

**NEW ISSUE  
GLOBAL BOOK ENTRY**

**Ratings: Moody's: "Aaa"  
Fitch: "AAA"  
(See "BOND RATINGS" herein)**

*Subject to compliance by the City with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. The interest on the Bonds is not exempt from present State of Illinois income taxes. See "TAX EXEMPTION" and "Form of Legal Opinion" herein for a more complete discussion. The Bonds will not be designated as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.*



**City of Evanston  
Cook County, Illinois**

**\$15,720,000 General Obligation Corporate Purpose Bonds, Series 2012A**

**Dated:** Date of Delivery

**Due:** December 1, as shown on inside cover

The \$15,720,000 General Obligation Corporate Purpose Bonds, Series 2012A (the "Bonds") of the City of Evanston, Cook County, Illinois (the "City"), will bear interest from their dated date at the rates per annum as shown on the inside cover page. Interest on the Bonds (computed on the basis of a 360-day year consisting of twelve 30 day months) will be payable semi-annually on each June 1 and December 1, commencing June 1, 2013. The Bonds will be issued in integral multiples of \$5,000. The Bonds are subject to redemption prior to their maturity as more fully described in this Official Statement. See "THE BONDS – Optional Redemption" herein.

The Bonds will be issued in book-entry form, as registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). Payments of principal and interest on the Bonds will be made by Wells Fargo Bank, N.A., Chicago, Illinois, as paying agent and bond registrar (the "Bond Registrar") to Cede & Co., which will, in turn, remit such payments to the DTC participants for subsequent disbursements to the Beneficial Owners (as defined in this Official Statement) of the Bonds. Purchases of the Bonds will be made in book-entry-only form and individual purchasers will not receive physical delivery of bond certificates.

In the opinion of Chapman and Cutler LLP, Bond Counsel, the Bonds will be a valid and legally binding general obligation of the City, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion, and all taxable property in the City will be subject to the levy of taxes to pay the same without limitation as to rate or amount.

The City will furnish the written approving opinion of Chapman and Cutler LLP as to the legality of the Bonds and the exemption of interest on the Bonds from federal income taxes. Such opinion is to be based on Bond Counsel's examination of the law and a certified copy of the record of proceedings relating to the issuance of the Bonds.

**Financial Advisor:** Public Financial Management, Inc.

**Not Bank Qualified:** The Bonds will not be designated as "qualified tax-exempt obligations."

**Delivery:** Delivery of the Bonds is expected on July 26, 2012.

The date of this Official Statement is July 10, 2012.

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*(THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.)*

**Janney Montgomery Scott LLC**

## MATURITIES, RATES AND YIELDS

### \$15,720,000 General Obligation Corporate Purpose Bonds, Series 2012A

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2013	\$ 1,335,000	2.000%	0.400%	2992273V8
2014	1,590,000	2.000%	0.600%	2992273W6
2015	860,000	3.000%	0.850%	2992273X4
2016	870,000	3.000%	0.940%	2992273Y2
2017	845,000	3.000%	1.240%	2992273Z9
2018	865,000	3.000%	1.510%	2992274A3
2019	840,000	3.000%	1.740%	2992274B1
2020	850,000	3.000%	1.840%	2992274C9
2021	910,000	3.000%	2.020%	2992274D7
2022	740,000	3.000%	2.160%	2992274E5
2023	765,000	3.000%	2.400%	2992274F2
2024	790,000	3.000%	2.620%	2992274G0
2025	810,000	3.000%	2.740%	2992274H8
2026	475,000	3.000%	2.910%	2992274J4
2027	490,000	3.000%	3.000%	2992274K1
2028	505,000	3.000%	3.080%	2992274L9
2029	520,000	3.000%	3.150%	2992274M7
2030	535,000	3.125%	3.220%	2992274N5
2031	555,000	3.250%	3.290%	2992274P0
2032	570,000	3.250%	3.360%	2992274Q8

Certain information in this Official Statement has been obtained by the City of Evanston, Illinois, from The Depository Trust Company and other non-City sources that the City believes to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of that information. Nothing contained in this Official Statement is a promise or representation by the Underwriter. This Official Statement is being used in connection with the sale of the Bonds referred to in this Official Statement and may not be used, in whole or in part, for any other purpose.

No dealer, broker, salesman or other person is authorized to give any representations concerning the Bonds other than those contained in this Official Statement, and if given or made, such other information or representations may not be relied upon as statements of the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such an offer, solicitation or sale. Unless otherwise indicated, the City is the source of the tables and statistical and financial information contained in this Official Statement. The information and opinions expressed in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made under this Official Statement shall, under any circumstances, create any implication that there has been no change in the financial condition or operations of the City or other information in this Official Statement, since the date of this Official Statement.

This Official Statement should be considered in its entirety. No one factor should be considered less important than any other by reason of its position in this Official Statement. Where statutes, ordinances, reports or other documents are referred to in this Official Statement, reference should be made to those documents for more complete information regarding their subject matter.

The Bonds will not be registered under the Securities Act of 1933, as amended, or the securities law of any state of the United States, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity shall have passed upon the accuracy or adequacy of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OR MAY NOT OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE. THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. THE CITY IS NOT PARTY TO OR LIABLE FOR ANY OF THESE ACTIVITIES.

**CITY OF EVANSTON**  
2100 Ridge Avenue  
Evanston, Illinois 60201  
(847) 328-2100

**MAYOR**

Elizabeth B. Tisdahl

**CITY COUNCIL**

1 <sup>st</sup> Ward	Judy Fiske
2 <sup>nd</sup> Ward	Peter Braithwaite
3 <sup>rd</sup> Ward	Melissa A. Wynne
4 <sup>th</sup> Ward	Donald N. Wilson
5 <sup>th</sup> Ward	Delores A. Holmes
6 <sup>th</sup> Ward	Mark Tendam
7 <sup>th</sup> Ward	Jane Grover
8 <sup>th</sup> Ward	Ann Rainey
9 <sup>th</sup> Ward	Coleen Burrus

**CITY CLERK**

Rodney Greene

**CITY ADMINISTRATION**

City Manager	Wally Bobkiewicz
Assistant City Manager/Treasurer	Martin Lyons
Corporation Counsel	Grant Farrar

**PROFESSIONAL SERVICES**

**Bond Counsel**

Chapman and Cutler LLP  
Chicago, Illinois

**Financial Advisor**

Public Financial Management, Inc.

**Auditor**

Baker Tilly Virchow Krause & Company, LLP  
Oak Brook, Illinois

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION .....	1
PURPOSE OF THE BONDS .....	1
SOURCES AND USES OF FUNDS .....	2
SECURITY FOR THE BONDS.....	2
General Obligation of the City.....	2
Alternative Sources of Payment.....	2
THE BONDS .....	2
General.....	2
Optional Redemption .....	3
Redemption Procedures .....	3
Book-Entry-Only System.....	3
Continuing Disclosure .....	5
THE CITY .....	6
General.....	6
Northwestern University.....	6
Government .....	6
Administration .....	7
Development Activity and City Layout .....	7
Labor Relations.....	8
DEMOGRAPHIC DATA .....	8
Education and Employment.....	9
Population .....	10
THE ECONOMY .....	10
Transportation.....	11
Employment.....	11
Industry .....	11
Unemployment .....	12
FINANCES.....	12
Budget Process, Accounting and Financial Control Procedures .....	12
Financial Statements and Independent Audits .....	13
Cash Management.....	13
Revenues.....	13
FY 2011/2012 Budgets .....	14
Summary of Financial Information.....	14
Pension Fund Obligations .....	17
Insurance Coverage.....	17
GENERAL OBLIGATION BONDED INDEBTEDNESS .....	18
Outstanding General Obligation Debt.....	18
Overlapping Debt.....	20
Debt Ratios .....	20
General Obligation Debt Trends .....	21
Future Financings .....	21

REAL PROPERTY TAXATION.....	22
Tax Increment Financing .....	23
Special Service Areas .....	23
City Property Taxes .....	24
Real Property Assessment, Tax Levy and Collection Procedures .....	25
TAX EXEMPTION.....	28
Not Qualified Tax-Exempt Obligations .....	30
BOND RATINGS.....	30
UNDERWRITING .....	30
LITIGATION .....	30
FINANCIAL ADVISOR.....	30
LEGAL MATTERS .....	30
CLOSING CERTIFICATE .....	31
APPENDIX A – City of Evanston Annual Financial Report for Fiscal Year Ended December 31, 2011 (Excerpts)	
APPENDIX B – Form of Legal Opinion	
APPENDIX C – Form of Continuing Disclosure Undertaking	

# OFFICIAL STATEMENT

Relating to

## CITY OF EVANSTON COOK COUNTY, ILLINOIS

### \$15,720,000 General Obligation Corporate Purpose Bonds, Series 2012A

#### INTRODUCTION

This Official Statement sets forth information concerning the offer by the City of Evanston, Cook County, Illinois (the "City"), of the \$15,720,000 General Obligation Corporate Purpose Bonds, Series 2012A (the "Bonds"). The Bonds are authorized pursuant to and in accordance with the "home rule" powers granted to the City under Article VII, Section 6 of the Illinois Constitution of 1970 and a bond ordinance of the City to be adopted on July 9, 2012 (as supplemented by the bond order executed in connection therewith, the "Bond Ordinance").

The Bonds are a general obligation of the City to which the City pledges its full faith and credit with a claim for payment from *ad valorem* taxes levied upon all taxable property in the City, without limitation as to rate or amount. See "*SECURITY FOR THE BONDS.*"

The City, with a population in 2010 of 75,549, is located along Lake Michigan immediately north of Chicago, Illinois. Evanston includes residential neighborhoods and parks and a major revitalized central business area of shops, restaurants, theaters, offices and corporate headquarters, neighborhood shopping areas, hospitals and universities. The City is the home of Northwestern University, with about 10,000 students and 5,000 employees at its Evanston campus. The City's per capita and median family incomes are substantially higher than Cook County and State of Illinois (the "State") levels. See "*DEMOGRAPHIC DATA.*"

#### PURPOSE OF THE BONDS

The Bonds are being issued (i) to provide financing for certain public improvement projects within the City, (ii) to make a deposit into certain debt service funds of the City's Sewerage System for purposes of paying certain outstanding obligations on their respective scheduled payment dates, (iii) to refund certain outstanding obligations (the "Refunded Obligations") of the City for savings, and (iv) to pay for costs of issuance associated with the Bonds.

#### Capital Projects Borrowing

<u>Project Fund</u>	<u>Amount</u>
Fund 415 (General)	\$ 4,300,000
Fund 510 (Water)	4,400,000
Total	<u>8,700,000</u>

#### Refunded Obligations

<u>Dated</u>	<u>Issue</u>	<u>Maturities Outstanding</u>	<u>Maturities Refunded</u>	<u>Amount Refunded</u>	<u>Call Date</u>
10/01/2002	General Obligation Corporate Purpose and Refunding Bonds, Series 2002C	2013 - 2022	2013 - 2022	\$3,520,000	08/15/2012

## SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

<u>Estimated Sources:</u>	
Par Amount of the Bonds	\$ 15,720,000
Net Original Issue Premium	697,163
Total Sources of Funds	<u>\$ 16,417,163</u>
 <u>Estimated Uses:</u>	
Capital Projects Accounts	\$ 8,702,356
Sewerage System Debt Service Fund	4,000,000
2002C Refunding Account	3,542,587
Cost of Issuance	172,221
Total Uses of Funds	<u>\$ 16,417,163</u>

## SECURITY FOR THE BONDS

### General Obligation of the City

The full faith and credit of the City are irrevocably pledged to the punctual payment of the principal of and interest on the Bonds. The Bonds are direct and general obligations of the City, and the City is obligated to levy ad valorem taxes upon all the taxable property in the City for the payment of the Bonds and the interest thereon, without limitation as to rate or amount.

Pursuant to the Bond Ordinance, the City may, before the deadline for the filing of an abatement of taxes levied by the City for any year, adopt an ordinance abating taxes levied by the Bond Ordinance for that year to the extent that it finds that sufficient funds of the City will be on hand and available to pay principal of and interest on the Bonds during the period otherwise provided for from that levy. The City has created a separate debt service fund for the Bonds.

### Alternative Sources of Payment

It has been the City's practice to utilize a variety of revenue sources for repayment of its general obligation bonds, in addition to its ad valorem property taxes. For the Bonds these alternative sources are expected to include sales taxes, water and sewer service charges, special assessments, parking revenues, Tax Increment Financing ("TIF") and taxes levied for special service areas in the City to make payments on its general obligation indebtedness. Although these revenue sources are not pledged to the payment of, and do not secure, the Bonds, the City expects to utilize certain of these sources to pay debt service on the Bonds, permitting the abatement of a portion of the property taxes levied in the Bond Ordinance.

## THE BONDS

### General

The Bonds will be issuable as fully registered Bonds and will be initially dated the Date of Delivery. The Bonds mature on the dates and in the amounts, and bear interest from the "Dated Date" until paid at the rates as set forth on the inside cover of this Official Statement. The Bonds are issuable in denominations of integral multiples of \$5,000. Interest is payable on June 1 and December 1 of each year. The first interest payment date is June 1, 2013.

The principal and redemption price of the Bonds are payable in lawful money of the United States of America upon presentation at the office maintained for that purpose by Wells Fargo Bank, N.A., Chicago, Illinois, as paying agent and bond registrar (the "Bond Registrar"). Payment of interest shall be made to the registered owner of the Bonds as shown on the registration books of the City maintained by the Bond Registrar at the close of business on the applicable Record Date. The Record Date shall be the 15<sup>th</sup> day of the month preceding any regular

or other interest payment date occurring on the first day of any month and, otherwise, 15 days preceding any interest payment date occasion by the redemption of Bonds on other than the first day of a month. Interest shall be paid by check or draft of the Bond Registrar, payable upon presentation in lawful money of the United States of America, mailed to the address of the registered owner as it appears on such registration books, or at such other address furnished in writing by the registered owner to the Bond Registrar, or as otherwise agreed by the City and the Bond Registrar for so long as this Bond is held by a qualified securities clearing corporation as depository, or nominee, in book-entry form.

The Bonds will be initially registered in the name of Cede & Co., as nominee of the Depository. The Depository will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased.

### **Optional Redemption**

The Bonds maturing on December 1, 2022, and thereafter are subject to redemption prior to maturity at the option of the City on December 1, 2021 and any date thereafter, in whole or in part and if in part in such principal amounts and from such maturities as the City shall determine and within any maturity by lot at a redemption price of par plus accrued interest to the date fixed for redemption.

### **Redemption Procedures**

The City will, at least 45 days prior to any optional redemption date (unless a shorter time period shall be satisfactory to the Bond Registrar), notify the Bond Registrar of such redemption date and of the principal amount and maturity or maturities of Bonds to be redeemed. For purposes of any redemption of less than all of the outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Bond Registrar from the Bonds of such maturity by such method of lottery as the Bond Registrar shall deem fair and appropriate (except when the Bonds are held in a book-entry system, in which case the selection of Bonds to be redeemed will be made in accordance with procedures established by DTC or any other book entry depository); *provided* that such lottery shall provide for the selection for redemption of Bonds or portions thereof in principal amounts of \$5,000 and integral multiples thereof.

Unless waived by any holder of Bonds to be redeemed, notice of the call for any redemption will be given by the Bond Registrar on behalf of the City by mailing the redemption notice by first-class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to each registered owner of the Bonds to be redeemed at the address shown on the Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

All official notices of redemption shall include at least the information as follows: (a) the redemption date; (b) the redemption price; (c) if less than all of the outstanding Bonds of a particular maturity are to be redeemed, the identification (and, in the case of partial redemption of Bonds within such maturity, the respective principal amounts) of the Bonds to be redeemed; (d) a statement that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after said date; and (e) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office maintained for the purpose by the Bond Registrar.

### **Book-Entry-Only System**

The information contained in the following paragraphs of this subsection "Book-Entry-Only System" has been extracted from a schedule prepared by The Depository Trust Company ("DTC") entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE." The City makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each annual maturity of each series of the Bonds, each in the aggregate principal amount of such annual maturity, and such certificates will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or paying agent ("Agent"), on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend

payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

NEITHER THE CITY, NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO CERTIFICATEHOLDERS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS CERTIFICATEHOLDER; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS.

### **Continuing Disclosure**

In order to assist the Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the City shall covenant pursuant to Resolutions adopted by the Governing Body to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Bonds to provide certain financial information and operating data relating to the City annually to the Municipal Securities Rulemaking Board (the "MSRB"), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Undertaking to be executed and delivered by the City at the time the Bonds are delivered. Such Undertaking will be in substantially the form attached hereto as Appendix C. A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule, and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the bonds and their market price.

The City will file its continuing disclosure information using the MSRB's Electronic Municipal Market Access (EMMA) system. Investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

The City inadvertently continued to utilize the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) between June 1, 2009 and July 15, 2011, in lieu of the EMMA system. Therefore, certain financial information and operating data relating to the City for the fiscal years ended February 28, 2009 and February 28, 2010 were uploaded to the EMMA system after the agreed upon 210 days after the last day of the City's fiscal year.

Bond Counsel expresses no opinion as to whether the Undertaking complies with the requirements of Section (b)(5) of the Rule.

## THE CITY

### General

The City of Evanston constitutes many communities, perspectives and qualities: it is a suburb, an urban center, a college town and lakefront community; it has leafy neighborhoods and lakefront mansions; apartment, condominium and student housing; its residents are commuters and locally employed workers; the downtown is prospering, but neighborhood commercial centers are also strong and developing. It is a part of the Chicago-land economy and has a vigorous commercial and professional economy of its own. A population of approximately 75,000 is diverse by race, religion, age, education, economics and occupation. With 8,700 people per square mile, Evanston has double the population density of the average North and Northwest suburb, and approximately half the density of Chicago. The City has over 260 acres in 75 parks and five beaches.

Evanston is contiguous with Chicago, and approximately 13 miles by rapid transit, commuter rail, expressway or parkway from downtown Chicago. It borders the north shore communities of Skokie and Wilmette.

In 1863, the Village of Evanston was incorporated as a town, and after several annexations, in 1892, the town became a city. The City's southern boundary was established with the City of Chicago and the present City limits, encompassing an area of approximately 8.0 square miles, have been essentially the same ever since. The City has four miles of shoreline along Lake Michigan.

### Northwestern University

Evanston is the home of Northwestern University, so named as it was established to serve the Northwest Territory. The University first platted the village which surrounded it. The State Legislature named the village "Evanston" in honor of Dr. John Evans, the then president of the University's Board.

Northwestern University not only gives a certain vitality to the City, it affects both City revenues and many demographic profiles of the City. Approximately 99% of the students living in university housing were included in the 2010 census, which is still unofficial at the time of the date of this Official Statement. This tends to understate demographic statistics such as the City's per capita income, wealth per capita, assessed value per capita, etc. On the other hand, it increases revenue sharing and other grants based on population.

About 4,000 students live in university housing; another 900 live in fraternities and sororities. Roughly 800 live in two graduate student-housing complexes and approximately 3,500 live off-campus, mostly in privately owned apartments in Evanston.

### Government

The City is a home rule municipality under the Illinois Constitution. As such, it has no tax rate or debt limits, nor is it required to conduct a referendum to authorize the increase of debt or the imposition of real property taxes.

The City has a Council/Manager form of government with an elected Mayor. The Mayor is elected for a four-year term. The Aldermen each represent one of nine wards and are elected to terms of four years. The City Council is organized into standing committees: Administration and Public Works, Human Services, Planning and Development and Rules. The City Council has also established several special committees and commissions and advisory boards.

The City Manager is the Chief Administrative Officer of the City and is responsible for the management of all City operations under the direction of the Mayor and City Council. The City Manager appoints and supervises the directors of the City's 10 departments. The Administrative Services Director is responsible for the central financial functions of the City.

The City provides a broad range of municipal services, including police and fire protection, streets and parking, water and sewer service, public libraries, social services, health and services for the aging; beaches, parks and cultural events. The City is engaged in assisting in community and economic development and maintains land use controls.

Schools are provided by separate boards of education, governed by elected school boards. A small portion of the City is located in the Skokie Park District. Wastewater treatment is provided by the Metropolitan Water Reclamation District.

### **Administration**

Wally Bobkiewicz, *City Manager*. Mr. Bobkiewicz is the City Manager, appointed in August 2009. Mr. Bobkiewicz is the administrative head of the Municipal government and responsible for the efficient administration of all City departments. The departments are as follows: Administrative Services, Community and Economic Development, Fire, Health, Law, Library, Parks, Recreation and Community Services, Police, Public Works and Utilities. Before working for the City of Evanston, Mr. Bobkiewicz was employed as the City Manager with Santa Paula, California.

Martin Lyons, *Assistant City Manager/Treasurer*. Mr. Lyons is the Assistant City Manager/Treasurer and in conjunction with the City Manager, oversees and administers all the City's departments and functions, including the City's utilities, and serves as the City's Treasurer. Previous to working for the City of Evanston, Mr. Lyons was the Finance Director of the Village of Downers Grove, Illinois for nine years and for the Village of LaGrange, Illinois for three years.

### **Development Activity and City Layout**

The City's downtown is a central location for over eighty restaurants (ranging from casual to high-end), hundreds of hotel rooms, a state-of-the art movie theater, several theater and dance companies, retail bookstores and numerous shops.

Total EAV ("equalized assessed value" as defined herein as "Real Property Taxation") growth in the City has grown from \$1.30 billion in 1999 to \$3.04 billion in 2010, representing more than 134% in growth. Evanston's prudent use of TIF development has added significantly to this growth. The Washington National TIF grew by more than \$77 million from its inception in 1994.

Commercial development in the downtown area has been a priority of City government since a "Plan for Downtown Evanston/City Comprehensive Plan" was first adopted in 1980, with continuing revisions since then. Private development has been encouraged with coordination and support from the City. The City's efforts have included enhanced public transportation through the interconnection of bus, Metra rail and the Chicago Transit Authority (the "CTA") hubs; public art including streetscape and sidewalk amenities; creation of a commercial district to support nightlife in the City; and the utilization of two tax increment districts to provide support for the Church Street Plaza and Sherman Plaza redevelopment areas.

