,866	3.77	1,052.08

Note: Population data can be found at page 167, Demographic and Economic Statistics.

N/A - Information not available.

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	Debt Payable From Enterprise Revenues	Net Bonded Debt	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2001	\$ 12,465,000	\$ 2,970,000	\$ 9,495,000	1.19 %	\$ 260.14
2002	11,225,000	2,835,000	8,390,000	0.82	213.49
2003	9,955,000	2,690,000	7,265,000	0.69	181.63
2004	7,960,000	2,535,000	5,425,000	0.51	132.32
2005	15,220,000	5,575,000	9,645,000	0.90	235.24
2006	14,385,000	5,285,000	9,100,000	0.87	228.71
2007	13,315,000	4,975,000	8,340,000	0.80	209.61
2008	12,220,000	4,660,000	7,560,000	0.73	190.01
2009	11,335,000	4,325,000	7,010,000	0.50	154.58
2010	27,835,000	6,185,000	21,650,000	1.71	477.41

Note: Population data can be found at page 167, Demographic and Economic Statistics.
Property value data can be found at pages 156 and 157, Assessed Value and Actual Value of Taxable Property.

See independent auditor's report.

City of Crystal Lake, Illinois
Direct and Overlapping Governmental Activities Debt
April 30, 2010

Governmental Unit	Outstanding Debt	Applicable to the City	
		Percent	Amount
City of Crystal Lake	\$ 21,650,000	100.00 %	\$ 21,650,000
Special Service Areas	8,863,000	100.00	8,863,000
	<u>30,513,000</u>		<u>30,513,000</u>
Overlapping:			
School District Number 47	42,785,000	63.11	27,001,614
School District Number 155	22,075,000	41.26	9,108,145
College District Number 528	-	16.66	-
McHenry County	-	16.08	-
McHenry County Conservation District	146,400,000	14.63	21,418,320
Crystal Lake Park District	5,323,820	75.85	4,038,117
Total others	<u>\$ 216,583,820</u>		<u>61,566,196</u>
Total overlapping debt			<u>\$ 92,079,196</u>

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	Per Capita Personal Income (5)	School Enrollment (6)	Unemployment Rate	
2001	38,000 (3)	\$ 26,146	12,706	3.6%	(1)
2002	39,300 (1)	26,146	12,853	5.1%	(1)
2003	40,000 (1)	26,146	13,471	6.5%	(2)
2004	41,000 (1)	26,146	13,053	4.6%	(1)
2005	41,000 (1)	26,146	15,458	5.3%	(1)
2006	39,788 (3)	26,146	16,175	4.6%	(4)
2007	39,788 (3)	26,146	16,011	4.1%	(4)
2008	39,788 (3)	26,146	16,215	4.9%	(4)
2009	45,349 (3)	30,777 (3)	16,008	9.6%	(4)
2010	45,349 (3)	27,940 (7)	15,471	10.3%	(4)

Sources:

- (1) City estimate.
- (2) McHenry County.
- (3) Link on Crystal Lake website to Demographics Now.
- (4) Local Area Unemployment Statistics website.
- (5) U.S. Census.
- (6) Elementary and high school - obtained from school districts.
- (7) 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	863	1	1.90%
Consolidated High School District 155	440	2	0.97%
Precision Twist Drills	371	3	0.82%
Columbia College/Webster University	363	4	0.80%
TC Industries	350	5	0.77%
McHenry County College	305	6	0.67%
Jewel Food Stores	300	7	0.66%
City of Crystal Lake	285	8	0.63%
Althoff Industries	270	9	0.60%
Seven Worldwide	250	10	0.55%
	<u>3,797</u>		<u>8.37%</u>

Information is not readily available for previous years.

Source: 2007 Illinois Manufacturers and 2007 Illinois Service Directories.

See independent auditor's report.

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Government	45	45	44	44	44	44	44	44	44	44
Public Safety:										
Police	78	79	71	71	73	73	75	75	74	72
Fire	70	64	55	51	47	47	39	39	39	31
Highways and Streets:										
Engineering	11	12	12	11	11	11	12	12	11	11
Maintenance	20	22	23	23	23	23	27	27	26	23
Sanitation	9	10	10	12	12	12	13	13	12	12
Waterworks and Sewerage	23	24	23	28	28	28	28	36	32	30
	<u>256</u>	<u>256</u>	<u>238</u>	<u>240</u>	<u>238</u>	<u>238</u>	<u>238</u>	<u>246</u>	<u>238</u>	<u>223</u>

Source: City records.

See independent auditor's report.

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

	Fiscal Year				Ended April 30,					
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Police:										
Physical arrests	1,170	1,660	1,717	1,123	1,782	1,804	2,231	2,231	2,605	2,476
Parking violations	8,569	8,824	8,978	12,412	13,803	13,762	12,796	12,796	10,312	10,691
Traffic violations	7,614	7,093	6,631	7,933	8,255	8,369	7,620	7,620	5,027	5,325
Fire:										
Number of calls answered	4,940	5,116	5,207	4,991	5,258	5,567	5,264	5,264	4,836	4,845
Inspections	970	749	600	600	N/A	N/A	N/A	N/A	N/A	N/A
Highways and Streets:										
Street resurfacing (miles)	7.6	6.5	8.2	7.9	N/A	N/A	N/A	N/A	N/A	N/A
Water:										
New connections	15	50	118	195	N/A	N/A	N/A	N/A	N/A	N/A
Water main breaks	31	27	29	18	N/A	N/A	N/A	N/A	N/A	N/A
Average daily consumption (millions of gallons)	4.650	4.940	4.860	4.807	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater:										
Average daily sewage treatment (in gallons)	5,000	5,870	6,092	4,500	N/A	N/A	N/A	N/A	N/A	N/A

Source: City records.

N/A - Information not readily available.

See independent auditor's report.

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

	Fiscal Year					Ended April 30,				
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	23	22	31	31	31	31	25	25	25	25
Fire Stations	3	3	3	3	3	3	3	3	3	3
Highways and Streets:										
Streets (miles)	160	163	163	163	177	176.8	175.4	175.4	175.0	185.0
Streetlights	1,996	1,996	1,996	1,996	1,700	1,700	1,900	1,900	1,884	1,884
Traffic signals	31	29	29	29	N/A	N/A	N/A	N/A	N/A	N/A
Culture and Recreation:										
Parks acreage	1,393	1,393	1,393	1,393	1,393	1,393	1,200	1,200	1,200	1,420
Parks	45	44	44	44	44	44	39	39	39	39
Tennis courts	30	30	30	30	30	30	30	30	30	27
Community centers	8	8	8	8	8	8	8	8	8	8
Water:										
Water mains (miles)	175	175	175	210	181	181	180	180	180	175
Fire hydrants	3,045	3,017	2,859	2,795	2,614	2,614	2,600	2,600	3,093	3,005
Maximum daily capacity (millions of gallons)	8.37	9.20	9.20	8.45	9.60	9.60	9.60	9.60	9.60	9.60
Sewer:										
Sanitary sewers (miles)	120	120	127	126	185	185	184	184	184	180
Storm sewers (miles)	60	60	62	60	110	110	110	110	110	108
Maximum daily treatment (thousands of gallons)	12,600	12,854	12,825	19,500	19,500	19,500	16,250	16,250	16,250	16,250

Source: City records.

See independent auditor's report.