The City also has eight neighborhood commercial districts. Central Street, Noyes Street, Chicago & Dempster, Main & Chicago and Howard & Chicago are each formed around transportation hubs. Each of these districts has distinctive features: international, specialty retail and baked goods at Central Street; theater and dining at Noyes Street; antiques, art and specialty goods at Chicago & Dempster; convenient shopping at Main & Chicago and the transportation center at Howard & Chicago, on the border of the City with Chicago. Evanston Center and Oakton Street Center, on the Southwest Side of the City, are commercial centers initiated by developers and include a large number of national retailers. Each have major anchor and supportive retail which meets the needs of the neighborhood and beyond, and were redeveloped on former vacant industrial sites.

## Labor Relations

The City's four collective bargaining contracts cover the majority of the City's 793 (full-time equivalent) employees and include Police: Teamsters Local 700 (expired on 2/29/2012); Firefighters: Evanston Firefighters Association, Local 742 of the International Association of Firefighters (AFL-CIO-CLC) (expired on 12/31/11); Public Works: American Federation of State County and Municipal Employees, Council 31 of the AFL-CIO, Evanston City Employees Union Local 1891 A (expired on 12/31/11); Police Sergeants: Evanston Police Sergeants Association, affiliated with the Illinois Fraternal Order of Police Labor Council (expires on 12/31/2012).

The City has not experienced any work stoppage due to labor difficulties for the last 30 years.

## DEMOGRAPHIC DATA

Evanston's median family income and per capita income remain consistently and significantly above State of Illinois and Cook County levels, as does the median home value.

### Family Income, Per Capita Income and Median Home Value

	2010	2000	2010	2000	2010 <sup>(1)</sup>	2000 <sup>(1)</sup>
	Median Family	Median Family	Per Capita	Per Capita	Median	Median Home
	<u>Income</u>	<u>Income</u>	<u>Income</u>	<u>Income</u>	<u>Home</u>	<u>Value</u>
	<u>Value</u>				<u>Value</u>	<u>Value</u>
City of Evanston	\$ 104,117	\$ 78,886	\$ 38,116	\$ 33,645	\$ 366,400	\$ 290,800
Cook County	61,889	53,784	27,839	23,227	244,400	157,700
State of Illinois	65,417	55,545	27,325	23,104	191,800	130,800

(1) Single Family Owner Occupied Units Only

Source: U.S. Census Bureau

### City of Evanston, Cook County and State of Illinois Median Home Value

	Evanston		Cook County		State of Illinois	
	<u>2010</u>	<u>2000</u>	<u>2010</u>	<u>2000</u>	<u>2010</u>	<u>2000</u>
Median Home Value <sup>(1)</sup>	\$ 366,400	\$ 290,800	\$ 244,400	\$ 157,700	\$ 191,800	\$ 130,800
Number of Single Family Homes <sup>(1)</sup>	15,334	9,597	1,127,332	816,532	3,219,338	3,219,338
Percent of Homes Valued:						
Under \$50,000	1.34%	0.27%	3.20%	1.91%	6.84%	6.84%
\$50,000-\$99,999	0.89%	3.04%	5.63%	17.34%	13.91%	13.91%
\$100,000-\$149,000	3.57%	11.23%	11.18%	26.77%	14.76%	14.76%
\$150,000-\$199,999	13.01%	14.86%	16.90%	22.54%	16.82%	16.82%
\$200,000-\$299,999	21.49%	22.42%	27.02%	18.06%	22.26%	22.26%
Above \$300,000	59.68%	48.17%	36.07%	13.37%	25.41%	25.41%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: U.S. Census Bureau

**City of Evanston – Age of Housing Structures  
(as of 2010 U.S. Census)**

<u>Years Built</u>	<u>Number</u>	<u>Percentage</u>
1939 or Earlier	16,333	51.15%
1940 to 1959	6,292	19.70%
1960 to 1969	3,069	9.61%
1970 to 1979	1,670	5.23%
1980 to 1989	1,109	3.47%
1990 to 1999	1,123	3.52%
2000 to 2004	1,366	4.28%
2005 to Later	972	3.04%
<b>Total</b>	<b>31,934</b>	<b>100.00%</b>

Source: U.S. Census Bureau

**Education and Employment**

Census data from 2010 reflects that over 62% of adult residents of Evanston have four or more years of college, compared to 28% nationally.

**Educational Attainment – Population over 25**

<u>Educational Level</u>	<u>Number</u>	<u>Percentage</u>	<u>Post-Secondary Education</u>	<u>High School or Higher</u>
Graduate or Professional Degree	15,707	33.20%		
Bachelor's Degree	13,804	29.20%		
Associate Degree	1,665	3.50%	65.90%	
Some College, no degree	7,136	15.10%		91.40%
High school graduate	4,932	10.40%		
9th to 12th grade, no diploma	2,483	5.20%		
Less than 9 <sup>th</sup> grade	1,599	3.40%		
<b>Total</b>	<b>47,326</b>	<b>100.00%</b>		

Source: U.S. Census Bureau

The following table shows the proportion of Evanston residents holding various job categories. Consistent with the high average level of educational attainment, over 62% of job holders who are Evanston residents work in professional or managerial jobs, as compared to 37.4% in Cook County, Illinois and 36.1% statewide.

**Select Occupation Categories**

<u>Type of Occupations</u>	<u>Number</u>	<u>Percentage</u>
Management, business, science, and arts	23,243	62.51%
Service occupations	4,085	10.99%
Sales and office occupations	8,048	21.64%
Natural Resources, construction, and maintenance	648	1.74%
Production, transportation, material moving	1,160	3.12%
<b>Total</b>	<b>37,184</b>	<b>100.00%</b>

Source: U.S. Census Bureau

## Population

The City's population is essentially stable, having been near 70,000 since 1950.

	<u>1990</u>	<u>2000</u>	<u>2010</u>
City of Evanston	73,233	74,239	74,549
Cook County	5,105,067	5,376,741	5,194,675
State of Illinois	11,430,602	12,419,293	12,830,632

Source: U.S. Census Bureau

## THE ECONOMY

The City enjoys a robust economy with broadly diverse economic resources. Students and the University, professional and commercial workers, residents and business all contribute to the mix of revenue received by the City through taxes, fees, licenses as well as property taxes.

One of the telling indicators of economic activity is retail sales as measured by sales tax receipts. The State sales taxes payable to the City have grown at an average compound rate of approximately 1.3 percent between fiscal years ended February 28, 2001 and February 28, 2011.

### Ten Year History State Sales Tax Receipts

<u>FY Ended</u>	<u>Home Rule Annual</u>	<u>Increase / (Decrease)</u>	<u>Sales Tax Annual</u>	<u>Increase / (Decrease)</u>
12/31/2011	\$ 4,902,429	n.a.	\$ 7,671,007	n.a.
2/28/2011	5,724,904	4.78%	8,791,573	2.87%
2/28/2010	5,463,561	(1.96%)	8,546,173	(3.52%)
2/28/2009	5,572,880	(5.73%)	8,857,994	(4.11%)
2/29/2008	5,911,796	4.61%	9,237,337	6.24%
2/28/2007	5,651,328	0.70%	8,695,104	2.48%
2/28/2006	5,611,780	0.32%	8,484,692	1.13%
2/28/2005	5,594,134	1.73%	8,389,985	5.90%
2/29/2004	5,499,126	(1.40%)	7,922,537	(3.57%)
2/28/2003	5,577,088	16.38%	8,215,766	9.29%
2/28/2002	4,792,114	22.18%	7,517,415	(2.91%)
2/28/2001	3,922,296	1.72%	7,742,807	9.67%

Compounded 10-Year Annual Growth Rate: 1.3%

### Building Activity – Value of Permits

<u>Calendar Year</u>	<u>Value of All Building Permits</u>
2011	\$ 181,371,826
2010	130,696,500
2009	105,958,715
2008	77,836,668
2007	347,638,462

## Replacement Taxes

<u>FY Ended</u>	<u>Amount</u>
12/31/2011	\$ 944,157
2/28/2011	1,445,092
2/28/2010	1,339,100
2/28/2009	1,440,614
2/29/2008	1,413,364

## Transportation

Evanston has excellent public transportation. It is served by a rapid transit rail line operated by CTA, with eight stations in Evanston. This is part of the CTA's metropolitan rapid transit system. Commuter rail service provided by Metra, a Division of the Regional Transportation Authority ("RTA"), serves three stops in Evanston. Four local bus routes operated by the CTA connect all Evanston neighborhoods with its downtown area. Five bus routes operated by PACE, a suburban bus division of the RTA, connect Evanston with north and northwestern suburbs.

## Employment

The following is a list of major employers within the City.

### Largest Employers

<u>Employer</u>	<u>Nature of Business</u>	<u>Approximate Number of Employees</u>
Northwestern University	Higher education	9,471
Evanston Northwestern Healthcare	Administrative and general hospital	3,727
Evanston/Skokie School District 65	Elementary school	1,599
St. Francis Hospital	General hospital	1,272
City of Evanston	Local government	918
Presbyterian Homes/McGaw Care Center	Retirement/nursing homes	602
Rotary International	Non-profit service organization	535
Evanston Township High School District 202	Public high school	520
C.E. Neihoff & Co.	Manufacturing	480
Mather Lifeways	Retirement/nursing homes	450

Source: City of Evanston, phone canvass

## Industry

Although a small proportion of the total property value and employment numbers, the City is home to various manufacturing concerns including Addison Steel, a fabricating company; Ward Manufactory, a tool and die manufacturer; and C.E. Niehoff, a manufacturer of automotive components.

## Unemployment

Unemployment in the City is consistently below Cook County and State of Illinois levels.

### Average Unemployment Rates

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
City of Evanston	3.50%	3.70%	4.70%	7.30%	7.90%	7.50%
Cook County	4.80%	5.20%	6.40%	10.40%	10.80%	10.40%
State of Illinois	4.60%	5.10%	6.40%	10.00%	10.50%	9.80%

Source: Illinois Department of Employment Security

## FINANCES

### Budget Process, Accounting and Financial Control Procedures

The City's fiscal year ("FY") has historically begun on March 1 of each year. However, the City passed a resolution that changes the City's fiscal year to match the calendar year beginning in the year 2012. As such, fiscal year 2011 is only be ten months in duration (March 1, 2011 through December 31, 2011).

The City Manager submits to the City Council a proposed operating budget not less than 60 days prior to the start of each fiscal year. The operating budget includes proposed expenditures and the means of financing those expenditures. The City Council holds several public hearings and then may modify the budget prior to adoption.

The City Manager is authorized to transfer budgeted amounts between departments within any fund (such as the General Fund); however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgets are legally adopted on a basis consistent with generally accepted accounting principles ("GAAP") except that property taxes are budgeted as revenue in the year they are levied. For purposes of preparing the combined statement of revenues, expenditures and changes in fund balances – budget and actual, GAAP revenue and expenditures have been adjusted to the budgetary basis. The budgets of the governmental type funds are prepared on a modified accrual basis. Obligations of the City are budgeted as expenditures, but revenue is recognized only when it has actually been received. The Comprehensive Annual Financial Report of the City ("CAFR") presents expenditures and revenues on both a GAAP basis and a budget basis for comparison.

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designated to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities. A fund is a separate, self-balancing accounting entity and in the City there are three categories of funds: governmental, proprietary and fiduciary. Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital project funds) and the servicing of general long-term debt (debt service funds). The General Fund is used to account for all activities of the City not accounted for in some other fund. For the FY 2012 the City projects that 32.64% (\$84.4 million) of all City expenditures will occur in the General Fund. Other major funds include Special Revenue Funds, Debt Service Funds, Enterprise Funds (water, sewer, and parking) and Pension Trust Funds.

The Enterprise Funds (water and sewer) are budgeted on a full accrual basis. Expenses are recognized when a commitment is made (through a purchase order), and revenues are recognized when they are obligated to the City (for example, water user fees are recognized as revenue when bills are produced).

The City reports financial results based on GAAP as promulgated by the Governmental Accounting Standards Board. The accounts of the City are divided into separate self-balancing funds comprised of its assets, liabilities, fund equity, revenues and expenditures, as appropriate.

The City's expenditures are monitored on a regular basis by the Finance Department. Disbursements are made only if an expenditure is within the authorized Budget.

The City annually presents its Budget to the Government Finance Officers Association ("GFOA") for review against that organization's standards for government budgeting. The City received a Distinguished Budget Award from the GFOA for the fiscal year 2012 Budget and has previously received the award for over 16 successive years.

### **Financial Statements and Independent Audits**

The City annually presents its CAFR to the GFOA for review against that organization's standards for governmental accounting and financial reporting. The City received a certificate of achievement for excellence in financial reporting from the GFOA for the fiscal year ended February 28, 2011, and has previously received the certificate for several successive years.

The City's financial statements are audited annually as required by State law. Baker Tilly Virchow Krause & Company, LLP, Certified Public Accountants, Oak Brook, Illinois, audited the financial statements for fiscal year ended December 31, 2011. Copies of the City's audited financial statements are available from the Administrative Services Department of the City. Excerpts of the audited financial statements for the fiscal year ended December 31, 2011, are included as APPENDIX A to this Official Statement. Baker Tilly Virchow Krause & Company, LLP, has neither reviewed nor approved this Official Statement or its appendices.

The City has covenanted in connection with the issuance of the Bonds to file its audited annual financial statements and certain additional financial and operating data within 210 days after the close of the City's fiscal year. See APPENDIX C to this Official Statement.

### **Cash Management**

The City invests available funds to the extent not needed for immediate expenditures in interest bearing securities. Money Market Funds make up 100% of General Fund investments (approximately \$4.8 million as of December 31, 2011). Cash amounts held in bank accounts are collateralized by United States government or agency obligations.

The City's investment policy is in compliance with the Illinois Municipal Investment Act and limits investments to those that are insured or which are registered (or for which the securities are held by the City or its agent) in the City's name. Bond funds are invested separately.

### **Revenues**

The City receives revenue from a wide variety of sources. These include a real property tax, municipal shares of State sales and income taxes, a home rule sales tax, utility taxes and federal grants, as well as various use charges, licenses and permits. The largest revenue source for the City is the property tax. See "*REAL PROPERTY TAXATION*" for a description of the property tax. Other major revenue sources are described below.

### ***Sales Taxes***

The City's share of the State sales tax and a separate City home rule sales tax are the second largest source of revenue to the City. A portion of the State's sales tax receipts from sales within Evanston are statutorily allocated to the City. The amount so received by the City equals about 1.0% of those sales subject to the State tax. In addition, the City imposes a City-wide home rule sales tax, as permitted by State law, presently at a rate of 1.0%. Sales of vehicles, groceries and medicine, among other items, are exempted by State law from this home rule sales tax. The Illinois Department of Revenue collects both the State sales tax and the City's sales tax. The State sales tax produced \$7.7 million, and the home rule sales tax produced \$4.9 million for the fiscal year ended December 31, 2011 (a 10-month period).

## Utility Taxes

The City collects utility taxes on natural gas, electricity and telephone charges. Utility taxes generated \$6.4 million for the fiscal year ended December 31, 2011 (a 10-month period). This compares to \$7.9 million for the fiscal year ended February 28, 2011 (a 12-month period).

## FY 2011/ 2012 Budgets

### Overview of Budget for Fiscal Year 2011 and 2012

The total budget of the City for the fiscal year ended December 31, 2011 (a ten month period) is \$208.5 million. The General Fund portion of the total budget for fiscal year ended December 31, 2011 is \$73.9 million.

The total budget of the City for the fiscal year ended December 31, 2012 (a twelve month period) is \$258.9 million. The General Fund portion of the total budget for fiscal year ended December 31, 2012 is \$84.4 million.

## Summary of Financial Information

The following summary of financial information is taken from audited financial statements of the City for fiscal years ended February 29, 2008 through December 31, 2011. This summary does not purport to be complete. Reference should be made to excerpts of the audited financial statements for fiscal year ended December 31, 2011 included as APPENDIX A of this Official Statement. Baker Tilly Virchow Krause & Company, LLP, Certified Public Accountants, have neither reviewed nor approved this summary.

### General Fund Balance Sheet

#### Fiscal Years Ended

<b>Assets:</b>	<b>2/29/2008</b>	<b>2/28/2009</b>	<b>2/28/2010</b>	<b>2/28/2011</b>	<b>12/31/2011</b>
Cash and Investments	\$15,755,277	\$11,615,911	\$8,980,446	\$10,303,331	\$11,523,030
Property Taxes Receivable	15,381,869	14,995,648	15,055,056	16,118,287	16,641,472
Due From Other Governments	6,846,587	5,856,040	7,071,845	7,112,895	7,400,692
Due From Other Funds	623,615	290,877	1,206,245	545,268	810,429
Utility Tax Receivable	--	--	--	--	--
All Other Assets	1,745,729	2,815,290	2,117,495	2,008,760	2,290,681
Total Assets	<u>40,353,077</u>	<u>35,573,766</u>	<u>34,431,087</u>	<u>36,088,541</u>	<u>38,666,304</u>
<b>Liabilities and Fund Balance:</b>					
Vouchers Payable	1,737,365	2,517,228	1,342,117	1,869,559	1,720,394
Due To Other					
Funds/Governments	186,480	133,437	1,806,681	170,443	666,790
Accrued Payroll	2,016,915	2,366,980	2,738,368	3,522,131	3,019,828
Compensated Absences Payable	611,907	80,963	70,289	29,156	60,117
Deferred Revenue	9,674,201	9,205,702	8,128,230	8,396,075	14,451,629
All Other Liabilities	178,694	242,640	157,853	97,425	354,377
Total Liabilities	<u>14,405,562</u>	<u>14,546,950</u>	<u>14,243,538</u>	<u>14,084,789</u>	<u>20,273,135</u>
<b>Fund Balance:</b>					
Reserved	1,107,516	1,274,562	1,584,855	1,994,876	--
Unreserved – Designated	5,426,091	5,426,913	5,426,913	5,426,913	--
Unreserved – Undesignated	19,413,908	14,325,341	13,175,781	14,581,963	--
Assigned	--	--	--	--	7,590,232
Unassigned	--	--	--	--	10,802,937
Total Fund Balance	<u>25,947,515</u>	<u>21,026,816</u>	<u>20,187,549</u>	<u>22,003,752</u>	<u>18,393,169</u>
Total Liabilities and Fund Balance	<u>\$40,353,077</u>	<u>\$35,573,766</u>	<u>\$34,431,087</u>	<u>\$36,088,541</u>	<u>\$38,666,304</u>

Sources: City of Evanston, Illinois; CAFR for fiscal year ended 2/28/2008 through 12/31/2011.

**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance – Budget and Actual (Budgetary Basis) 1**  
**Fiscal Year Ended December 31, 2011**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenue</b>			
Taxes	\$35,609,123	\$36,198,119	588,996
Licenses and Permits	7,287,309	6,775,866	(511,443)
Intergovernmental	12,729,965	13,364,686	634,721
Charges for Services	6,085,856	6,283,196	197,340
Fines	3,806,864	3,279,785	(527,079)
Investment Income	12,000	2,073	(9,927)
Miscellaneous	3,548,621	3,276,503	(272,118)
Total Revenues	<u>69,079,737</u>	<u>69,180,228</u>	<u>100,491</u>
<b>Expenditures</b>			
General Management and Support	12,660,474	11,914,893	745,581
Public Safety	31,456,425	31,367,067	89,358
Public Works	6,862,268	6,339,072	523,196
Health and Human Resources Development	3,078,238	2,887,812	190,426
Recreation and Cultural Opportunities	16,314,891	15,980,974	333,917
Housing and Economic Development	2,824,206	2,462,258	361,948
Total Expenditures	<u>73,196,502</u>	<u>70,952,076</u>	<u>2,244,426</u>
Excess / (Deficiency) of Revenues Over Expenditures	<u>(4,116,765)</u>	<u>(1,771,848)</u>	<u>2,344,917</u>
<b>Other Financing Sources (Uses)</b>			
Operating transfers in (out)			
West Evanston TIF	50,000	50,000	--
Motor Fuel Tax Fund	697,492	697,492	--
Economic Development Fund	377,256	377,256	--
Housing Fund	19,992	19,992	--
Washington National TIF Debt Service Fund	325,000	325,000	--
Howard Hartrey Debt Service	141,600	141,600	--
Southwest TIF I Debt Service Fund	24,100	24,100	--
Debt Service Fund	(676,980)	(676,980)	--
Howard Ridge TIF	120,400	120,400	--
Capital Improvement Fund	300,000	300,000	--
Water Fund	2,737,905	2,737,905	--
	<u>4,116,765</u>	<u>4,116,765</u>	<u>--</u>
<b>Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses</b>	<u><u>--</u></u>	<u><u>2,344,917</u></u>	<u><u>2,344,917</u></u>
<b>Fund Balance</b>			
Beginning of Year		<u>30,039,063</u>	
End of Year		<u>\$32,383,980</u>	

(1) General Fund operations are reported on a basis consistent with GAAP, and also on a budgetary (non-GAAP) basis. The City prepares the budget on a non-GAAP basis for the General, Special Revenue and Debt Service Funds; property taxes are recognized in the same accounting period as when the tax levy is adopted, even though the taxes are not collected until the following year, and encumbrances are treated as expenditures. This method is used to facilitate budgetary control. Under the GAAP basis, property tax revenues are recognized when both measurable and available. Encumbrances are not treated as expenditures. This table presents General Fund Budget versus Actual operations on a budgetary basis of accounting.

Sources: City of Evanston, Illinois; CAFR for the fiscal year ended December 31, 2011.

**General Fund**  
**Statement of Fund Operations**  
**GAAP Basis <sup>1</sup>**  
**Fiscal Years Ended**

<b>Revenues:</b>	<u><b>2/29/2008</b></u>	<u><b>2/28/2009</b></u>	<u><b>2/28/2010</b></u>	<u><b>2/28/2011</b></u>	<u><b>12/31/2011</b></u>
Taxes	\$42,893,729	\$40,173,003	\$40,231,207	\$39,184,101	\$30,242,619
Licenses and Permits	10,275,694	8,820,280	7,279,181	8,661,398	6,775,866
Intergovernmental	17,582,733	16,391,753	15,566,317	15,745,906	13,364,686
Charges for Services	7,732,399	8,399,042	8,680,166	9,785,836	6,283,196
Fines and Forfeits	4,660,258	4,442,282	4,150,610	4,002,700	3,279,785
Investment Income	623,865	240,988	17,048	11,454	2,073
Miscellaneous	2,998,910	3,980,418	3,824,800	5,987,365	3,276,503
Total	<u>86,767,588</u>	<u>82,447,766</u>	<u>79,749,329</u>	<u>83,378,760</u>	<u>63,224,728</u>
<b>Expenditures:</b>					
General Management and Support	15,396,084	12,709,098	14,575,634	21,814,654	11,774,893
Public Safety	32,460,477	38,453,587	34,200,821	35,258,964	31,367,067
Public Works	16,176,198	16,393,126	12,862,044	12,618,308	6,339,072
Health & Human Resource Dev.	4,182,385	3,745,632	3,940,324	3,700,431	2,887,812
Housing & Economic Dev.	3,486,934	3,301,478	3,332,818	2,952,803	2,462,258
Recreation & Cultural Opportunities	18,191,253	18,485,225	17,998,527	17,390,458	15,980,974
Debt Service - Principal	--	--	83,055	101,030	119,993
Debt Service - Interest	--	--	56,945	38,970	20,007
Total	<u>89,893,331</u>	<u>93,088,146</u>	<u>87,050,168</u>	<u>93,875,618</u>	<u>70,952,076</u>
Transfers In	4,832,493	5,415,600	6,461,572	5,409,384	4,793,745
Transfers Out	(1,952,400)	--	--	--	(676,980)
Issuance of Debt	--	304,081	--	6,893,299	--
Premiums and Accrued Interest	--	--	--	10,378	--
Fund Balance, Beginning of Year	<u>26,193,165</u>	<u>25,947,515</u>	<u>21,026,816</u>	<u>20,187,549</u>	<u>22,003,752</u>
Fund Balance, End of Year	<u>\$25,947,515</u>	<u>\$21,026,816</u>	<u>\$20,187,549</u>	<u>\$22,003,752</u>	<u>\$18,393,169</u>

**Notes:**

(1) General Fund operations are reported on a basis consistent with GAAP, and also on a budgetary (non-GAAP) basis. The City prepares the budget on a non-GAAP basis for the General, Special Revenue and Debt Service Funds; property taxes are recognized in the same accounting period as when the tax levy is adopted, even though the taxes are not collected until the following year, and encumbrances are treated as expenditures. This method is used to facilitate budgetary control. Under the GAAP basis, property tax revenues are recognized when both measurable and available. Encumbrances are not treated as expenditures. This table presents General Fund Operations on a GAAP basis.

Sources: City of Evanston, Illinois; CAFR for fiscal year ended 2/28/2008 through 12/13/2011.

## Pension Fund Obligations

The City participates in three defined benefit pension plans which cover substantially all employees. Retirement benefits are provided for employees who meet certain age and service requirements. Payments are generally correlated with the employee's length of service and earnings. Legal requirements of the plans (including contributions, vesting benefit and fund deficit provisions) are governed by State law. The plans are funded by employee and employer contributions and investment earnings.

All employees, other than police officers, firefighters and those working fewer than 1,000 hours per year, are covered by the Illinois Municipal Retirement Fund ("IMRF") which is a Statewide multi-employer plan governed by a state board of trustees.

The IMRF determines the contribution rate for the City to provide for all full funding of prior service costs, as determined actuarially, over a future period of not more than 40 years. The City funds its contributions through the property tax levy.

City police officers are covered by the Police Pension Fund and City firefighters are covered by the Firefighters' Pension Fund. These funds are governed by separate boards of trustees comprised of City officials and police or fire employee representatives. As required by State of Illinois statute, the City intends to annually fund its police and fire pension plans by the actuarially required contribution as determined by an enrolled actuary.

The following table shows the funding level, actual funding requirement, unfunded pension liability and funding ratio for the various pension funds for City employees.

### Combined Pension Funding

	<u>Asset Value</u>	<u>Liability</u>	<u>Unfunded</u>	<u>Funded Ratio</u>
Fire <sup>1</sup>	\$54,214,525	\$119,011,406	\$64,796,881	45.55%
Police <sup>1</sup>	71,478,229	156,201,256	84,723,027	45.76%
IMRF <sup>2</sup>	<u>65,199,440</u>	<u>86,311,655</u>	<u>21,112,215</u>	<u>75.54%</u>
All Funds Combined	<u>\$190,892,194</u>	<u>\$361,524,317</u>	<u>\$170,632,123</u>	<u>52.80%</u>

(1) Data as of 3/1/2011

(2) Data as of 12/31/2011

Source: City of Evanston, Illinois CAFR for fiscal year ended December 31, 2011.

## Insurance Coverage

The City maintains commercial all-risk property insurance with regard to City facilities, subject to a deductible of \$75,000 per occurrence. The City maintains general liability insurance for claims in excess of \$2.0 million per occurrence.

## GENERAL OBLIGATION BONDED INDEBTEDNESS

### Outstanding General Obligation Debt

The below table provides the City's outstanding general obligation debt issues as of the issuance of the Bonds.

<b>General Obligation Debt by Issue</b>					
<u>Date of Issue</u>	<u>Type of Obligation</u>	<u>Amount Issued</u>	<u>Final Maturity</u>	<u>Interest Rates Outstanding</u>	<u>Principal Outstanding</u>
10/01/2002	Ref. Bonds, Series 2002C <sup>1</sup>	\$ 20,250,000	01/01/2022	5.00% - 5.25%	--
05/01/2004	Bonds, Series 2004	13,355,000	12/01/2023	4.00% - 5.00%	\$ 11,040,000
07/15/2004	Ref. Bonds, Series 2004B	11,730,000	12/01/2017	4.00% - 5.25%	4,460,000
07/28/2005	Ref. Bonds, Series 2005	29,270,000	12/01/2025	5.00%	22,300,000
07/19/2006	Bonds, Series 2006	10,290,000	12/01/2026	4.10% - 5.00%	9,680,000
12/28/2006	Ref. Bonds, Series 2006B	14,430,000	01/01/2023	4.00% - 4.25%	14,430,000
05/24/2007	Ref. Bonds, Series 2007	30,385,000	12/01/2027	4.00% - 5.50%	20,550,000
05/07/2008	Ref. Bonds, Series 2008A	3,800,000	12/01/2021	3.25% - 5.00%	3,215,000
05/07/2008	Ref. Bonds, Series 2008B	27,755,000	12/01/2018	3.25% - 5.00%	13,705,000
05/07/2008	Bonds, Series 2008C	12,395,000	12/01/2028	3.25% - 5.00%	11,085,000
12/10/2008	Ref. Bonds, Series 2008D	19,015,000	12/01/2016	3.50% - 5.00%	9,905,000
08/15/2010	Bonds, Series 2010A	6,500,000	12/01/2029	2.00% - 3.625%	6,260,000
08/15/2010	Taxable Bonds, Series 2010B	8,000,000	12/01/2019	1.00% - 3.30%	7,305,000
08/01/2011	Bonds, Series 2011A	19,240,000	12/01/2031	2.00% - 4.50%	<u>19,240,000</u>
	Subtotal				<u>153,175,000</u>
07/26/2012	Bonds, Series 2012	15,720,000	12/01/2032	2.00% - 3.25%	<u>15,720,000</u>
	<b>TOTAL</b>				<u><u>\$ 168,895,000</u></u>

*(The remainder of this page has been left blank intentionally.)*

<sup>1</sup> Principal Outstanding reflects refunding by the Bonds.

The below table provides the City's outstanding general obligation debt service as of the issuance of the Bonds.

**Total General Obligation Debt Service**

Year Ending	Outstanding G.O. Debt		The Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	
12/31/2012	\$ 15,735,000	\$ 6,785,063	--	--	\$ 22,520,063
12/31/2013	13,555,000	5,852,994	\$ 1,335,000	\$ 600,634	21,343,628
12/31/2014	13,640,000	5,308,354	1,590,000	419,131	20,957,485
12/31/2015	12,480,000	4,771,646	860,000	387,331	18,498,978
12/31/2016	13,020,000	4,228,944	870,000	361,531	18,480,475
12/31/2017	13,205,000	3,707,590	845,000	335,431	18,093,021
12/31/2018	11,725,000	3,132,416	865,000	310,081	16,032,498
12/31/2019	8,095,000	2,649,581	840,000	284,131	11,868,713
12/31/2020	7,070,000	2,318,054	850,000	258,931	10,496,985
12/31/2021	7,530,000	2,004,666	910,000	233,431	10,678,097
12/31/2022	7,365,000	1,672,256	740,000	206,131	9,983,388
12/31/2023	6,855,000	1,363,206	765,000	183,931	9,167,138
12/31/2024	4,835,000	1,080,681	790,000	160,981	6,866,663
12/31/2025	5,060,000	864,250	810,000	137,281	6,871,531
12/31/2026	4,280,000	626,700	475,000	112,981	5,494,681
12/31/2027	3,425,000	428,725	490,000	98,731	4,442,456
12/31/2028	2,425,000	274,125	505,000	84,031	3,288,156
12/31/2029	1,565,000	170,175	520,000	68,881	2,324,056
12/31/2030	1,130,000	103,950	535,000	53,281	1,822,231
12/31/2031	1,180,000	53,100	555,000	36,563	1,824,663
12/31/2032	--	--	570,000	18,525	588,525
Subtotal	<u>154,175,000</u>	<u>47,396,477</u>	<u>15,720,000</u>	<u>4,351,953</u>	<u>221,643,429</u>
Less Payments by 7/26/2012	<u>(1,000,000)</u>	<u>(3,900,446)</u>	<u>--</u>	<u>--</u>	<u>(4,900,446)</u>
Total	<u>153,175,000</u>	<u>43,496,031</u>	<u>15,720,000</u>	<u>4,351,953</u>	<u>216,742,983</u>

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A portion of the debt service on the City's outstanding general obligation bonds is scheduled to be paid from sources other than general property taxes levied throughout the City. These sources include incremental taxes in tax increment areas, special service area taxes and revenues from various enterprise funds including sewer services fees. The City's total general obligation debt service schedule and portion expected to be abated is presented in the table below.

**Total and Scheduled for Abatement General Obligation Debt Service**

Year <u>Ending</u>	Outstanding G.O. Debt		Scheduled for Abatement		Net <u>Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
12/31/2012	\$ 15,735,000	\$ 6,785,063	(8,632,341)	(2,209,870)	\$ 11,677,852
12/31/2013	14,890,000	6,453,628	(7,037,879)	(1,831,514)	12,474,235
12/31/2014	15,230,000	5,727,485	(6,217,020)	(1,521,305)	13,219,160
12/31/2015	13,340,000	5,158,978	(6,068,349)	(1,255,883)	11,174,745
12/31/2016	13,890,000	4,590,475	(5,275,280)	(988,935)	12,216,261
12/31/2017	14,050,000	4,043,021	(5,882,210)	(761,540)	11,449,271
12/31/2018	12,590,000	3,442,498	(5,161,351)	(477,275)	10,393,872
12/31/2019	8,935,000	2,933,713	(416,671)	(241,874)	11,210,167
12/31/2020	7,920,000	2,576,985	(443,172)	(226,021)	9,827,792
12/31/2021	8,440,000	2,238,097	(454,673)	(207,951)	10,015,473
12/31/2022	8,105,000	1,878,388	(474,564)	(189,394)	9,319,429
12/31/2023	7,620,000	1,547,138	(489,455)	(169,767)	8,507,915
12/31/2024	5,625,000	1,241,663	(519,346)	(149,335)	6,197,982
12/31/2025	5,870,000	1,001,531	(537,628)	(126,892)	6,207,011
12/31/2026	4,755,000	739,681	(490,909)	(102,199)	4,901,573
12/31/2027	3,915,000	527,456	(509,191)	(79,930)	3,853,335
12/31/2028	2,930,000	358,156	(463,653)	(56,836)	2,767,668
12/31/2029	2,085,000	239,056	(258,615)	(36,107)	2,029,335
12/31/2030	1,665,000	157,231	(267,456)	(24,469)	1,530,306
12/31/2031	1,735,000	89,663	(276,298)	(12,433)	1,535,931
12/31/2032	570,000	18,525	--	--	588,525
<b>Total</b>	<b>169,895,000</b>	<b>51,748,429</b>	<b>(49,876,060)</b>	<b>(10,669,532)</b>	<b>161,097,838</b>

**Overlapping Debt**

**Statement of Overlapping General Obligation Bonded Debt**

(as of June 1, 2012)

Taxing District (1)	Outstanding Bonds	Applicable to City	
		Percentage	Amount
Cook County	\$ 3,369,965,000	1.78%	\$ 60,140,664
Cook County Forest Preserve District	94,885,000	1.78%	1,693,325
Metropolitan Water Reclamation District	2,360,535,090	1.82%	43,006,222
Skokie Park District	8,325,000	0.76%	63,113
Evanston Special Service Area No. 5	1,515,000	100.00%	1,515,000
Community Consolidated School District No. 65	60,802,000	90.42%	54,974,715
Evanston Township High School No. 202	18,650,907	90.42%	16,863,397
Community College District No. 535	27,245,000	11.75%	3,200,434
<b>Total Overlapping General Obligation Bonded Debt</b>			<b>\$ 181,456,870</b>

(1) Does not include Alternate Revenue Bonds.

Source: Cook County Clerk's Office

**Debt Ratios**

<u>Metric</u>	<u>Value</u>
True Value (2010)	\$ 9,125,652,261
EAV (2010)	3,041,884,087
Population (2010)	75,549
Direct Debt (Property Tax Supported)	\$ 120,018,940
Direct Debt (Supported by Other Sources)	<u>49,876,060</u>
Total Direct Debt	\$ 169,895,000
Total Overlapping Debt	\$ 181,456,870

<u>Debt Ratio</u>	<u>All General Obligation Debt</u>	<u>General Obligation Debt (Less Self Supporting Debt)</u>
Direct Debt Per True Value	1.86%	1.32%
Direct Debt Per EAV	5.59%	3.95%
Direct Debt Per Capita	\$ 2,249	\$ 1,589
Direct and Overlapping Debt Per True Value	3.85%	3.30%
Direct and Overlapping Debt Per EAV	11.55%	9.91%
Direct and Overlapping Debt Per Capita	\$ 4,651	\$ 3,990

### General Obligation Debt Trends

<u>Year Ended</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total General Obligation</u>
12/31/2011	\$ 122,579,206	\$ 35,115,794	\$ 157,695,000
2/28/2011	117,322,439	36,212,561	153,535,000
2/28/2010	111,233,880	40,236,120	151,470,000
2/28/2009	118,126,135	55,983,865	174,110,000
2/29/2008	118,005,000	66,530,000	184,535,000
2/28/2007	113,990,000	76,825,000	190,815,000
2/28/2006	161,825,000	37,385,000	199,210,000
2/28/2005	147,045,000	43,655,000	190,700,000
2/29/2004	141,845,000	49,175,000	191,020,000

### Future Financings

The City does not plan on issuing additional general obligation debt during calendar year 2012 to finance capital projects.

## REAL PROPERTY TAXATION

As a home rule municipality, the City has the ability to levy real property taxes on the taxable property in the City without limitation as to rate or amount. The City levies real property taxes for general government purposes, pension contributions and general obligation debt service. Real property taxes are applied to taxable property based on its assessed value (less various exemptions), as equalized among counties by the Illinois Department of Revenue. This is referred to as the equalized assessed valuation or "EAV." See "Real Property Assessment, Tax Levy and Collections Procedures."

Taxable property is reassessed every three years. The next reassessment period is tax year 2013. The following table shows the City's EAV in recent years. The taxes collected in 2010 were payable with respect to the EAV for tax year 2009. The EAV of property for tax year 2010 was approximately \$3.0 billion which does not include approximately \$194 million of EAV included in TIF districts (see "Tax Increment Financing" below).

### Historic Equalized Assessed Valuation <sup>(1)</sup>

<u>Tax Year</u>	<u>Total</u>	<u>% Change</u>
2010	\$ 3,041,884,087	-7.99%
2009	3,305,989,369	12.51%
2008	2,938,397,892	5.99%
2007	2,772,340,028	23.44%
2006	2,245,892,746	0.14%
2005	2,242,753,022	7.02%
2004	2,095,611,570	21.33%

Property owned by not-for-profit colleges, universities and hospitals is not subject to real property taxation. Northwestern University, the City's largest employer, does not pay property taxes on educational properties. The University does pay its share of water and sewer charges, utilities taxes, permit fees and other charges for services.

### Equalized Assessed Valuation by Classification of Property <sup>(1)</sup>

	<u>2007</u>		<u>2008</u>		<u>2009</u>	
Residential	\$2,149,123,958	77.52%	\$2,324,551,100	79.11%	\$2,564,394,619	77.57%
Farm	16,895	0.00%	16,895	0.00%	15,956	0.00%
Commercial	560,536,782	20.22%	560,106,493	19.06%	615,808,511	18.63%
Industrial	62,154,048	2.24%	53,168,671	1.81%	125,104,411	3.78%
Railroad	508,346	0.02%	554,733	0.02%	665,872	0.02%
<b>Total EAV</b>	<b>\$2,772,340,029</b>	<b>100.00%</b>	<b>\$2,938,397,892</b>	<b>100.00%</b>	<b>\$3,305,989,369</b>	<b>100.00%</b>

(1) Does not include incremental EAV in redevelopment project areas. See "Tax Incremental Financing" below. The incremental 2010 EAV in redevelopment project areas was \$194,110,631.

\* Percentages may not add to 100% because of rounding.

Source: Cook County Clerk's Office

## Tax Increment Financing

Under Illinois law, municipalities may designate particular areas as redevelopment project areas and may provide for tax increment financing for redevelopment project costs in those “TIF” areas. In a TIF area, collections of real property taxes levied by all taxing bodies, to the extent attributed to increases in the EAV of the TIF area over its EAV when the TIF area was so designated, are deposited in a special tax allocation fund of the municipality and are available for use by the municipality to pay qualified redevelopment costs with respect to the TIF area. Qualified redevelopment costs include, among other items, costs of construction of public works or improvements, costs of rehabilitation of public or private buildings and costs of land acquisition. Amounts in the special tax allocation fund for a TIF area also may be used to pay debt service on bonds issued by the municipality for qualified redevelopment costs of that area (“TIF bonds”). To the extent that the tax collections in respect of a TIF area are deposited in the special tax allocation fund and used for qualified redevelopment costs or related debt service, they are not available for other governmental purposes, including paying unrelated General Obligation Bonds of the municipality.

As of tax year 2010 the City has designated five TIF areas. The total EAV increment of these areas for this tax year totaled \$194,110,631. The EAV for these areas at the time the areas were so designated (the base or “frozen” value) was \$77,225,187.

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Frozen Value	\$ 68,669,219	\$ 68,669,219	\$ 79,060,859	\$ 77,225,187	\$ 77,225,187
Incremental	<u>177,560,327</u>	<u>238,512,923</u>	<u>268,255,958</u>	<u>114,745,713</u>	<u>116,885,444</u>
TOTAL EAV	<u>\$246,229,546</u>	<u>\$307,182,142</u>	<u>\$347,316,817</u>	<u>\$191,970,900</u>	<u>\$194,110,631</u>

TIF bonds may, in some cases, also be general obligations of the municipality. In that case general obligation bonds, in addition to their other claims for payment, may have a claim for payment from the amounts on deposit in the special tax allocation fund for that TIF area.

## Special Service Areas

Under Illinois law, municipalities may establish special service areas and may levy real property taxes with respect to taxable real property within the special service area to pay costs of special municipal services for the area or to pay debt service on bonds of the municipality issued to provide those special services.

The City has established a number of special service areas for the upgrade of streets and sidewalks in its central business district. Taxes levied and collected with respect to special service areas are not shown as general revenues of the City.

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## City Property Taxes

The following table shows the collection history for real property taxes levied by the City.

<u>Levy Year</u>	<u>Collection Year</u>	<u>Taxes Extended</u>	<u>Taxes Collected and Distributed</u> <sup>1</sup>	<u>Percent Collected</u>
2011	2012	\$ 43,397,590	in process	n.a.
2010	2011	41,479,398	\$ 39,412,004	95.02%
2009	2010	39,779,364	38,018,159	95.57%
2008	2009	38,044,671	36,246,629	95.27%
2007	2008	35,550,694	34,061,461	95.81%
2006	2007	34,399,146	33,249,612	96.66%
2005	2006	33,423,311	32,550,464	97.39%
2004	2005	32,100,657	30,991,234	96.54%
2003	2004	29,813,787	28,565,408	95.81%
2002	2003	27,957,126	27,286,591	97.60%

(1) Through June 1, 2012

The following table shows the ten largest real property taxpayers in the City.

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2010 Equalized Assessed Values</u>	<u>Percentage of Total City EAV</u>
Grubb & Ellis	Commercial building	\$ 26,384,464	0.87%
Rotary International	Non-profit organization	22,171,027	0.73%
Lowe Enterprises	Commercial Building	21,378,083	0.70%
Church St. Plaza	Commercial, retail,	19,787,246	0.65%
NNN Church St. Office Center	Office building	13,145,431	0.43%
Evanston Hotel Association	Hotel	12,892,618	0.42%
Inland	Commercial, retail building	12,171,067	0.40%
Church & Chicago Ltd Partnership	Apartments, and super market	11,616,218	0.38%
North Shore University Health	Commercial buildings	11,572,829	0.38%
Paradigm Tax Group	Shopping Center	10,816,879	0.36%
<b>Top Ten Total</b>		<b>\$ 161,935,862</b>	<b>5.32%</b>
<b>City Total 2010 EAV</b>		<b>3,041,884,087</b>	

Source: City of Evanston CAFR for fiscal year ended December 31, 2011.

Property tax rates for City purposes, as well as rates for governmental bodies that substantially overlap the City are shown below.

**Historic City Tax Rates**  
(Per \$100 EAV)

<u>Fund</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Corporate	\$0.7765	\$0.6253	\$0.5662	\$0.5120	\$0.5485
Bond & Interest	0.3918	0.3332	0.3508	0.3129	0.3625
Police Pension	0.1885	0.1707	0.2071	0.2077	0.2495
Fire Pension	0.1697	0.1538	0.1707	0.1706	0.2032
<b>TOTAL</b>	<b>\$1.5265</b>	<b>\$1.2830</b>	<b>\$1.2948</b>	<b>\$1.2032</b>	<b>\$1.3637</b>

**Tax Rates for Overlapping Taxing Agencies**  
(Taxes Billed in 2010 – Per \$100 EAV)

<u>Taxing Agency</u>	<u>2010 Rate</u>
<b>City of Evanston</b>	\$ 1.364
Cook County	0.423
Cook County Forest Preserve District	0.051
Suburban TB Sanitarium	--
Consolidated Elections	--
Town of Evanston	0.046
General Assistance	--
Metropolitan Water Reclamation District	0.274
North Shore Mosquito Abatement District	0.009
Elementary School District No. 65	2.655
Evanston Township High School District No. 202	1.819
Oakton Community College District No. 535	0.165
<b>TOTAL</b>	<b>\$ 6.801</b>

Source: Cook County Clerk's Office

**Real Property Assessment, Tax Levy and Collection Procedures**

The following is a summary of general property tax assessment, levy and collection procedures in Cook County, Illinois.

**Real Property Assessment.** The County Assessor (the "Assessor") is responsible for the assessment of all taxable real property within Cook County (the "County"), including such property located within the boundaries of the City, except for certain railroad property, pollution control facilities and low sulfur dioxide emission coal-fueled devices, which are assessed directly by the Illinois Department of Revenue (the "Department of Revenue"). For triennial reassessment purposes, Cook County is divided into three districts: west and south suburbs (the "South Tri"), north and northwest suburbs (the "North Tri"), and the City of Chicago (the "City Tri"). The City is located in the North Tri and was reassessed for the 2010 tax levy year.

In response to the downturn of the real estate market, the Assessor reduced the 2009 assessed value on suburban residential properties (specifically, those properties located in the South Tri and the North Tri) not originally scheduled for reassessment in 2009. For tax year 2009, each suburban township received an adjustment percentage for tax year 2009, lowering the existing assessed values of all residential properties in such township within a range of 4% to 15%, beginning with the second-installment tax bills payable in the fall of 2010.

Real property in the County is separated into classes for assessment purposes. After the Assessor establishes the fair market value of a parcel of property, that value is multiplied by the appropriate classification

percentage to arrive at the assessed valuation (the "Assessed Valuation") for the parcel. Such classification percentages range from 10% for certain residential, commercial and industrial property to 25% for other industrial and commercial property.

Property is classified for assessment into six basic categories, each of which is assessed (beginning with the 2009 tax levy year) at various percentages of fair market value as follows: Class 1 - unimproved real estate (10%); Class 2 - residential (10%); Class 3 - rental-residential (16% in tax year 2009, 13% in tax year 2010, and 10% in tax year 2011 and subsequent years); Class 4 - not-for-profit (25%); Class 5a - commercial (25%); and Class 5b - industrial (25%). In addition, property may be temporarily classified into one of eight additional assessment classification categories. Upon expiration of such classification, property so classified will revert to one of the basic six assessment classifications described above.

The Assessor has established procedures enabling taxpayers to contest their proposed Assessed Valuations. Once the Assessor certifies its final Assessed Valuations, a taxpayer can seek review of its assessment by appealing to the Cook County Board of Review (the "Board of Review"), which consists of three commissioners elected by the voters of the County. The Board of Review has the power to adjust the Assessed Valuations set by the Assessor.

Owners of residential property having six or fewer units are able to appeal decisions of the Board of Review to the Illinois Property Tax Appeal Board (the "PTAB"), a statewide administrative body. The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Taxpayers may appeal the decision of PTAB to either the Circuit Court of Cook County (the "Circuit Court") or the Illinois Appellate Court under the Illinois Administrative Review Law.

As an alternative to seeking review of Assessed Valuations by PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court. The procedure under this alternative is similar to the judicial review procedure described in the immediately preceding paragraph, however, the standard of proof differs. In addition, in cases where the Assessor agrees that an assessment error has been made after tax bills have been issued, the Assessor can correct any factual error, and thus reduce the amount of taxes due, by issuing a Certificate of Error. Certificates of Error are not issued in cases where the only issue is the opinion of the valuation of the property.

**Equalization.** After the Assessor has established the Assessed Valuation for each parcel for a given year, and following any revisions by the Board of Review or PTAB, the Department of Revenue is required by statute to review the Assessed Valuations. The Department of Revenue establishes an equalization factor (the "Equalization Factor"), commonly called the "multiplier," for each county to make all valuations uniform among the 102 counties in the State of Illinois (the "State"). Under State law, the aggregate of the assessments within each county is equalized at 33-1/3% of the estimated fair cash value of real property located within the county prior to any applicable exemptions. One multiplier is applied to all property in the County, regardless of its assessment category, except for certain farmland property and wind energy assessable property, which are not subject to equalization.

Once the Equalization Factor is established, the Assessed Valuation, as revised by the Board of Review or PTAB, is multiplied by the Equalization Factor to determine the equalized assessed valuation (the "EAV") of that parcel. The EAV for each parcel is the final property valuation used for determination of tax liability. The aggregate EAV for all parcels in any taxing body's jurisdiction, plus the valuation of property assessed directly by the Department of Revenue, constitute the total real estate tax base for the taxing body, which is used to calculate tax rates (the "Assessment Base").

**Exemptions.** The Illinois Property Tax Code, as amended (the "Property Tax Code"), exempts certain property from taxation. Certain property is exempt from taxation on the basis of ownership and/or use, including, but not limited to, public parks, not-for-profit schools, public schools, churches, not-for-profit hospitals and public hospitals. In addition, the Property Tax Code provides a variety of homestead exemptions.

**Tax Levy.** As part of the annual budgetary process of governmental units (the "Units") with power to levy taxes in the County, the designated body for each Unit annually adopts proceedings to levy real estate taxes. The administration and collection of real estate taxes is statutorily assigned to the County Clerk and the County Treasurer. After the Units file their annual tax levies, the County Clerk computes the annual tax rate for each Unit.

**Extensions.** The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all of the Units having jurisdiction over the particular parcel. The County Clerk extends the tax by entering the tax (determined by multiplying the total tax rate by the EAV of that parcel for the

current assessment year) in the books prepared for the County Collector (the “Warrant Books”) along with the tax rates, the Assessed Valuation and the EAV. The Warrant Books are the County Collector’s authority for the collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

**Collections.** Property taxes are collected by the County Collector, who also serves as the County Treasurer, who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. A payment due is deemed to be paid on time if the payment is postmarked on the due date. Beginning with the first installment payable in 2010, the first installment is equal to 55% of the prior year’s tax bill. However, if a Certificate of Error is approved by a court or certified on or before November 30 of the preceding year and before the estimated tax bills are prepared, then the first installment is instead based on the certain percentage of the corrected prior year’s tax bill. The second installment covers the balance of the current year’s tax bill, and is based on the then current tax year levy, Assessed Valuation and Equalization Factor, and reflects any changes from the prior year in those factors. The first installment penalty date has been the first business day in March for each of the last ten years. However, for 2010, the first installment penalty date was established as April 1 by statute. The following table sets forth the second installment penalty date for the last ten tax levy years in the County.

<u>Tax Levy Year</u>	<u>Second Installment Penalty Date</u>
2001	November 1, 2002
2002	October 1, 2003
2003	November 15, 2004
2004	November 2, 2005
2005	September 1, 2006
2006	December 3, 2007
2007	November 3, 2008
2008	December 1, 2009
2009	December 13, 2010
2010	November 1, 2011

It is possible that the changes to the assessment appeals process described above will cause delays similar to those experienced in past years in preparation and mailing of the second installment in future years. In the future, the County may provide for tax bills to be payable in four installments instead of two.

During the periods of peak collections, tax receipts are forwarded to each Unit on a weekly basis. Upon receipt of taxes from the County Collector, the City promptly credits the taxes received to the funds for which they were levied.

Within 90 days following the second installment due date, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court orders resulting from the application for judgment provides for an Annual Tax Sale (the “Annual Tax Sale”) of unpaid taxes shown on that year’s Warrant Books. A public sale is held, at which time successful tax buyers pay the unpaid taxes plus penalties. In each such public sale, the collector can use any “automated means.” Unpaid taxes accrue penalties at the rate of 1.5% per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus a maximum of 12% for each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and a half years depending on the type and occupancy of the property) and the tax buyer files a petition in the Circuit Court, notifying the necessary parties in accordance with the applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

If there is no sale of the tax lien on a parcel of property at the Annual Tax Sale, the taxes are forfeited and the property becomes eligible to be purchased at any time thereafter at an amount equal to all delinquent taxes and interest accrued to the date of purchase. Redemption periods and procedures are the same as applicable to the Annual Tax Sale.

The Scavenger Sale (the “Scavenger Sale”), like the Annual Tax Sale, is a sale of unpaid taxes. The Scavenger Sale is held every two years on all property on which two or more years’ taxes are delinquent. The sale price of the unpaid taxes is the amount bid at such sale, which may be less than the amount of delinquent taxes. Redemption periods vary from six months to two and a half years depending upon the type and occupancy of the property.

### **TAX EXEMPTION**

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States of America, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause the interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the City’s compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the City with respect to certain material facts within the City’s knowledge. Bond Counsel’s opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion, and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the “Code”), includes provisions for an alternative minimum tax (“AMT”) for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation’s alternative minimum taxable income (“AMTI”), which is the corporation’s taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess such corporation’s “adjusted current earnings” over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). “Adjusted current earnings” would generally include certain tax-exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the “Issue Price”) for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

If the Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Bonds (the “OID Bonds”) and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the City complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and

(d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Bonds owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

The interest on the Bonds is not exempt from present Illinois income or franchise taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

## **Not Qualified Tax-Exempt Obligations**

The City will not designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) relating to the ability of financial institutions to deduct from income for Federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

## **BOND RATINGS**

The Bonds are rated “Aaa” by Moody’s Investors Service, Inc. and “AAA” by Fitch Ratings. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody’s Investors Service, 99 Church Street, New York, New York 10007; Fitch Ratings, 70 West Madison Street, Chicago, Illinois 60602. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Such ratings are not to be construed as recommendations of the rating agencies to buy, sell or hold the Bonds, and the ratings assigned by the rating agencies should be evaluated independently.

## **UNDERWRITING**

Bids for the Bonds were received at a competitive public sale on July 10, 2012.

Janney Montgomery Scott LLC (the “Underwriter”) has agreed, subject to the conditions of closing set forth in the Notice of Sale, to purchase the Bonds at a purchase price of \$16,307,652.72 (consisting of the par amount of the Bonds, plus a net original issue premium of \$697,163.30, less an underwriter's discount of \$109,510.58), plus accrued interest.

The Bonds will be offered at the respective initial public offering prices which produce the yields shown on the inside cover page of this Official Statement. After the Bonds are released for sale to the public, the initial public offering prices and other selling terms may from time to time be varied by the Underwriter.

## **LITIGATION**

The City is subject from time to time to litigation in the ordinary course of its activities, including land use issues, employment and traffic accidents, among other matters.

There is no controversy or litigation of any nature now pending or, to the knowledge of the City, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or the levy and collection of taxes to pay the debt service on the Bonds; or questioning the proceedings or authority pursuant to which the Bonds are issued and taxes levied; or questioning or relating to the validity of the Bonds, or contesting the corporate existence of the City or the titles of its present officers to their respective offices.

## **FINANCIAL ADVISOR**

The City has engaged Public Financial Management, Inc. (the “Financial Advisor”) in connection with the City’s issuance and sale of the Bonds. Under the terms of their engagement, the Financial Advisor are not obligated to undertake any independent verification of or assume any responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

## **LEGAL MATTERS**

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, as Bond Counsel (the “Bond Counsel”), who has been retained by, and acts as, Bond Counsel to the City. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in its capacity as Bond Counsel, Chapman and Cutler LLP has, at the request of the City, reviewed the information under the captions



**CITY OF EVANSTON ANNUAL FINANCIAL REPORT  
FOR FISCAL YEAR ENDING DECEMBER 31, 2011  
(EXCERPTS)**

The Auditor was not asked to perform any additional review in connection with this Official Statement



Baker Tilly Virchow Krause, LLP  
1301 W 22nd St, Ste 400  
Oak Brook, IL 60523-3389  
tel 630 990 3131  
fax 630 990 0039  
bakertilly.com

## INDEPENDENT AUDITORS' REPORT

To Honorable Elizabeth B. Tisdahl, Mayor and  
Members of the City Council  
Evanston, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Evanston, Illinois, as of and for the ten months ended December 31, 2011, which collectively comprise the City of Evanston's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Evanston's management. Our responsibility is to express opinions on these financial statements based on our audit. In our opinion such adjustment is appropriate and has been properly applied.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 opinions. The financial statements of the Township of Evanston were not audited in accordance with Government Auditing Standards.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Evanston, Illinois as of December 31, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the ten months then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City adopted the provision of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions effective March 1, 2011.

In accordance with Government Auditing Standards, we have also issued a report dated June 26, 2012 on our consideration of City of Evanston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Honorable Elizabeth B. Tisdahl, Mayor and  
Members of the City Council  
Evanston, Illinois

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress, the schedules of employer contribution and the general fund budgetary comparison schedule as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Evanston's basic financial statements. The combining and individual fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Evanston's basic financial statements for the year ended February 28, 2011, which are not presented with the accompanying financial statements. In our report dated August 26, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the primary government of the City of Evanston, Illinois. In our opinion, the 2011 amounts reported in the schedules are fairly stated in all material respects in relation to the basic financial statements for the year ended February 28, 2011, taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Evanston's basic financial statements. The introductory section and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Baker Tilly Virchow Krause, LLP*

Oak Brook, Illinois  
June 26, 2012

## BASIC FINANCIAL STATEMENTS

# CITY OF EVANSTON, ILLINOIS

## Statement of Net Assets

December 31, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and equivalents	\$ 45,538,237	\$ 21,259,508	\$ 66,797,745
Investments	2,594,797	-	2,594,797
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	53,053,786	-	53,053,786
Accounts	-	4,281,368	4,281,368
Notes	6,104,245	-	6,104,245
Special assessments	737,084	-	737,084
Accrued interest	9,435	-	9,435
Other	3,094,057	54,922	3,148,979
Due from other governments	9,235,073	-	9,235,073
Internal balances	1,529,624	(1,529,624)	-
Inventories	573,872	825,473	1,399,345
Restricted assets			
Cash and equivalents and investments	-	5,992,417	5,992,417
Prepaid items	1,993,211	599,672	2,592,883
Other assets	37,382	249,000	286,382
Property held for resale	410,000	-	410,000
Capital assets			
Capital assets not being depreciated	25,635,320	7,676,037	33,311,357
Capital assets (net of accumulated depreciation)	144,103,229	323,936,380	468,039,609
Total Assets	294,649,352	363,345,153	657,994,505

The accompanying notes are an integral part of this statement.

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Vouchers payable	\$ 5,664,057	\$ 2,622,007	\$ 8,286,064
Accrued payroll	3,019,828	-	3,019,828
Interest payable	794,193	82,082	876,275
Other payables	354,377	6,000	360,377
Due to other governments	605,405	-	605,405
Due to pension funds	2,362,468	-	2,362,468
Payable from restricted assets			
Vouchers payable	-	204,266	204,266
Interest payable	-	513,584	513,584
Unearned revenues	46,871,291	-	46,871,291
Noncurrent liabilities			
Payable from restricted assets - due within one year	-	11,800,112	11,800,112
Due within one year	15,401,000	4,095,491	19,496,491
Due in more than one year	154,387,442	101,847,706	256,235,148
<b>Total Liabilities</b>	<b>229,460,061</b>	<b>121,171,248</b>	<b>350,631,309</b>
Investment in capital assets, net of related debt	57,662,625	215,754,541	273,417,166
Restricted			
Highway maintenance	1,200,244	-	1,200,244
Emergency telephone system	1,310,758	-	1,310,758
Library projects	3,043,452	-	3,043,452
HUD approved projects	5,145,497	-	5,145,497
Neighborhood improvements	2,368,432	-	2,368,432
Economic Development	11,538,268	-	11,538,268
Debt service	5,116,832	634,375	5,751,207
Township	1,835,848	-	1,835,848
Capital project funds	-	400,000	400,000
Unrestricted	(24,032,665)	25,384,989	1,352,324
<b>Total Net Assets</b>	<b>\$ 65,189,291</b>	<b>\$ 242,173,905</b>	<b>\$ 307,363,196</b>

**CITY OF EVANSTON, ILLINOIS**

Statement of Activities

For the Ten Months ended December 31, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental activities:</b>			
General management and support	\$ 17,911,466	\$ 9,218,649	\$ -
Public safety	43,464,481	1,204,779	178,639
Public works	12,399,465	1,005,378	1,601,318
Health and human resource development	3,546,727	1,235,182	540,725
Recreation and cultural opportunities	15,606,639	4,587,118	-
Housing and economic development	11,630,331	5,077,756	7,540,318
Interest	3,113,967	-	-
<b>Total governmental activities</b>	<b>107,673,076</b>	<b>22,328,862</b>	<b>9,861,000</b>
<b>Business-type activities:</b>			
Water	7,449,467	12,368,533	-
Sewer	7,083,350	11,376,601	-
Solid Waste	4,316,692	2,900,172	-
Motor vehicle parking system	6,673,205	4,928,511	-
<b>Total business-type activities</b>	<b>25,522,714</b>	<b>31,573,817</b>	<b>-</b>
<b>Total</b>	<b>\$ 133,195,790</b>	<b>\$ 53,902,679</b>	<b>\$ 9,861,000</b>

General revenues:  
 Property tax  
 Other taxes  
 Personal property replacement tax  
 Sales and home rule tax  
 Income tax  
 Utility tax  
 Miscellaneous  
 Investment income  
 Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ -	\$ (8,692,817)	\$ -	\$ (8,692,817)
-	(42,081,063)	-	(42,081,063)
3,921,893	(5,870,876)	-	(5,870,876)
-	(1,770,820)	-	(1,770,820)
-	(11,019,521)	-	(11,019,521)
18,892	1,006,635	-	1,006,635
-	(3,113,967)	-	(3,113,967)
<u>3,940,785</u>	<u>(71,542,429)</u>	<u>-</u>	<u>(71,542,429)</u>
-	-	4,919,066	4,919,066
-	-	4,293,251	4,293,251
-	-	(1,416,520)	(1,416,520)
-	-	(1,744,694)	(1,744,694)
<u>-</u>	<u>-</u>	<u>6,051,103</u>	<u>6,051,103</u>
<u>\$ 3,940,785</u>	<u>(71,542,429)</u>	<u>6,051,103</u>	<u>(65,491,326)</u>
	33,399,439	-	33,399,439
	7,324,567	-	7,324,567
	1,007,067	-	1,007,067
	13,494,930	-	13,494,930
	4,924,177	-	4,924,177
	6,375,788	-	6,375,788
	1,612,075	-	1,612,075
	31,615	16,103	47,718
	(8,179,930)	8,179,930	-
	<u>59,989,728</u>	<u>8,196,033</u>	<u>68,185,761</u>
	(11,552,701)	14,247,136	2,694,435
	<u>76,741,992</u>	<u>227,926,769</u>	<u>304,668,761</u>
<u>\$ 65,189,291</u>	<u>\$ 242,173,905</u>	<u>\$ 307,363,196</u>	

**CITY OF EVANSTON, ILLINOIS**

Governmental Funds

Balance Sheet  
December 31, 2011

	General	Capital Improvements	General Obligation Debt	Employer Pension Contribution	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and equivalents	\$ 11,523,030	\$ 6,216,757	\$ 295,715	\$ -	\$ 24,776,181	\$ 42,811,683
Investments	-	-	-	-	2,594,797	2,594,797
Receivables						
Property taxes (net of allowance)	16,641,472	-	12,078,641	14,573,987	9,759,686	53,053,786
Notes (net of allowance)	-	-	-	-	6,104,245	6,104,245
Special assessments	-	-	-	-	737,084	737,084
Accrued interest	-	-	-	-	9,435	9,435
Other	2,253,299	-	-	-	816,511	3,069,810
Property held for resale	-	-	-	-	410,000	410,000
Prepaid items	-	-	1,040,610	-	378,853	1,419,463
Due from other governments	7,400,692	302,480	-	141,520	1,390,381	9,235,073
Due from other funds	810,429	1,182,100	31,766	-	758,677	2,782,972
Other assets	37,382	-	-	-	-	37,382
<b>Total Assets</b>	<b>\$ 38,666,304</b>	<b>\$ 7,701,337</b>	<b>\$ 13,446,732</b>	<b>\$ 14,715,507</b>	<b>\$ 47,735,850</b>	<b>\$ 122,265,730</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Vouchers payable	\$ 1,720,394	\$ 1,352,754	\$ 251	\$ -	\$ 1,717,228	\$ 4,790,627
Accrued payroll	3,019,828	-	-	-	-	3,019,828
Compensated absences payable	60,117	-	-	-	-	60,117
Other	354,377	-	-	-	-	354,377
Due to other governments	-	601,923	-	-	3,482	605,405
Due to other funds	666,790	-	300,000	2,104,685	622,410	3,693,885
Deferred revenues	14,451,629	-	10,517,461	12,610,822	9,291,379	46,871,291
<b>Total Liabilities</b>	<b>20,273,135</b>	<b>1,954,677</b>	<b>10,817,712</b>	<b>14,715,507</b>	<b>11,634,499</b>	<b>59,395,530</b>
<b>Fund Balances</b>						
Nonspendable - Prepaid items	-	-	1,040,610	-	378,853	1,419,463
Restricted						
Highway maintenance	-	-	-	-	1,200,244	1,200,244
Emergency telephone system	-	-	-	-	1,310,758	1,310,758
Library projects	-	-	-	-	3,043,452	3,043,452
HUD approved projects	-	-	-	-	5,145,497	5,145,497
Neighborhood improvements	-	-	-	-	2,368,432	2,368,432
Economic Development	-	-	-	-	11,538,268	11,538,268
Debt service	-	-	1,588,410	-	4,322,615	5,911,025
Township	-	-	-	-	1,835,848	1,835,848
Committed - Economic Development	-	-	-	-	805,575	805,575
Assigned	7,590,232	5,746,660	-	-	4,326,923	17,663,815
Unassigned	10,802,937	-	-	-	(175,114)	10,627,823
<b>Total Fund Balances</b>	<b>18,393,169</b>	<b>5,746,660</b>	<b>2,629,020</b>	<b>-</b>	<b>36,101,351</b>	<b>62,870,200</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 38,666,304</b>	<b>\$ 7,701,337</b>	<b>\$ 13,446,732</b>	<b>\$ 14,715,507</b>	<b>\$ 47,735,850</b>	

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.	163,419,424
Long-term liabilities, including bonds payable, compensated absences payable, and pension contributions payable, are not due and payable in the current period and therefore, are not reported in the governmental funds.	(160,685,700)
OPEB liability payable is not due and payable in the current period and therefore, is not reported in the governmental funds.	(1,454,405)
Interest accrual from last interest payment (January 1, 2011) to December 31, 2011.	(794,193)
The net assets of the internal service fund are included in the governmental activities in the statement of net assets.	1,833,965
<b>Net assets of governmental activities</b>	<b>\$ 65,189,291</b>

The accompanying notes are an integral part of this statement.

**CITY OF EVANSTON, ILLINOIS**

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Ten Months ended December 31, 2011

	General	Capital Improvements	General Obligation Debt	Employer Pension Contribution	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 30,242,619	\$ -	\$ 7,124,696	\$ 9,733,249	\$ 9,365,245	\$ 56,465,809
Licenses and permits	6,775,866	-	-	-	-	6,775,866
Special assessments	-	-	-	-	235,028	235,028
Intergovernmental	13,364,686	18,892	-	-	9,799,200	23,182,778
Charges for services	6,283,196	-	-	-	-	6,283,196
Fines and forfeits	3,279,785	-	-	-	-	3,279,785
Investment income	2,073	17,546	1,637	-	391	21,647
Miscellaneous	3,276,503	744,333	-	-	112,880	4,133,716
<b>Total Revenues</b>	<b>63,224,728</b>	<b>780,771</b>	<b>7,126,333</b>	<b>9,733,249</b>	<b>19,512,744</b>	<b>100,377,825</b>
<b>Expenditures</b>						
<b>Current</b>						
General management and support	11,774,893	166,886	17,528	-	1,634,753	13,594,060
Public safety	31,367,067	66,640	-	9,733,249	973,428	42,140,384
Public works	6,339,072	145,957	-	-	1,089,070	7,574,099
Health and human resource development	2,887,812	-	-	-	700,000	3,587,812
Recreation and cultural opportunities	15,980,974	100,181	-	-	111,000	16,192,155
Housing and economic development	2,462,258	-	-	-	9,536,129	11,998,387
<b>Debt service</b>						
Principal	119,993	243,764	8,847,333	-	895,000	10,106,090
Interest	20,007	-	4,050,865	-	313,111	4,383,983
Fiscal agent fees	-	-	79,156	-	-	79,156
Capital outlay	-	5,091,436	-	-	740,120	5,831,556
<b>Total Expenditures</b>	<b>70,952,076</b>	<b>5,814,864</b>	<b>12,994,882</b>	<b>9,733,249</b>	<b>15,992,611</b>	<b>115,487,682</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(7,727,348)</b>	<b>(5,034,093)</b>	<b>(5,868,549)</b>	<b>-</b>	<b>3,520,133</b>	<b>(15,109,857)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	4,793,745	-	1,045,220	-	-	5,838,965
Transfers out	(676,980)	(302,130)	(8,099,352)	-	(5,514,376)	(14,592,838)
Issuance of debt	-	5,120,000	10,090,000	-	-	15,210,000
Premiums and discounts	-	57,539	152,637	-	-	210,176
<b>Total Other Financing Sources (Uses)</b>	<b>4,116,765</b>	<b>4,875,409</b>	<b>3,188,505</b>	<b>-</b>	<b>(5,514,376)</b>	<b>6,666,303</b>
<b>Net Change in Fund Balances</b>	<b>(3,610,583)</b>	<b>(158,684)</b>	<b>(2,680,044)</b>	<b>-</b>	<b>(1,994,243)</b>	<b>(8,443,554)</b>
<b>Fund Balances -Beginning</b>	<b>22,003,752</b>	<b>5,905,344</b>	<b>5,309,064</b>	<b>-</b>	<b>38,095,594</b>	<b>71,313,754</b>
<b>Fund Balances - Ending</b>	<b>\$ 18,393,169</b>	<b>\$ 5,746,660</b>	<b>\$ 2,629,020</b>	<b>\$ -</b>	<b>\$ 36,101,351</b>	<b>\$ 62,870,200</b>

The accompanying notes are an integral part of this statement.

## CITY OF EVANSTON, ILLINOIS

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Ten Months ended December 31, 2011

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

Net change in fund balances - total governmental funds	\$ (8,443,554)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Gain or loss on assets removed are also reported in the statement of activities.	4,343,052
Reclassification of G.O. debt Series 2010B	210,899
The repayment of the principal of long-term debt payable consume the current financial resources of governmental funds. These transactions, however, have no effect on net assets.	12,629,420
Issuance of Bonds provides current financial resources to governmental funds. This transaction has no effect on net assets. Governmental funds also report the effect of bonds premiums, discounts and similar items when debt is first issued.	(15,420,176)
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.	(4,185,464)
OPEB benefit expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	(85,593)
Change in Interest accrual for the ten months ended December 31, 2011.	339,607
Internal service funds are reported separately in the fund financial statements.	<u>(940,892)</u>
Change in net assets of governmental activities	<u><u>\$ (11,552,701)</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF EVANSTON, ILLINOIS**

Proprietary Funds

Statement of Net Assets  
December 31, 2011

Assets	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Motor Vehicle Parking System	Total	
<b>Current Assets</b>						
Cash and equivalents	\$ 8,510,923	\$ -	\$ 72,266	\$ 12,676,319	\$ 21,259,508	\$ 2,726,554
Restricted cash and equivalents and investments	1,034,375	4,958,042	-	-	5,992,417	-
Receivables						
Accounts - billed	699,514	242,739	92,170	-	1,034,423	-
Accounts - unbilled	831,869	2,016,915	398,161	-	3,246,945	-
Other	-	-	-	54,922	54,922	24,247
Due from other funds	-	1,151,945	-	4,000,000	5,151,945	115,706
Inventories	699,003	126,470	-	-	825,473	573,872
Prepaid Expenses	599,672	-	-	-	599,672	573,748
<b>Total Current Assets</b>	<b>12,375,356</b>	<b>8,496,111</b>	<b>562,597</b>	<b>16,731,241</b>	<b>38,165,305</b>	<b>4,014,127</b>
<b>Noncurrent Assets</b>						
Capital Assets						
Capital assets not being depreciated	4,573,764	-	-	3,102,273	7,676,037	-
Capital assets being depreciated	78,369,991	243,834,896	-	81,980,021	404,184,908	21,486,259
Less accumulated depreciation	(21,794,125)	(40,923,838)	-	(17,530,565)	(80,248,528)	(15,167,134)
<b>Total Capital Assets</b>	<b>61,149,630</b>	<b>202,911,058</b>	<b>-</b>	<b>67,551,729</b>	<b>331,612,417</b>	<b>6,319,125</b>
Other Assets						
Notes Receivable	-	-	-	249,000	249,000	-
<b>Total Noncurrent Assets</b>	<b>61,149,630</b>	<b>202,911,058</b>	<b>-</b>	<b>67,800,729</b>	<b>331,861,417</b>	<b>6,319,125</b>
<b>Total Assets</b>	<b>73,524,986</b>	<b>211,407,169</b>	<b>562,597</b>	<b>84,531,970</b>	<b>370,026,722</b>	<b>10,333,252</b>

The accompanying notes are an integral part of this statement.

Liabilities	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Motor Vehicle Parking System	Total	
<b>Current Liabilities</b>						
Vouchers payable	\$ 1,024,033	\$ 216,835	\$ 370,249	\$ 1,010,890	\$ 2,622,007	\$ 873,430
Vouchers payable - restricted	204,266	-	-	-	204,266	-
Interest payable	-	-	274	81,808	82,082	-
Interest payable - restricted	41,216	472,368	-	-	513,584	-
Revenue bonds payable	575,000	-	-	-	575,000	-
Compensated absences payable	268,007	60,944	32,954	53,258	415,163	21,524
General obligation bonds payable	169,534	-	14,259	2,921,536	3,105,329	-
General obligation bonds payable - restricted	-	3,094,209	-	-	3,094,209	-
Claims payable	-	-	-	-	-	2,106,361
Notes payable - IEPA - restricted	67,505	8,638,398	-	-	8,705,903	-
Due to other funds	132,078	4,057,827	1,512,669	978,995	6,681,569	37,637
Other Payable	6,000	-	-	-	6,000	-
<b>Total Current Liabilities</b>	<b>2,487,639</b>	<b>16,540,581</b>	<b>1,930,405</b>	<b>5,046,487</b>	<b>26,005,112</b>	<b>3,038,952</b>
<b>Long-Term Liabilities</b>						
Notes payable - IEPA	1,215,087	69,160,282	-	-	70,375,369	-
General obligation bonds payable	3,839,604	5,156,693	127,458	19,792,501	28,916,256	-
OPEB liability payable	106,498	31,141	5,626	31,272	174,537	37,790
Revenue bonds payable	595,000	-	-	-	595,000	-
Unamortized bond discount/premium	47,131	215,491	-	541,534	804,156	-
Compensated absences payable	293,382	66,714	36,074	58,301	454,471	73,360
IMRF Pension contributions payable	313,722	77,011	34,745	102,438	527,916	-
Claims payable	-	-	-	-	-	5,349,185
<b>Total Long-Term Liabilities</b>	<b>6,410,424</b>	<b>74,707,332</b>	<b>203,903</b>	<b>20,526,046</b>	<b>101,847,705</b>	<b>5,460,335</b>
<b>Total Liabilities</b>	<b>8,898,063</b>	<b>91,247,913</b>	<b>2,134,308</b>	<b>25,572,533</b>	<b>127,852,817</b>	<b>8,499,287</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	55,345,560	116,645,985	-	43,762,996	215,754,541	6,319,125
Restricted for debt service	634,375	-	-	-	634,375	-
Restricted for capital improvements	400,000	-	-	-	400,000	-
Unrestricted	8,246,988	3,513,271	(1,571,711)	15,196,441	25,384,989	(4,485,160)
<b>Total net assets (deficit)</b>	<b>\$ 64,626,923</b>	<b>\$ 120,159,256</b>	<b>\$ (1,571,711)</b>	<b>\$ 58,959,437</b>	<b>\$ 242,173,905</b>	<b>\$ 1,833,965</b>

**CITY OF EVANSTON, ILLINOIS**

Proprietary Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets  
For the Ten Months ended December 31, 2011

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Motor Vehicle Parking System	Total	
Operating Revenues						
Charges for services	\$ 10,766,262	\$ 11,324,113	\$ 2,713,827	\$ 4,916,930	\$ 29,721,132	\$ 18,038,335
Miscellaneous	1,602,271	52,488	186,345	11,581	1,852,685	49,679
Total Operating Revenues	12,368,533	11,376,601	2,900,172	4,928,511	31,573,817	18,088,014
Operating Expenses Excluding Depreciation						
Administration	786,111	1,492,723	916,242	1,395,252	4,590,328	-
Operations	5,360,541	480,936	3,396,751	2,701,007	11,939,235	18,624,529
Total Operating Expenses Excluding Depreciation	6,146,652	1,973,659	4,312,993	4,096,259	16,529,563	18,624,529
Operating Income (Loss) Before Depreciation	6,221,881	9,402,942	(1,412,821)	832,252	15,044,254	(536,515)
Depreciation	1,090,433	2,746,965	-	1,811,148	5,648,546	1,106,666
Operating Income (Loss)	5,131,448	6,655,977	(1,412,821)	(978,896)	9,395,708	(1,643,181)
Nonoperating Revenues (Expenses)						
Investment income	6,568	2,094	9	7,432	16,103	587
Interest expense	(169,687)	(2,347,051)	(3,699)	(881,708)	(3,402,145)	-
Bond expenses and amortization of discount	70,692	(72,887)	-	115,910	113,715	-
Amortization of bond premium	-	57,212	-	-	57,212	-
Other expenses	(150)	-	-	-	(150)	-
Gain (loss) on disposition of assets	(113,237)	-	-	-	(113,237)	85,109
Total Nonoperating Revenues (Expenses)	(205,814)	(2,360,632)	(3,690)	(758,366)	(3,328,502)	85,696
Income (Loss) before transfers and contributions	4,925,634	4,295,345	(1,416,511)	(1,737,262)	6,067,206	(1,557,485)
Capital Contribution - Governmental Activities	(21,349)	(37,100)	(155,200)	2,750	(210,899)	253,549
Transfers In (Out)						
Debt Service	-	8,099,352	-	-	8,099,352	(27,210)
Water	-	-	-	-	-	390,254
Washington National Tax Increment District	-	-	-	3,419,636	3,419,636	-
General	(3,128,159)	-	-	-	(3,128,159)	-
Total Transfers In (Out)	(3,128,159)	8,099,352	-	3,419,636	8,390,829	363,044
Change in Net Assets	1,776,126	12,357,597	(1,571,711)	1,685,124	14,247,136	(940,892)
Total Net Assets - Beginning	62,850,797	107,801,659	-	57,274,313	227,926,769	2,774,857
Total Net Assets (Deficit)- Ending	\$ 64,626,923	\$ 120,159,256	\$ (1,571,711)	\$ 58,959,437	\$ 242,173,905	\$ 1,833,965

The accompanying notes are an integral part of this statement.

CITY OF EVANSTON, ILLINOIS

Proprietary Funds

Statement of Cash Flows  
For the Ten Months ended December 31, 2011

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Motor Vehicle Parking System	Total	
<b>Cash Flows from Operating Activities</b>						
Receipts from customers and users	\$ 12,915,567	\$ 11,476,030	\$ 2,409,841	\$ 7,143,987	\$ 33,945,425	\$ 18,689,514
Receipts from interfund services provided	19,768	-	1,512,669	-	1,532,437	-
Payments to suppliers	(4,365,960)	(1,476,091)	(3,026,502)	(1,776,162)	(10,644,715)	(2,892,957)
Payments to employees	(493,530)	(1,476,649)	(806,843)	(1,291,255)	(4,068,277)	(2,844,369)
Payments for interfund services provided	(23,180)	(1,151,945)	-	(136,396)	(1,311,521)	(273,588)
Payments for insurance premiums	-	-	-	-	-	(11,085,987)
Net Cash Provided by (Used for) Operating Activities	8,052,665	7,371,345	89,165	3,940,174	19,453,349	1,592,613
<b>Cash Flows from Noncapital Financing Activities</b>						
Transfers In (Out)						
Water	-	-	-	-	-	390,254
Debt Service	-	8,099,352	-	-	8,099,352	(27,210)
Washington Tax Increment District	-	-	-	3,419,636	3,419,636	-
General	(3,128,159)	-	-	-	(3,128,159)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(3,128,159)	8,099,352	-	3,419,636	8,390,829	363,044
<b>Cash Flows from Capital and Related Financing Activities</b>						
Sale of capital assets	-	-	-	-	-	85,109
Acquisition and construction of capital assets	(5,975,724)	(554,791)	-	(2,869,304)	(9,399,819)	(995,043)
Principal prepayment of revenue bonds	(575,000)	-	-	-	(575,000)	-
Interest paid on revenue bonds	(24,672)	-	-	-	(24,672)	-
Interest prepayment of revenue bonds	(24,672)	-	-	-	(24,672)	-
Grants and Contributions	-	-	-	115,910	115,910	253,549
Proceeds from general obligation bonds	3,340,000	690,000	-	-	4,030,000	-
Principal paid on general obligation bonds	(63,662)	(2,880,158)	(13,483)	(2,383,114)	(5,340,417)	-
Interest paid on general obligation bonds	(16,170)	(621,599)	(3,425)	(1,064,809)	(1,706,003)	-
Bond expenses	9,550	(65,134)	-	(74,054)	(129,638)	-
Principal paid on IEPA loans	(33,752)	(8,103,019)	-	-	(8,136,771)	-
Interest paid on IEPA loans	-	(2,132,601)	-	-	(2,132,601)	-
Proceeds from IEPA grant	483,466	-	-	-	483,466	-
Proceeds from IEPA loans	158,893	-	-	-	158,893	-
Net Cash (Used for) Capital and Related Financing Activities	(2,721,743)	(13,667,302)	(16,908)	(6,275,371)	(22,681,324)	(656,385)
<b>Cash Flows from Investing Activities</b>						
Interest income	6,418	2,094	9	7,432	15,953	587
Net Increase (Decrease) in Cash and Equivalents	2,209,181	1,805,489	72,266	1,091,871	5,178,807	1,299,859
<b>Cash and Equivalents</b>						
Beginning	7,336,117	3,152,553	-	11,584,448	22,073,118	1,426,695
Ending	\$ 9,545,298	\$ 4,958,042	\$ 72,266	\$ 12,676,319	\$ 27,251,925	\$ 2,726,554
<b>Reconciliation</b>						
Cash and equivalents						
Current Cash	\$ 8,510,923	\$ -	\$ 72,266	\$ 12,676,319	\$ 21,259,508	\$ 2,726,554
Restricted Current Cash	1,034,375	4,958,042	-	-	5,992,417	-
	\$ 9,545,298	\$ 4,958,042	\$ 72,266	\$ 12,676,319	\$ 27,251,925	\$ 2,726,554

CITY OF EVANSTON, ILLINOIS

Proprietary Funds

Statement of Cash Flows - Continued  
For the Ten Months ended December 31, 2011

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Motor Vehicle Parking System	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities						
Operating income (loss)	\$ 5,131,448	\$ 6,655,977	\$ (1,412,821)	\$ (978,896)	\$ 9,395,708	\$ (1,643,181)
Depreciation	1,090,433	2,746,965	-	1,811,148	5,648,546	1,106,666
Changes in assets and liabilities						
Increase/decrease in A/R miscellaneous	547,708	99,429	(490,331)	-	156,806	601,500
Other receivables	-	-	-	6,386	6,386	-
Prepaid expenses	-	-	-	-	-	(514,133)
Interfund receivable	(13,457)	(1,151,945)	-	(136,396)	(1,301,798)	-
Inventories	(89,725)	26,613	-	-	(63,112)	(177,412)
Compensated absences	106,932	(34,928)	69,028	44,583	185,615	12,109
Claims Payables	-	-	-	-	-	2,000,343
Interfund payable	10,045	(1,364)	1,512,669	2,209,090	3,730,440	(273,588)
OPEB liability payable	21,772	7,302	5,626	6,938	41,638	8,459
IMRF contributions payable	163,877	43,700	34,745	52,476	294,798	-
Unearned revenue	(674)	-	-	-	(674)	-
Vouchers payable	266,465	206,673	370,249	518,617	1,362,004	-
Vouchers payable (restricted)	204,267	(1,227,077)	-	406,228	(616,582)	-
Accounts Payables	613,574	-	-	-	613,574	471,850
Net Cash Provided by (Used for) Operating Activities	\$ 8,052,665	\$ 7,371,345	\$ 89,165	\$ 3,940,174	\$ 19,453,349	\$ 1,592,613

Noncash Investing, Capital and Financing Activities:

During 2011, \$210,899 of the Series 2010 bonds payable were reallocated to/from governmental activities comprising of reallocation from Water Fund \$21,349, Sewer Fund \$37,100 and Solid Waste \$155,200; and reallocation to Motor Vehicle Parking System of \$2,750.

**CITY OF EVANSTON, ILLINOIS**

Fiduciary Funds

Statement of Net Assets  
December 31, 2011

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	<u>Pension Trust Funds</u>
Assets	
Cash and short-term investments	<u>\$ 6,784,662</u>
Receivables	
Accrued interest	446,217
Contribution receivable - Due from other funds	<u>2,362,468</u>
Total Receivables	<u>2,808,685</u>
Investments, at fair value	
U.S. Government and agency obligations	41,355,694
Corporate bonds	13,124,203
Common stock	22,969,373
Mutual funds	<u>40,477,356</u>
Total Investments	<u>117,926,626</u>
Total Assets	<u>127,519,973</u>
Liabilities	
Vouchers payable	<u>30,088</u>
Net assets held in trust	<u><u>\$ 127,489,885</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF EVANSTON, ILLINOIS**

Fiduciary Funds - Pension Trust Funds

Statement of Changes in Plan Net Assets  
For the Ten Months ended December 31, 2011

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer	\$ 9,733,249
Plan members	1,892,085
Other-Donations, Legal Sett., Surplus Sales	<u>203</u>
Total contributions	<u>11,625,537</u>
Investment income	
Net appreciation (depreciation) in fair value of investments	(764,541)
Investment income	<u>3,103,813</u>
Total investment income	2,339,272
Less investment expense	<u>340,072</u>
Net investment income	<u>1,999,200</u>
Total additions	<u>13,624,737</u>
Deductions	
Benefits	12,670,121
Refunds of contributions	128,188
Administrative expense	<u>160,879</u>
Total deductions	<u>12,959,188</u>
Net increase	665,549
Net assets held in trust for pension benefits	
Beginning	<u>126,824,336</u>
Ending	<u><u>\$ 127,489,885</u></u>

The accompanying notes are an integral part of this statement.

## CITY OF EVANSTON, ILLINOIS

### Index for Notes to the Financial Statements

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	<u>Page</u>
Note 1. Summary of Significant Accounting Policies	
A. Reporting Entity	44
B. Government-wide and Fund Financial Statements	45
C. Fund Accounting	45
D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	46
E. Cash and Equivalents	49
F. Investments	49
G. Inventories & Prepaid Items	49
H. Capital Assets	50
I. Compensated Absences	50
J. Long-Term Obligations	50
K. Self-Insurance	51
L. Property Taxes	51
M. Fund Equity	52
N. Interfund Transactions	53
O. Use of Estimates	53
P. Property held for resale	53
Q. Effect of New Accounting Standards on Current Period Financial Statements	53
R. Conduit Debt	53
Note 2. Reconciliation of Government-wide and Fund Financial Statements	
A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets	54
B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities	54
Note 3. Stewardship, Compliance, and Accountability	
A. Budgetary Information	56
B. Deficit Fund Equity	57
Note 4. Deposits with Financial Institutions and Investments	
A. Types of Accounts and Securities	58
B. Pooling of Cash and Investments	58
C. Types of Investments	59
D. Deposits	61
E. Reconciliation of Unrestricted and Restricted Cash and Investments	61

**CITY OF EVANSTON, ILLINOIS**

**Index for Notes to the Financial Statements**

---

	<u>Page</u>
(continued from previous page)	
Note 5. Receivables	
A. Summary of Receivables	62
B. Notes Receivable – Special Revenue Funds	62
Note 6. Capital Assets	
A. Capital Asset Activity	63
B. Construction Commitments	65
Note 7. Interfunds	
A. Interfund Accounts	66
B. Interfund Transfers	69
C. Capital Contributions	71
Note 8. Operating Leases	72
Note 9. Long-Term Debt	
A. Changes in Long-Term Debt	73
B. General Obligation Bonds Payable	75
C. Special Service District Bonds Payable	76
D. Revenue Bonds Payable	76
E. Notes Payable – IEPA Loans	77
F. Prior Years' General Obligation Bond Defeasances	77
G. Post Employment benefits other than Pensions (Defined Benefit Plan)	78
Note 10. Fund Equity	
A. Restrictions of Net Assets - Water Fund	80
B. Restricted Net Assets - Fiduciary Funds	80
C. Assigned Fund Balances	81
Note 11. Individual Fund Activities	
A. General Obligation Debt Service Fund	82
B. Water Fund	82
C. Special Service District No. 4	82
Note 12. Risk Management – Claims and Judgments	83

**CITY OF EVANSTON, ILLINOIS**

**Index for Notes to the Financial Statements**

---

	<u>Page</u>
(continued from previous page)	
Note 13. Contingencies	84
Note 14. Joint Ventures	
A. Solid Waste Agency of Northern Cook County	84
B. Evanston Housing Corporation	86
Note 15. Deferred Compensation Plan	87
Note 16. Defined Benefit Pension Plans	
Illinois Municipal Retirement Fund	
A. Plan Description	88
B. Funding Status and Progress	89
C. Annual Pension Cost	89
Police and Firefighters' Pension Plans	
D. Plan Descriptions	90
E. Summary of Significant Accounting Policies	
- Basis of Accounting	92
- Method Used to Value Investments	92
F. Contributions and Reserves	93
G. Concentration of Investments	94
H. Five-Year Trend Information – Pension Trust Funds	94
I. Pensions - Detailed Statement of Net Assets	95
J. Pensions - Detailed Statement of Changes in Net Assets	96
K. Pensions - Actuarial Valuations	97
L. Funding Status and Progress	97

## **CITY OF EVANSTON, ILLINOIS**

### **Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Evanston (City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units (hereinafter referred to as "Generally Accepted Accounting Principles" (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

##### **A. Reporting Entity**

The City was incorporated in 1863. The City operates under a Council-Manager form of government, is a home rule municipality as defined by Illinois state law, and provides the following services as authorized by its charter: general management and support, public safety, public works, health and human resource development, recreational and cultural opportunities, and housing and economic development.

As required by GAAP, these financial statements present the City (the primary government) and its component unit, an entity for which the City is considered to be financially accountable. Although the component unit is legally a separate entity, it is governed by the same board; therefore, data from this unit is blended with data of the City.

Blended Component Unit:

The Town of the City of Evanston, Illinois (Township) is a separate legal entity which administers General Assistance, a public welfare program assigned by Illinois law to townships. Eligible clients receive General Assistance for food, shelter, and medical needs. Through the town-fund levy, the Township also supports a number of community action programs, which provide direct services to welfare recipients. The Township is governed by a Township Board of Trustees and provides services within the same geographic boundaries of the City. The Township Board of Trustees are the same individuals as the City Council. The Township board levies taxes and is responsible for adopting the Township budget and approving payment of bills. The Township has two elected officials: the Supervisor and the Assessor, each elected for four-year terms. The Supervisor is responsible for Township funds and for the administration of General Assistance. The Assessor does not actually assess property; that function is carried out by the Cook County Assessor. The Township Assessor serves as a taxpayer's advocate, helping citizens with tax-related questions.

The Assessor also works to assure equity of assessments, and maintains records of building and demolition permits and of all tax-exempt properties. The Township Board of Trustees can issue debt on its own behalf, and such debt can be issued in the Township's name alone.

The Township is included in the Reporting Entity due to its financial accountability because the Township Board of Trustees are the same individuals as the City Council members. The Township has a March 31 fiscal year-end. Amounts included in this report are as of and for the year ended March 31, 2011. This report is the most recent one available.

## **CITY OF EVANSTON, ILLINOIS**

### **Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

##### **A. Reporting Entity - Continued**

Complete financial statements for the Township may be obtained at the following address:

Town of the City of Evanston  
1910 Main Street  
Evanston, Illinois 60201

Joint Ventures:

The City participates in two joint ventures, which are reported as nonequity governmental joint ventures and are described in Footnote 14. The joint ventures are: City of Evanston and Solid Waste Agency of Northern Cook County (SWANCC) and Evanston Housing Corporation.

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

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are reported in the supplementary information.

##### **C. Fund Accounting**

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

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

## **CITY OF EVANSTON, ILLINOIS**

### **Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

---

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

##### **C. Fund Accounting - Continued**

Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general capital assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the City not accounted for in some other fund. All Township funds are considered special revenue funds within the governmental funds category.

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

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. When these assets are held under the terms of a formal trust agreement, a permanent fund is used. Agency funds generally are used to account for assets that the City holds on behalf of others as their agent. The pension trust fund accounts for the activities of the Police and Firefighters' Pension funds, which accumulate resources for pension benefit payments to retired police and fire personnel.

##### **D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued**

The following revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

- |                                      |   |
|--------------------------------------|---|
| 1.) Taxes                            | 6.) Fines                                   |
| Property                             | Traffic fines                               |
| Sales (Home Rule)                    |   |
| Utility                              | 7.) Intergovernmental                       |
| Personal property                    | Motor fuel tax allotments                   |
|                                      | Grants                                      |
| 2.) Licenses                         | Supplemental Security Income reimbursements |
|                                      | Income taxes                                |
| 3.) Franchise fees                   | Sales taxes                                 |
|                                      | Use tax                                     |
| 4.) Charges for services             |   |
|                                      | 8.) Investment income                       |
| 5.) Recycling program fees and sales |   |

All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The *Capital Improvements Fund* accounts for the City's capital improvement program. The program includes improvement to public buildings, paving of City streets, improvement of recreational facilities and other improvements.

The *Employer Pension Contribution Fund* is a special revenue fund which accounts for the recognition of applicable tax revenues and employer contributions to the Pension Trust funds.

The *General Obligation Debt* is a debt service fund which accumulate monies for the principal and interest payments on general obligation debt.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

## CITY OF EVANSTON, ILLINOIS

### Notes to the Financial Statements

For the Ten Months ended December 31, 2011

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#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The City reports the following major proprietary funds:

The *Water Fund* accounts for the provision of water services to the residents of the City and the sale of water to the Village of Skokie, Illinois, and the Northwest Water Commission. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, financing and related debt service, and billing and collection.

The *Sewer Fund* accounts for the provision of sewer repair and improvement services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operations, financing, and billing and collection.

The *Motor Vehicle Parking System* accounts for the provision of the public and residential parking facility on Church Street, Maple Avenue, and Sherman Avenue, as well as all the City's parking lots and meters. All activities are accounted for including administration, operations, financing and revenue collection.

*Solid Waste Fund* accounts for the recycling, refuse and yardwaste removal services related fees and expenses. Refuse and yardwaste are contracted out, while recycling is handled by the city staff.

Additionally, the City reports the following fund types:

*Internal Service funds* account for the fleet management and insurance services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

*Pension Trust funds* account for the activities of the Police and Firefighters' Pension Funds, which accumulate resources for pension benefit payments to qualified public safety employees.

The City's business type-activities and enterprise funds apply all applicable GASB guidance as well as relevant Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, unless those guidance conflict or contradict GASB guidance, in which case, GASB prevails.

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

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including assessments. Internally dedicated resources are reported as *general revenue* rather than as program revenue. Likewise, general revenues include all taxes.

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

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued**

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.

The City reports unearned revenues on its government funds statements. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. If subsequent revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and the revenue is recognized.

**E. Cash and Equivalents**

Cash and equivalents represent cash on hand, cash deposited in interest-bearing and noninterest-bearing checking accounts, and investments in money markets, certificates of deposit, and treasury obligations with maturities of three months or less at the date of acquisition, and cash deposited with the Illinois Funds.

**F. Investments**

Investments consist of certificates of deposit, treasury obligations, government agency obligations, and insurance contracts with maturities greater than three months. Investments for the pension funds are mostly comprised of treasury obligations, government agency obligations, fixed income and equity mutual funds, and stocks. Investments of the pension trust funds are carried at fair value. Investments with over one year to maturity are reported at fair value. All other investments are stated at cost or, for U.S. government securities, amortized cost. These securities may be purchased at a premium or discount which is amortized over the life of the investment. This valuation method approximates fair value.

**G. Inventories and Prepaid Items**

Inventories in the Water, Sewer, and Fleet Service Funds are valued at the lower of cost (first-in, first-out) or market. Inventory amounts are recorded on the basis of a physical count.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**H. Capital Assets**

Capital assets, which include property, plant, and equipment and infrastructure assets (e.g. roads, sidewalks, trails, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as equipment and vehicles with an initial, individual cost of more than \$20,000, or infrastructure, buildings, or building improvements with an initial, individual cost of more than \$100,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Infrastructure acquired prior to the February 28, 2003 implementation of GASB 34 has been reported.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment are depreciated, and intangible assets are amortized using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Years</u>	<u>Description</u>	<u>Years</u>
Land improvements	10-100	Buildings and improvements	10-50
Leasehold improvements	10-100	Office equipment and furniture	5-15
Plant	20-100	Machinery and equipment	5-15
Transmission and distribution system	5-100	Infrastructure	30-100
Sewer system and underground lines	75-100	Library collections	7
Parking meters	15	Intangible Assets	5-10

**I. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All payments due in the event of termination are accrued when incurred in the government-wide and proprietary fund financial statements. The General Fund has been used in prior years to liquidate the liability for compensated absences of governmental funds.

**J. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types 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. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**K. Self-Insurance**

The City is self-insured to certain limits for general liability claims and for workers' compensation insurance. A liability is recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities are based on estimates of the ultimate cost of reported claims including future claims adjustment expenses. General liability and workers' compensation claims are paid out of the Insurance Fund.

**L. Property Taxes**

Property taxes are collected by the Cook County Collector and are remitted periodically to all taxing bodies, including the City and Township. Distributions are made more often during the two main collection periods. Property taxes are levied on a calendar year basis by passage of a tax levy ordinance.

The property tax calendar for Cook County is as follows:

<u>Description</u>	<u>Date</u>
Lien Date	January 1 of Levy Year
Levy Date	December of Levy Year
First Installment Due Date (55% of prior bill)	March 1 / April 1 of Year following Levy Year
Second Installment Due Date (balance of total bill)	September 1 / October 1 of Year following Levy Year

Property tax revenues are recognized when they become both measurable and available. On this basis, property tax revenue includes all cash distributions of property tax received during the fiscal period between March 1, 2011 and December 31, 2011 and all property tax collections received within 60 days after the end of the fiscal period. A 2% allowance for loss is reflected in the City financial statements.

## CITY OF EVANSTON, ILLINOIS

### Notes to the Financial Statements

For the Ten Months ended December 31, 2011

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#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

##### L. Property Taxes - Continued

The adjustment necessary to convert GAAP basis property tax revenues to budgetary basis is shown in the notes to the required supplementary information in the section on Budgets and Budgetary Accounting.

The Town Fund and General Assistance Fund unearned revenue represents the net portion of the 2010 property tax levy that will not be collected within 60 days of the Township's March 31, 2011 year-end. A 5% allowance for loss is reflected in the Township financial statements.

##### M. Fund Equity

Governmental fund equity is classified as fund balance. In February 2009, the GASB issued statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions. This statement establishes fund balance classifications based primarily on the extent to which the government is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional notes disclosures regarding fund balance classification policies and procedures. The City made the decision to implement this standard effective March 1, 2011. In accordance with Governmental Accounting Standards Board Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions, the city classifies governmental fund balance as follows:

1. Nonspendable - Includes fund balance amounts that can not be spent either because they are not in spendable form or because legal or contractual stipulations require them to be maintained intact.

2. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

3. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action of the city. This formal action must occur prior to the end of the reporting period, but the amount of commitment, which will be subject to constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the city that originally created the commitment.

4. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) Council may take official action to assign amounts. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.

5. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceeds amounts restricted, committed, or assigned for those purposes.

Assignments may not create unassigned deficits in any fund. However, nonspendable, restricted, or committed fund balance may create an unassigned deficit. Also, restricted, committed, and assigned balances themselves may not be negative.

The city considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the city would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

## **CITY OF EVANSTON, ILLINOIS**

### **Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

##### **N. Interfund Transactions**

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

##### **O. Use of Estimates**

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### **P. Property Held for Resale**

In the Governmental Funds the cost of property held for resale is reported as an asset with increases and decreases for purchases and sales.

##### **Q. Effect of New Accounting Standards on Current Period Financial Statements**

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, The Financial Reporting Entity: Omnibus, and Statement No.62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements; Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and Statement No. 64, Derivative Instruments; Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53. Application of these standards may restate portions of these financial statements.

##### **R. Conduit Debt**

The City had issued \$5,000,000 Series 2010 Revenue Bonds during the fiscal year 2010-2011 to provide financial assistance to Chiravalle Montessori School, deemed to be in public interest. The use of proceeds includes the property purchase from City of Evanston, improvement to the existing building, refinancing existing debt and payment of miscellaneous costs. The bonds are secured by the property or mortgages financed and are payable from the moneys, securities and other revenues pledged under the indenture by the School. The City is not obligated in any manner for the repayment of bonds. Accordingly, the bonds outstanding are not reported as a liability in these financial statements. As of December 31, 2011, outstanding bond balance was \$4,885,000.

The City has issued \$13,590,000 Series 2011 Revenue Bonds during the current fiscal period to provide financial assistance to Roycemore School, deemed to be in public interest. The use of proceeds includes the property purchase and renovation of the 1201 Davis, the new location of the school and payment of miscellaneous costs. The bonds are secured by the property or mortgages financed and are payable from the moneys, securities and other revenues pledged under the indenture by the School. The City is not obligated in any manner for the repayment of bonds. Accordingly, the bonds outstanding are not reported as a liability in these financial statements. As of December 31, 2011, outstanding bond balance was \$13,590,000.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Ten Months ended December 31, 2011

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**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets**

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, compensated absences payable, and pension contributions payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this difference are as follows:

General obligation bonds payable	\$ 122,579,206
Bonds premium liability	3,608,584
Compensated absences payable	9,740,169
IMRF Pension contributions payable	2,720,075
Pension contributions payable	<u>22,037,666</u>
Net adjustments to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 160,685,700</u>

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

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

Capital outlay	\$ 12,513,244
Depreciation expense	<u>(9,310,231)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 3,203,013</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Ten Months ended December 31, 2011

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**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – Continued**

**B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities - Continued**

2. Another element of that reconciliation states that "The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets." The details of this difference are as follows:

Principal repayments:

General obligation debt	\$ 9,742,334
IMRF Pension contributions payable	2,523,327
Capital lease	<u>363,759</u>

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities \$ 12,629,420

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

Compensated absences	\$ 170,098
Amortization income	720,230
Pension contributions	(1,056,260)
IMRF Pension contributions payable	<u>(4,019,532)</u>

Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities \$ (4,185,464)

4. Another element of that reconciliation states that "Issuance of Bonds provides current financial resources to governmental funds." The details of this difference are as follows:

Bond	\$ (15,210,000)
Bond premium liability	<u>(210,176)</u>

Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities \$ (15,420,176)

## CITY OF EVANSTON, ILLINOIS

### Notes to the Financial Statements

For the Ten Months ended December 31, 2011

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#### NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

##### A. Budgetary Information

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

1. Because of the change in fiscal year to a calendar year, the City Manager will submit to the City Council a proposed operating budget for the upcoming fiscal year commencing January 1, 2013. The operating budget includes proposed expenditures and the means of financing them.
2. Public budget hearings are conducted. Taxpayer comments are received and noted.
3. The budget is legally enacted through passage of a resolution.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. There were budget allocations within General fund but the total did not change.
5. Budgets are legally adopted on a basis consistent with GAAP except that property taxes are budgeted as revenue in the year they are levied. For purposes of preparing the General Fund - Budget and Actual (Budgetary Basis) Schedule of Revenues, Expenditures, and Changes in Fund Balance, GAAP revenues and expenditures have been adjusted to the budgetary basis.

##### Blended Component Unit

The Township prepares its annual appropriation ordinance, which is synonymous with its budget, using the modified accrual basis of accounting. The appropriation ordinance was adopted June 28, 2010. It covers both Township funds.

The Township follows procedures similar to those of the City in establishing the budgetary data reflected in the financial statements. The budget was not amended during the current fiscal period.

The following City and Township funds do not have legally adopted budgets:

##### Special Revenue

Library Endowment and Employer Pension Contribution Funds.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued**

**A. Budgetary Information - Continued**

The level of control (level at which expenditures may not exceed budget) is the fund. All unencumbered annual appropriations lapse at the end of the fiscal period.

The following funds had an excess of actual budgetary expenditures over original and final budget for the ten months ended December 31, 2011:

Fund	Actual	Budget	Excess
General Obligation Debt	\$ 12,977,212	\$ 9,957,676	\$ 3,019,536
Howard Ridge Tax Increment District	27,552	-	27,552
Special Service District No. 4	388,000	378,000	10,000

**B. DEFICIT FUND EQUITY**

The Insurance Fund, an internal service fund, had a net deficit of \$6,124,771 as of December 31, 2011. The City plans to use current resources to pay for future liabilities.

The Southwest Tax Increment District had a net deficit of \$114,083 as of December 31, 2011. The City plans to use current resources and possible debt proceeds to pay for future liabilities.

The Solid Waste Fund had a net deficit of \$1,571,711 as of December 31, 2011. The City plans to use current resources to pay for future liabilities.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

**A. Types of Accounts and Securities**

Illinois statutes and the City's investment policies authorize the City to invest in obligations of the U.S. Treasury, in Government Sponsored Enterprises (GSE) such as Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), and Fannie Mae (FNMA); Bankers Acceptances as well as commercial paper rated only in the highest tier; Repurchase agreements of the highest grade; Collateralized Certificates of Deposit issued by FDIC insured financial institutions, money market mutual funds with portfolios limited to securities guaranteed by the United States, the Illinois Metropolitan Investment Fund (IMET), and the Illinois Funds.

It is the policy of the City to invest public funds in a manner whereby its investment objectives are prioritized in the following order: Safety of Principal, Liquidity, and Rate of Return. The City also seeks to maintain diversification of investments to avoid overconcentration of any one specific issuer or business sector. To mitigate interest rate risk, the City tries to structure the investment portfolio to meet daily cash flow needs so as to avoid needing to sell securities on the open market. The City seeks to attain market rates of return consistent with constraints imposed by safety and cash flow needs. The City invests to conform to all state and local statutes governing the investment of public funds. More detail is available in the City's investment policy. Library has investments in equities which is not permissible under the state statutes.

The Firefighters' and Police Pension Funds are set up for the exclusive purpose of providing retirement and other benefits to plan participants and beneficiaries. All investments are governed and authorized by the respective Fire and Police Pension Boards. The investment objectives and parameters mirror those listed above for the City of Evanston. However, unlike the City's public funds, the Firefighters and Police Pension funds may invest in various equity accounts up to a limit of 45% of the aggregate value of each respective fund's assets. The pension funds invest to conform to all state and local statutes governing pension funds. Additional detail is available in each pension fund's investment policies.

**B. Pooling of Cash and Investments**

Except for cash and investments in certain restricted and special accounts, the City pools the cash of various funds to maximize interest earnings. Interest income is allocated to the various funds based upon their respective participation.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

**NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS - Continued**

**C. Types of Investments**

As of December 31, 2011, the City has the following investments and maturities. The fair value of the Illinois Funds is the same as the value of the pool shares.

Governmental and Enterprise Investment Type	Fair Value	Investment Maturities (In Years)		
		Less Than 1 Year	1 - 10 More Years	Equities
Money Market / Liquid Assets	\$ 20,263,273	\$ 20,263,273	\$ -	\$ -
Mutual Funds	2,594,797	-	-	2,594,797
<b>Total Governmental and Enterprise Investment Fund</b>	<b>\$ 22,858,070</b>	<b>\$ 20,263,273</b>	<b>\$ -</b>	<b>\$ 2,594,797</b>

First Bank Money Market	\$ 8,321,513
JP Morgan Money Market	11,502,540
Vanguard Money Market	439,220
<b>Total Money Market / Liquid Assets</b>	<b>\$ 20,263,273</b>

Fire and Police Pension Investment Type	Fair Value	Investment Maturities (In Years)		Equities
		Less Than 1 Year	1 - 10 More Years	
Money Market / Liquid Assets	\$ 5,761,570	\$ 5,761,570	\$ -	\$ -
Mutual Funds	40,477,356	-	1,627,083	38,850,273
Corporate Bonds	13,124,203	-	13,124,203	-
U.S. Treasuries	20,852,038	-	20,852,038	-
Federal Home Loan Bank	2,025,861	452,991	1,572,870	-
Federal Home Loan Mortgage Corp	3,825,806	231,842	3,593,964	-
Fannie Mae	9,182,456	127,654	9,054,802	-
Ginnie Mae	5,469,532	-	5,469,532	-
Common Stock	22,969,373	-	-	22,969,373
<b>Total Fire and Police Investment</b>	<b>\$ 123,688,195</b>	<b>\$ 6,574,057</b>	<b>\$ 55,294,492</b>	<b>\$ 61,819,646</b>

Smith Barney Money Market	\$ 868,477
JP Morgan Money Market	2,228,644
Schwab Money Market	300,587
MB Bank Money Market	2,363,862
<b>Total Money Market / Liquid Assets</b>	<b>\$ 5,761,570</b>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS – Continued**

**C. Types of Investments - continued**

*Interest Rate Risk.* The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The objective is to maintain a core portfolio with maturities primarily in the three month to three years range.

*Credit Risk.* State law limits investments in commercial paper, corporate bonds, and mutual bonds funds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy does not impose further limits on investment choices. The Illinois Funds and Money Markets were rated AAA by Standard & Poor's. The Illinois Metropolitan Investment 1 - 3 Year Fund (IMET) exclusively invests in AAA Standard & Poor's securities, such as treasury and agency obligations. IMET's convenience fund collateralizes all of its deposits 110%. Illinois Funds and IMET are an investment pools managed by the State of Illinois, Office of the Treasurer, and a Board of Trustees, respectively which allows governments within the State to pool their funds for investment purposes. They are not registered with the SEC as an investment company, but do operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. The investments in the securities of the U.S. government agencies were all rated triple A or Aaa by the Standard & Poor's and by Moody's Investor's Services. The following investments in Illinois Funds and IMET are valued at the fund's share price, the price for which the investments could be sold.

Illinois Funds			
City of Evanston	\$	20,574,407	
Township		<u>1,349,161</u>	\$ 21,923,568
IMET money market			
City of Evanston		5,745,952	
Fire and Police pension plan		<u>130,545</u>	<u>5,876,497</u>
			<u>\$ 27,800,065</u>

*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 investment or collateral securities that are in the possession of an outside party. All of the City's investments were insured, registered, or held by the counterparty's trust department in the City's name.

*Concentration of Credit Risk.* It is the policy of the City to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting from overconcentration in a security, maturity, issuer, or class of securities. At December 31, 2011, Police Pension Trust Fund had investments in FNMA that exceeded 10% of net assets available for benefits. Investments in FNMA are implicitly implied to be guaranteed by the U.S. government. The Firefighters' Pension Trust Fund had investments in GNMA that exceeded 10% of net assets available for benefits. Investments in GNMA are explicitly guaranteed by the U.S. government.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS – Continued**

**D. Deposits**

*Custodial Credit Risk.* For a deposit, 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 deposit or collateral securities that are in the possession of an outside party. All of the City's deposits were insured, collateralized, or filed by the counterparty's trust.

City

Deposits consist of deposits in interest-bearing and noninterest-bearing checking accounts. At December 31, 2011, the carrying amount of the City's deposits, including cash on hand of \$26,244 was \$24,692,711. The financial institutions' balances totaled \$23,822,305.

Township

At March 31, 2011, the carrying amount of the Township's deposits was \$164,658. The financial institutions' balances totaled \$166,201.

Fiduciary

Deposits consist of deposits in interest-bearing and noninterest-bearing accounts. At December 31, 2011, the carrying amount of the Pension's deposits was \$892,548. The financial institutions' balances totaled \$861,376.

**E. Reconciliation of Unrestricted and Restricted Cash and Investments**

The total of unrestricted cash and investments and restricted cash and investments from the Statement of Net Assets and for the fiduciary funds is reconciled to the preceding deposit and investment disclosures (Notes 4C and Notes 4D) as follows:

Unrestricted cash and equivalents	\$ 66,797,745
Unrestricted investments	2,594,797
Restricted cash and equivalents and investments	<u>5,992,417</u>
Total Cash and Investments – Primary Government	75,384,959
Fiduciary funds cash and equivalents	6,784,662
Fiduciary funds investments	<u>117,926,626</u>
Total Cash and Investments	<u>\$ 200,096,247</u>
Carrying amount of deposits – from Note 4 D	\$ 25,749,917
Illinois funds and IMET money market - from Note 4 C	27,800,065
Investments – from Note 4 C table	<u>146,546,265</u>
Total	<u>\$ 200,096,247</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

**NOTE 5. RECEIVABLES**

**A. Summary of Receivables**

Receivables as of December 31, 2011 for the government's individual major funds, nonmajor, internal service funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	General Obligation Debt	Employer Pension Contribution	Water	Sewer	Solid Waste	Motor Vehicle Parking System	Nonmajor and Other Funds	Total
Receivables:									
Property taxes	\$ 16,981,094	\$ 12,325,144	\$ 14,871,415	\$ -	\$ -	\$ -	\$ -	\$ 9,958,863	\$ 54,136,516
Accounts	-	-	-	1,531,383	2,259,654	490,331	-	-	4,281,368
Notes	-	-	-	-	-	-	-	6,194,245	6,194,245
Special assessments	-	-	-	-	-	-	-	737,084	737,084
Accrued interest	-	-	-	-	-	-	-	9,435	9,435
Other	2,253,299	-	-	-	-	-	54,922	840,758	3,148,979
Gross receivables	19,234,393	12,325,144	14,871,415	1,531,383	2,259,654	490,331	54,922	17,740,385	68,507,627
Less: allowance for uncollectibles	(339,622)	(246,503)	(297,428)	-	-	-	-	(289,177)	(1,172,730)
Net total receivables	<u>\$ 18,894,771</u>	<u>\$ 12,078,641</u>	<u>\$ 14,573,987</u>	<u>\$ 1,531,383</u>	<u>\$ 2,259,654</u>	<u>\$ 490,331</u>	<u>\$ 54,922</u>	<u>\$ 17,451,208</u>	<u>\$ 67,334,897</u>

Out of the total Notes Receivable, \$6,124,245 is estimated not to be paid during the next year. Out of the total Special Assessment receivable, \$587,000 is estimated not to be paid during the next year.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year less those collected within 60 days of year end are not earned and can not be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal period, the City's deferred revenue and unearned revenue consisted solely of property taxes levied for the subsequent years less those collected within 60 days of year end.

**B. Notes Receivable – Special Revenue Funds**

The City makes loans to City residents for the rehabilitation of single-family and multi-family housing. Initial funding for these loans was from Community Development Block Grant (CDBG) and Housing and Urban Development (HUD) Funds. Two types of loans are made: (1) title transfer loans which are due in full when the housing unit is sold, and (2) amortizing loans which are due in monthly installments over varying lengths of time. Repayments of principal and any interest earned on these receivables, which are recorded in the respective Special Revenue funds, are used to make additional rehabilitation loans. An allowance of \$90,000 exists in the Special Revenue funds due to doubtful accounts. Loan activity for the current period is summarized as follows:

Interest Rates	Beginning	Loans Made	Loan Repayments	Ending
0% - 8%	<u>\$ 6,002,308</u>	<u>\$ 338,287</u>	<u>\$ 236,350</u>	<u>\$ 6,104,245</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

**NOTE 6. CAPITAL ASSETS**

**A. Capital Asset Activity**

Capital asset activity for the ten months ended December 31, 2011, was as follows:

	Beginning	Additions	Deletions	Transfers	Ending
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 6,824,424	\$ -	\$ -	\$ -	\$ 6,824,424
Right of way	18,695,896	-	-	-	18,695,896
Artwork	115,000	-	-	-	115,000
Construction in progress	1,930,312	-	1,930,312	-	-
<b>Total capital assets, not being depreciated</b>	<b>27,565,632</b>	<b>-</b>	<b>1,930,312</b>	<b>-</b>	<b>25,635,320</b>
Capital assets, being depreciated:					
Buildings and improvements	88,526,099	3,394,810	-	-	91,920,909
Office equipment and furniture	5,695,214	296,405	-	77,182	6,068,801
Intangible assets	6,024,590	279,251	-	88,585	6,392,426
Machinery and equipment	22,551,124	2,143,333	1,052,373	(165,767)	23,476,317
Infrastructure	131,927,999	9,177,520	-	-	141,105,519
Library collections	9,425,822	373,118	1,270,029	-	8,528,911
Capitalized leases	1,093,402	-	363,758	-	729,644
<b>Total capital assets being depreciated</b>	<b>265,244,250</b>	<b>15,664,437</b>	<b>2,686,160</b>	<b>-</b>	<b>278,222,527</b>
Less accumulated depreciation for:					
Buildings and improvements	32,610,942	1,635,491	-	-	34,246,433
Office equipment and furniture	4,966,191	131,197	-	65,891	5,163,279
Intangible assets	5,246,705	110,282	-	84,602	5,441,589
Machinery and equipment	16,477,710	1,188,815	1,052,373	(150,493)	16,463,659
Infrastructure	61,036,834	4,554,150	-	-	65,590,984
Library collections	7,259,530	509,015	1,270,029	-	6,498,516
Capitalized leases	817,203	41,242	143,607	-	714,838
<b>Total accumulated depreciation</b>	<b>128,415,115</b>	<b>8,170,192</b>	<b>2,466,009</b>	<b>-</b>	<b>134,119,298</b>
<b>Total capital net assets being depreciated, net</b>	<b>136,829,135</b>	<b>7,494,245</b>	<b>220,151</b>	<b>-</b>	<b>144,103,229</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 164,394,767</b>	<b>\$ 7,494,245</b>	<b>\$ 2,150,463</b>	<b>\$ -</b>	<b>\$ 169,738,549</b>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

**NOTE 6. CAPITAL ASSETS - Continued**

**A. Capital Asset Activity - Continued**

	Beginning	Additions	Deletions	Transfers	Ending
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 3,297,937	\$ -	\$ -	\$ -	\$ 3,297,937
Construction in progress	772,223	5,492,258	2,246,133	-	4,018,348
Artwork	359,752	-	-	-	359,752
<b>Total capital assets, not being depreciated</b>	<b>4,429,912</b>	<b>5,492,258</b>	<b>2,246,133</b>	<b>-</b>	<b>7,676,037</b>
Capital assets, being depreciated:					
Land improvements	3,563,393	70,106	-	-	3,633,499
Buildings and improvements	73,606,657	2,799,199	-	-	76,405,856
Leasehold improvements	302,752	-	-	-	302,752
Plant	36,093,067	83,500	175,602	-	36,000,965
Transmission and distribution system	39,295,556	2,162,633	18,702	-	41,439,487
Sewer system and underground lines	241,955,660	554,791	-	-	242,510,451
Intangible assets	384,917	-	-	-	384,917
Equipment	2,804,603	-	5,310	-	2,799,293
Parking meters	707,688	-	-	-	707,688
<b>Total capital assets being depreciated</b>	<b>398,714,293</b>	<b>5,670,229</b>	<b>199,614</b>	<b>-</b>	<b>404,184,908</b>
Less accumulated depreciation for:					
Land improvements	1,116,055	97,335	-	-	1,213,390
Buildings and improvements	13,504,769	1,530,599	-	-	15,035,368
Leasehold improvements	302,752	-	-	-	302,752
Plant	12,991,054	653,939	77,048	-	13,567,945
Transmission and distribution system	7,223,863	377,137	4,019	-	7,596,981
Sewer system and underground lines	36,986,970	2,718,027	-	-	39,704,997
Intangible assets	54,988	54,988	-	-	109,976
Equipment	1,984,106	107,758	5,310	-	2,086,554
Parking meters	521,802	108,763	-	-	630,565
<b>Total accumulated depreciation</b>	<b>74,686,359</b>	<b>5,648,546</b>	<b>86,377</b>	<b>-</b>	<b>80,248,528</b>
<b>Total capital net assets being depreciated, net</b>	<b>324,027,934</b>	<b>21,683</b>	<b>113,237</b>	<b>-</b>	<b>323,936,380</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 328,457,846</b>	<b>\$ 5,513,941</b>	<b>\$ 2,359,370</b>	<b>\$ -</b>	<b>\$ 331,612,417</b>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 6. CAPITAL ASSETS - Continued**

**A. Capital Asset Activity - Continued**

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

Governmental activities:

General management and support	\$ 299,722
Public safety	496,683
Public works	5,130,363
Housing and Economic Development	2,784
Recreation and cultural opportunities	<u>2,240,640</u>

Total depreciation expense – governmental activities \$ 8,170,192

Business – type activities:

Water	\$ 1,090,433
Sewer	2,746,965
Motor Vehicle Parking	<u>1,811,148</u>

Total depreciation expense – business – type activities \$ 5,648,546

**B. Construction Commitments**

The value of construction contracts signed, where the work has not yet been performed at December 31, 2011, is as follows:

Capital Improvement Fund	\$ 284,636
Water Fund	<u>2,970,791</u>
Total Construction Commitments	<u>\$ 3,255,427</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

**NOTE 7. INTERFUNDS**

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**A. Interfund Accounts**

At December 31, 2011 interfund receivables and payables consist of the following:

Funds	Due from Other Funds	Due to Other Funds
<b>Governmental Funds</b>		
General Fund		
Emergency Telephone System	\$ 15,869	\$ -
Economic Development	81,623	-
Fleet Service	37,637	-
Insurance	-	115,706
Community Development Block Grant	49,855	-
Capital Improvements	-	275,760
Home Fund	3	-
Affordable Housing	-	10,000
Special Assessment CP Fund	-	7,541
Motor Vehicle Parking System	72,655	-
Water	129,634	-
Sewer	57,827	-
Solid Waste	360,724	-
Neighborhood Stabilization Program 2	3,386	-
Community Development Loan	1,216	-
Firefighters Pension	-	114,834
Police Pension	-	142,949
Total General Fund	<u>810,429</u>	<u>666,790</u>
Capital Improvements		
General Fund	275,760	-
Motor Vehicle Parking System	906,340	-
Total Capital Improvements	<u>1,182,100</u>	<u>-</u>
General Obligation Debt Service Fund		
West Evanston Tax Increment District	-	300,000
Special Assessment CP Fund	31,766	-
Total General Obligation Debt Service Fund	<u>31,766</u>	<u>300,000</u>
Employer Pension Contribution		
Firefighters Pension	-	948,553
Police Pension	-	1,156,132
Total Employer Pension Contribution	<u>-</u>	<u>2,104,685</u>
<b>Nonmajor Governmental Funds</b>		
Affordable Housing		
General Fund	<u>10,000</u>	<u>-</u>
Neighborhood Stabilization Program 2		
General Fund	-	3,386
Community Development Block Grant	-	78
	<u>-</u>	<u>3,464</u>
Economic Development		
General Fund	<u>-</u>	<u>81,623</u>
Emergency Telephone System		
General Fund	<u>-</u>	<u>15,869</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

**NOTE 7. INTERFUNDS - Continued**

**A. Interfund Accounts - Continued**

Funds	Due from Other Funds	Due to Other Funds
Nonmajor Governmental Funds - Continued		
Home Fund		
General Fund	\$ -	\$ 3
Community Development Block Grant		
General Fund	-	49,855
Neighborhood Stabilization Program 2	78	-
Special Assessment CP Fund	-	3,925
Total Community Development Block Grant	<u>78</u>	<u>53,780</u>
Community Development Loan		
General Fund	-	1,216
Washington Natl. Tax Increment District Debt Svc.		
West Evanston Tax Increment District	-	190,000
Howard Ridge Tax Increment District		
Southwest Tax Increment District	<u>130,000</u>	<u>-</u>
Howard Hartrey Tax increment District		
Special Service District No. 4	<u>100,000</u>	<u>-</u>
Special Service District No. 4		
Howard Hartrey Tax Increment District	-	100,000
Southwest Tax Increment District		
Howard Ridge Tax Increment District	-	130,000
West Evanston Tax Increment District		
Washington Natl. Tax Increment District Debt Svc.	190,000	-
General Obligation Debt Service Fund	<u>300,000</u>	<u>-</u>
	<u>490,000</u>	<u>-</u>
Town		
General Assistance	-	14,689
General Assistance		
Town	<u>14,689</u>	<u>-</u>
Special Assessment CP Fund		
General Fund	7,541	-
Community Development Block Grant	3,925	-
Water	2,444	-
Debt Service	-	31,766
Total Special Assessment	<u>13,910</u>	<u>31,766</u>
Total Nonmajor Governmental Funds	<u>758,677</u>	<u>622,410</u>
Total Governmental Funds	<u>2,782,972</u>	<u>3,693,885</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

**NOTE 7. INTERFUNDS - Continued**

**A. Interfund Accounts - Continued**

Funds	Due from Other Funds	Due to Other Funds
Enterprise Funds		
Water		
General Fund	\$ -	\$ 129,634
Insurance	-	-
Special Assessment CP Fund	-	2,444
Total Water	<u>-</u>	<u>132,078</u>
Sewer		
General Fund	-	57,827
Motor Vehicle Parking System	-	4,000,000
Solid Waste	1,151,945	-
Total Sewer	<u>1,151,945</u>	<u>4,057,827</u>
Solid Waste		
General Fund	-	360,724
Sewer	-	1,151,945
Total Solid Waste	<u>-</u>	<u>1,512,669</u>
Motor Vehicle Parking System		
General Fund	-	72,655
Sewer	4,000,000	-
Capital Improvements	-	906,340
Total Motor Vehicle Parking System	<u>4,000,000</u>	<u>978,995</u>
Total Enterprise Funds	<u>5,151,945</u>	<u>6,681,569</u>
Internal Service Funds		
Fleet Services		
General Fund	-	37,637
Insurance		
General Fund	115,706	-
Total Internal Service Funds	<u>115,706</u>	<u>37,637</u>
Trust and Agency Funds		
Firefighters Pension		
Employer Pension Contribution	948,553	-
General Fund	114,834	-
Total Firefighters Pension	<u>1,063,387</u>	<u>-</u>
Police Pension		
Employer Pension Contribution	1,156,132	-
General Fund	142,949	-
Total Police Pension	<u>1,299,081</u>	<u>-</u>
Total Trust and Agency Funds	<u>2,362,468</u>	<u>-</u>
Total Primary Government	<u>\$ 10,413,091</u>	<u>\$ 10,413,091</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

**NOTE 7. INTERFUNDS - Continued**

**B. Interfund Transfers**

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move restricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorization, including amounts provided as subsidies or matching funds for various grant programs.

At December 31, 2011 transfers in / out consist of the following:

Funds	Transfers In	Transfers Out
<b>Governmental Funds</b>		
General Fund		
Affordable Housing Fund	\$ 19,992	\$ -
Washington Natl. Tax Increment District Debt Svc.	325,000	-
Howard Hartrey Tax Increment District	141,600	-
Southwest Tax Increment District	24,100	-
Capital Improvement Fund	300,000	-
Water Fund	2,737,905	-
Howard Ridge Tax Increment District	120,400	-
Motor Fuel Tax Fund	697,492	-
West Evanston Tax Increment District	50,000	-
General Obligation Debt Service Fund	-	676,980
Economic Development	377,256	-
Total General Fund	<u>4,793,745</u>	<u>676,980</u>
Capital Improvements		
General Obligation Debt Service Fund	-	2,130
General Fund	-	300,000
Total Capital Improvement	<u>-</u>	<u>302,130</u>
General Obligation Debt Service Fund		
General Fund	676,980	-
Neighborhood Stabilization Program 2	1,910	-
Emergency Telephone System	6,370	-
Community Development Block Grant	4,090	-
Economic Development	8,870	-
Special Assessment	317,660	-
Capital Improvement Fund	2,130	-
Fleet Services	21,500	-
Insurance	5,710	-
Sewer	-	8,099,352
Total General Obligation Debt Service Fund	<u>1,045,220</u>	<u>8,099,352</u>
<b>Nonmajor Governmental Funds</b>		
Affordable Housing Fund		
General Fund	-	19,992
Community Development Block Grant		
General Obligation Debt Service Fund	-	4,090
Economic Development		
General Obligation Debt Service Fund	-	8,870
General Fund	-	377,256
	<u>-</u>	<u>386,126</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

**NOTE 7. INTERFUNDS - Continued**

**B. Interfund Transfers - Continued**

Funds	Transfers In	Transfers Out
Nonmajor Governmental Funds - Continued		
Southwest Tax Increment District		
General Fund	\$ -	\$ 24,100
Howard Hartrey Tax Increment District		
General Fund	-	141,600
Howard Ridge Tax Increment District		
General Fund	-	120,400
Washington Natl. Tax Increment District Debt Svc.		
General Fund	-	325,000
Motor Vehicle Parking System	-	3,419,636
Total Washington National Tax Increment District	-	3,744,636
West Evanston Tax Increment District		
General Fund	-	50,000
Emergency Telephone System		
General Obligation Debt Service Fund	-	6,370
Special Assessment		
General Obligation Debt Service Fund	-	317,660
Motor Fuel Tax		
General Fund	-	697,492
Neighborhood Stabilization Program 2		
General Obligation Debt Service Fund	-	1,910
Total Nonmajor Governmental Funds	-	5,514,376
Total Governmental Funds	5,838,965	14,592,838
Enterprise Funds		
Water		
Insurance	-	390,254
General Fund	-	2,737,905
	-	3,128,159
Sewer		
General Obligation Debt Service Fund	8,099,352	-
Motor Vehicle Parking System		
Washington Natl. Tax Increment District Debt Svc.	3,419,636	-
Total Enterprise Funds	11,518,988	3,128,159
Internal Service Funds		
Fleet Services		
General Obligation Debt Service Fund	-	21,500
Insurance		
Water	390,254	-
General Obligation Debt Service Fund	-	5,710
	390,254	5,710
Total Internal Service Funds	390,254	27,210
Total Primary Government	\$ 17,748,207	\$ 17,748,207

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 7. INTERFUNDS - Continued**

**C. Capital Contributions**

Capital contributions were made from governmental activities to the business-type activities:

Water Fund	\$	(21,349)
Sewer Fund		(37,100)
Solid Waste		(155,200)
Motor Vehicle Parking System		<u>2,750</u>
	\$	<u>(210,899)</u>

## CITY OF EVANSTON, ILLINOIS

### Notes to the Financial Statements

For the Ten Months ended December 31, 2011

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#### NOTE 8. Operating Leases

The City of Evanston has nine digital office copiers leased from Chicago Office Technology Group. The copiers are located in the Evanston Civic Center and the Evanston Police headquarter. The City entered into lease agreement for these copiers during the 2010-11 fiscal year. The lease term is 48 months starting August, 2010.

The City has entered into lease agreement for postage machine during the 2009-10 fiscal year. The machine is located on the first floor in the Civic Center. The lease term is 60 months with the first payment made in January, 2010.

<u>Leasing Co.</u>	<u>Expiration</u>	<u>Number of Machines</u>	<u>Monthly Payment</u>	<u>Annual lease payment</u>	<u>Type of Machines</u>
Chicago Office Technology Group	7/31/2014	9	1,642	\$ 16,420	Copiers
Secap Finance	12/31/2014	1	255	2,550	Postage Machine

Minimum annual lease payments are as follows:

Year ending 12/31/2012	22,764
Year ending 12/31/2013	22,764
Year ending 12/31/2014	<u>14,554</u>
	<u>\$ 60,082</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

**NOTE 9. LONG-TERM DEBT**

**A. Changes in Long-Term Debt**

	Interest Rate	Final Maturity Date	Balance 3/1/2011	Issued	Reclass	Payments	Balance 12/31/2011	Due Within One Year
<b>G.O. Debt Governmental Activities</b>								
Series 2002C	5.00%-5.80%	1/1/2022	\$ 2,680,000	\$ -	\$ -	\$ -	\$ 2,680,000	\$ 675,000
Series 2002C (SSA#5)	5.00%-5.80%	1/1/2016	1,840,000	-	-	-	1,840,000	325,000
Series 2003B	2.00%-5.25%	1/1/2023	2,780,000	-	-	2,780,000	-	-
Series 2004	2.00%-5.00%	12/1/2023	11,855,000	-	-	815,000	11,040,000	845,000
Series 2004B	2.00%-5.25%	12/1/2017	5,995,000	-	-	1,535,000	4,460,000	1,630,000
Series 2005	3.25%-5.00%	12/1/2025	14,675,000	-	-	545,000	14,130,000	750,000
Series 2006	3.85%-5.00%	12/1/2026	9,805,000	-	-	125,000	9,680,000	130,000
Series 2006B	4.00%-4.25%	12/1/2023	14,430,000	-	-	-	14,430,000	-
Series 2007	4.00%-5.00%	12/1/2016	18,685,000	-	-	1,150,000	17,535,000	1,185,000
Series 2008A	3.00%-5.00%	12/1/2021	3,410,000	-	-	195,000	3,215,000	195,000
Series 2008C	3.00%-5.00%	12/1/2028	9,274,140	-	-	361,800	8,912,340	369,840
Series 2008D	3.25%-5.00%	12/1/2016	8,500,000	-	-	1,415,000	7,085,000	1,435,000
Series 2010A	2.00%-3.625%	12/1/2029	6,500,000	-	-	240,000	6,260,000	300,000
Series 2010B	1.00%-3.30%	12/1/2019	6,893,299	-	(210,899)	580,534	6,101,866	613,946
Series 2011A			-	15,210,000	-	-	15,210,000	1,081,678
Subtotal Governmental Activity G.O. Debt			<u>117,322,439</u>	<u>15,210,000</u>	<u>(210,899)</u>	<u>9,742,334</u>	<u>122,579,206</u>	<u>9,535,464</u>
Capital lease			363,759	-	-	363,759	-	-
Bonds premium liability			4,118,638	210,176	-	720,230	3,608,584	-
OPEB liability			1,398,143	94,052	-	-	1,492,195	-
Pension contributions			20,981,406	10,789,712	-	9,733,452	22,037,666	-
Compensated absences payable- City			10,022,198	2,958,553	-	3,085,581	9,895,170	3,759,175
IMRF Pension contributions			1,223,870	4,019,532	-	2,523,327	2,720,075	-
Claims payable			5,455,203	2,920,373	-	920,030	7,455,546	2,106,361
Subtotal Other G.A. Liabilities			<u>43,563,217</u>	<u>20,992,398</u>	<u>-</u>	<u>17,346,379</u>	<u>47,209,236</u>	<u>5,865,536</u>
Total Governmental Activity Debt & Liabilities			<u>\$ 160,885,656</u>	<u>\$ 36,202,398</u>	<u>\$ (210,899)</u>	<u>\$ 27,088,713</u>	<u>\$ 169,788,442</u>	<u>\$ 15,401,000</u>
<b>G.O. Debt Business-type Activities</b>								
Series 2005 Sherman Garage	3.25%-5.00%	12/1/2025	8,855,000	-	-	935,000	7,920,000	975,000
Series 2005 Sewer	3.25%-5.00%	12/1/2025	250,000	-	-	-	250,000	-
Series 2007 Sewer	4.00%-5.00%	12/1/2016	3,155,000	-	-	1,015,000	2,140,000	1,090,000
Series 2007 Parking	4.00%-5.00%	12/1/2016	990,000	-	-	115,000	875,000	125,000
Series 2008B Sherman Garage	3.00%-5.00%	12/1/2018	15,015,000	-	-	1,310,000	13,705,000	1,800,000
Series 2008C Sewer	3.00%-5.00%	12/1/2028	2,260,860	-	-	88,200	2,172,660	90,160
Series 2008D Sewer	3.25%-5.00%	12/1/2016	4,580,000	-	-	1,760,000	2,820,000	1,875,000
Series 2010B	1.00%-3.30%	12/1/2019	1,106,701	-	210,899	114,466	1,203,134	121,055
Series 2011A			-	4,030,000	-	-	4,030,000	123,323
Subtotal Business Activity G.O. Debt			<u>36,212,561</u>	<u>4,030,000</u>	<u>210,899</u>	<u>5,337,666</u>	<u>35,115,794</u>	<u>6,199,538</u>
Water Revenue Bond Series 1999	4.125-4.375%	1/1/2014	875,000	-	-	-	875,000	280,000
Water Revenue Bond Series 2002	2.00-3.75%	1/1/2012	295,000	-	-	-	295,000	295,000
Subtotal Water Revenue Bonds			<u>1,170,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,170,000</u>	<u>575,000</u>
IEPA Loans	2.535-3.59%	Various	87,059,150	158,893	-	8,136,771	79,081,272	8,705,902
Unamortized bond Premium and discount			12,418	-	-	941	11,477	-
Bonds premium liability			880,539	45,283	-	133,143	792,679	-
Compensated absences payable- City			684,019	185,615	-	-	869,634	415,163
IMRF Pension contributions			233,118	791,972	-	497,174	527,916	-
OPEB Liability			132,899	41,638	-	-	174,537	-
Subtotal Other Business Activity Liabilities			<u>1,942,993</u>	<u>1,064,508</u>	<u>-</u>	<u>631,258</u>	<u>2,376,243</u>	<u>415,163</u>
Total Business Debt & Liabilities			<u>\$ 126,384,704</u>	<u>\$ 5,253,401</u>	<u>\$ 210,899</u>	<u>\$ 14,105,695</u>	<u>\$ 117,743,309</u>	<u>\$ 15,895,603</u>
Total Governmental & Business Debt & Liabilities			<u>\$ 287,270,360</u>	<u>\$ 41,455,799</u>	<u>\$ -</u>	<u>\$ 41,194,408</u>	<u>\$ 287,531,751</u>	<u>\$ 31,296,603</u>

Note: Employer Pension Contribution Fund has been used to liquidate the net pension obligation. Sewer Fund, Water Fund, Solid Waste, Parking Fund and General Fund have been used to liquidate IMRF Pension liability. General Fund, Fleet Fund, Water Fund, Parking Fund, Solid Waste Fund and Sewer Funds have been used to liquidate other post employment benefit obligations.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 9- LONG-TERM DEBT - Continued**

**A. Changes in Long-term Debt- Continued**

**Business type activities - Water Revenue Bonds**

Business type activities revenue bonds are payable from revenues derived from Water service fees. The City has pledged future revenues, net of operating expenses, to repay original principal totaling \$5,855,000 in revenue bonds issued in 1999 and 2002. Proceeds from the bonds provided financing for Water CIP projects. The bonds are payable solely from revenues through 2014. Annual interest payment on the bonds is expected to require \$24,672 of net revenues for the ten months ended December 31, 2011. The total principal and interest remaining to be paid on the bonds is \$1,234,047. Principal and interest paid for the current period totaled \$24,672 on customer revenues of \$5,131,448.

Revenue debt payable consists of the following:

<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance</u>
1/25/1999	1/1/2014	Various	\$ 3,500,000	\$ 875,000
10/1/2002	1/1/2012	Various	2,355,000	<u>295,000</u>
Total Business type Activities- Water Revenue Bonds				<u>\$ 1,170,000</u>

**Business type activities - IEPA Loans**

Business type activities IEPA loans are payable from revenues derived from Sewer and Water service fees. The City has pledged future revenues, net of operating expenses, to repay principal totaling \$161,827,471 in IEPA loans issued in 1993 through 2011. Proceeds from the loans provided financing for the Long Term Sewer and Water Improvement Program. The IEPA loans are payable solely from revenues and are payable through 2030. Annual principal and interest on the loans are expected to require \$10,731,083 of net revenues for the Fiscal year 2012. The total principal and interest remaining to be paid on the loans is \$91,158,220. Principal and interest paid for the current period and total customer net revenues were \$10,269,372 and \$9,402,942 respectively.

IEPA loans payable consist of the following:

<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance</u>
Various	Various	Various	\$ 161,827,471	<u>\$ 79,081,272</u>
Total Business type Activities- IEPA Loan Debt				<u>\$ 79,081,272</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 9- LONG-TERM DEBT - Continued**

**B. General Obligation Bonds Payable**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year.

On August 16, 2010 the City issued Series 2010A in General Obligation bonds for a total of \$6,500,000 to pay for public improvements within the City.

On August 16, 2010 the City issued taxable Series 2010B in General Obligation bonds for a total of \$8,000,000 to pay the City's obligation to the Illinois Municipal Retirement Fund (IMRF) for the Early Retirement Incentive (ERI) plan adopted by the City.

On August 1, 2011 the City issued Series 2011A in General Obligation bonds for a total of \$19,240,000. The Bonds were issued to provide financing for certain public improvement projects and refund certain outstanding obligations. The Bond issue also included money to deposit into debt service funds of the City's Sewerage System for purposes of paying certain outstanding obligations on their scheduled payment dates.

Part of the above Series 2011A General Obligation bonds were issued at a net interest cost of 1.0560% to current refund the outstanding balance of Series 2003B. This will result in a net cash savings of \$123,441 which translates to a net present value savings of \$120,761.

The following schedule illustrates the annual debt service requirements to maturity for general obligation bonds.

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 9,535,464	\$ 5,152,945	\$ 6,199,538	\$ 1,632,121
2013	10,099,093	4,720,259	4,455,906	1,291,281
2014	11,143,358	4,368,658	3,496,643	1,045,744
2015	8,729,385	3,943,155	3,985,615	902,122
2016	9,169,204	3,551,334	4,085,796	738,906
2017-2021	39,026,338	12,536,219	9,458,663	1,436,478
2022-2026	26,784,615	5,010,411	1,800,386	601,666
2027-2031	8,091,749	829,655	1,633,247	200,416
Total	<u>\$ 122,579,206</u>	<u>\$ 40,112,636</u>	<u>\$ 35,115,794</u>	<u>\$ 7,848,734</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 9- LONG-TERM DEBT - Continued**

**C. Special Service District Bonds Payable**

The City also issued debt in the Special Service District No. 5 fund to provide funds for the principal and interest payments on unlimited ad valorem tax bonds issued for this special taxing district.

Special Service District bond is included within the total of General Obligation Bonds. Annual debt service requirements to maturity for special service district bonds are as follows:

For the Fiscal Year ending	Governmental Activities	
	Principal	Interest
2012	\$ 325,000	\$ 98,231
2013	340,000	78,816
2014	380,000	57,740
2015	390,000	35,175
2016	405,000	11,873
Total	<u>\$ 1,840,000</u>	<u>\$ 281,835</u>

**D. Revenue Bonds Payable**

The City also issued revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The bonds were issued to finance construction projects related to the water treatment plant.

Revenue bond debt service requirements to maturity are as follows:

For the Fiscal Year ending	Business-type Activities	
	Principal	Interest
2012	\$ 575,000	\$ 37,688
2013	290,000	19,688
2014	305,000	6,672
Total	<u>\$ 1,170,000</u>	<u>\$ 64,048</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 9- LONG-TERM DEBT - Continued**

**E. Notes Payable -IEPA Loans**

During the ten months ended December 31, 2011, the City currently has 27 outstanding loans from the IEPA. The City will repay the loans solely from revenues derived from the sewer and water system; the loans do not constitute a full faith and credit obligation of the City. They will be repaid with equal installments consisting of principal plus simple interest, on unpaid principal balances, over a period of 20 years. Initial principal balances will consist of disbursements and interest accrued during construction. Repayments begin not later than six months after completion of construction.

Notes payable – IEPA debt service requirements to maturity are as follows:

For the Fiscal Year ending	Business-type Activities	
	Principal	Interest
2012	\$ 8,705,902	\$ 2,025,181
2013	8,264,766	1,777,092
2014	7,814,770	1,555,528
2015	7,557,928	1,341,861
2016	7,036,186	1,144,637
2017-2021	26,155,923	3,322,674
2022-2026	11,927,280	880,592
2027-2031	1,618,517	29,384
Total	<u>\$ 79,081,272</u>	<u>\$ 12,076,949</u>

**F. Prior Years' General Obligation Bond Defeasances**

In 2006, the City defeased a portion of Series 2002C Corporate Purpose bonds, by placing a portion of the proceeds of Series 2006B in an irrevocable Escrow Account.

The trust account assets and the liabilities for the defeased bonds are not included in the City's financial statements. At December 31, 2011, the following remaining outstanding balances are considered defeased:

G.O. Series	Original Amount Defeased	Outstanding Amount Defeased
2002C	\$ 6,480,000	\$ 6,480,000

The outstanding balances of Series 2002C not defeased at December 31, 2011, are recorded as a liability in the City's financial statements. Those balances are as follows:

Series	Amounts
2002C	\$ 2,680,000

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 9- LONG-TERM DEBT - Continued**

**G. Post Employment Benefits other than Pensions (Defined Benefit Plan)**

The City of Evanston's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. This results in an other post employment benefit (OPEB) for the retirees, commonly referred to as an implicit rate subsidy. The group health insurance plan does not issue a publicly available financial report.

Contribution requirements are established through Illinois State laws. The City of Evanston implicitly contributes the difference between retiree's contributions and unblended rates. Retirees pay 100% of the blended premiums to cover themselves and their covered dependents ranging from \$490 for single coverage to \$1,796 for family coverage. The city pays 100% of health care premiums for Police officers and Firefighters, their dependents and their surviving spouses and dependent children if they were injured or killed in the line of duty during an emergency, ranging from \$490 for single coverage to \$1,796 for family coverage. For the ten months ended December 31, 2011, the City's estimated contribution to the plan is \$804,052. The City of Evanston's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No.45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City of Evanston's annual OPEB cost for the the ten months ended December 31, 2011, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the retiree health plan.

Annual required contribution	\$	931,051
Interest on net OPEB obligation		57,414
Adjustment to annual required contribution		<u>(48,723)</u>
Annual OPEB cost		939,742
Contributions made		<u>(804,052)</u>
Increase in net OPEB obligation		135,690
Net OPEB obligation - Beginning		<u>1,531,042</u>
Net OPEB obligation - Ending	\$	<u>1,666,732</u>

The City of Evanston's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011 were as follows.

Fiscal Period Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
2/28/2010	\$ 1,041,981	56.75%	\$ 1,133,965
2/28/2011	1,055,264	62.37%	1,531,042
12/31/2011	939,742	85.56%	1,666,732

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 9- LONG-TERM DEBT - Continued**

**G. Post Employment Benefits other than Pensions (Defined Benefit Plan) - Continued**

The funded status of the plan based on the projected valuation results as of December 31st, 2011, was as follows:

Actuarial accrued liability (AAL)	\$ 16,994,544
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 16,994,544</u>
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active plan members)	48,101,372
UAAL as a percentage of covered payroll	35.33%

Actuarial valuations of an ongoing plan involve estimates for 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 health care trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the actuarial valuation as of December 31 2011, the entry age normal cost method was used. The actuarial assumptions include a 4.50 percent investment rate of return and an annual healthcare cost trend rate of 8.50 percent initially, reduced by decrements to an ultimate rate of 4.50 percent in the year 2020. Both rates include a 3 percent price inflation assumption. The actuarial value of retiree health plan assets was determined using techniques that spread the effects of short term volatility in the market value of investments over a three year period. Retiree health plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2011, was 30 years.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 10. FUND EQUITY**

**A. Restrictions of Net Assets - Water Fund**

The ordinances authorizing the issuance of the Water revenue bonds provided for the creation of separate reserve accounts designated as “Bond and Interest Account”, “Bond Reserve Account”, “Depreciation, Improvement, and Extension Account”, and “Surplus Revenue Account”. Descriptions of each follow:

Bond and Interest Account - All amounts required to be set aside for the purpose of paying principal and interest of outstanding Water Revenue bonds shall be set aside monthly as directed. In addition, there shall be credited monthly an amount at least equal to the sum of one-fifth of the interest becoming due on the next interest payment date and one-tenth of the aggregate yearly amount of principal due on the next principal maturity date.

Bond Reserve Account - The account shall accumulate \$145,800 per year until all bonds have been paid or provision has been made for their payment. The funds shall be retained and used only for payment of Water Revenue bonds at any time when there are insufficient funds available in the Bond and Interest Account. Whenever the balance in the account is equal to the maximum principal and interest requirements on all outstanding bonds for any succeeding fiscal year, the surplus over and above may, in the discretion of the City Council, be transferred to any other account within the Water Fund of the City.

Depreciation, Improvement, and Extension Account - The account shall accumulate \$5,100 per month or a greater amount as may be designated by the City Council. The monies shall be used first to provide an adequate allowance for depreciation, and may be used to pay for any extraordinary maintenance, repairs, and necessary replacements for improvement or extension of the system. The funds may be used at any time to pay principal of, or interest upon, any outstanding bonds payable whenever there are no other funds available. If the money on deposit is greater than \$400,000, the excess can be transferred to any other account within the Water Fund. All proceeds received from the disposition of any property shall be credited to this account.

Surplus Revenue Account - All revenues remaining after all other credits in the Water Fund have been made shall be credited to this account and be used for: making up any deficiency necessary to credit prior accounts with the required amounts; paying principal of, or interest on, any junior lien bonds; transfer to any other account of the fund; and any lawful corporate purpose, at the discretion of the City Council.

**B. Restricted Net Assets - Fiduciary Funds**

Fiduciary Funds	
Firefighters' Pension Fund Restriction for employee pension benefits	\$ 54,893,621
Police Pension Fund Restriction for employee pension benefits	<u>72,596,264</u>
Total Fiduciary Funds	<u>\$ 127,489,885</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 10. FUND EQUITY - Continued**

**C. Assigned Fund Balances**

The following are the assigned fund balances:

General Fund

Assigned for Arts Council	\$ 24,797
Assigned for private elm trees	114,388
Assigned for Dutch elm inoculation	157,216
Assigned for Butterfield sculpture	30,883
Assigned for scholarship contributions	25,953
Assigned for recreation group activities	207,123
Assigned for public library acquisitions	462,686
Assigned for youth initiative	42,151
Assigned for parks and recreation	253,932
Assigned for Chiaravelle escrow	207,402
Assigned for Mayor's programs	87,279
Assigned for IMRF - Pension	2,590,000
Assigned for Compensated Absences	2,576,360
Assigned for Property tax - Library	526,938
Other assignments	<u>283,124</u>
	<u>\$ 7,590,232</u>

Capital Improvement Fund

Assigned for capital projects	<u>\$ 5,746,660</u>
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Non-major Governmental Funds

Assigned for economic development	\$ 1,382,034
Assigned for special assessment capital project	<u>2,944,889</u>
	<u>\$ 4,326,923</u>

Total Assigned Fund Balances \$ 17,663,815

## **CITY OF EVANSTON, ILLINOIS**

### **Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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#### **NOTE 11. INDIVIDUAL FUND ACTIVITIES**

##### **A. General Obligation Debt Service Fund**

The City usually adopts several resolutions abating portions of the property tax debt service levies. The amount of property taxes abated is derived from principal and interest payments by private assessments on street paving projects; additional sewer service fees related to the citywide sewer improvement project; tax increment revenues in the Southwest, Washington National, and Howard Hartrey Tax Increment Districts; revenues from the Motor Vehicle Parking System Fund associated with the Maple Garage, Sherman Garage and Church Street Self-Park garage; and General Obligation Debt Service Fund interest income.

##### **B. Water Fund**

On January 28, 1997, the City executed a long-term water supply contract with the Village of Skokie, Illinois, to replace an expiring contract. The contract took effect on March 1, 1997 and continues in effect for a period of twenty years until February 28, 2017. The contract is renewable at ten-year intervals thereafter. Under the terms of the contract, Evanston is to supply Skokie sufficient potable Lake Michigan water to satisfy the maximum 24-hour demand for Lake Michigan water of the Village of Skokie system.

The City also provides potable Lake Michigan water to the Northwest Water Commission (NWWC) under a long-term water supply contract. Sale of potable water under this contract began on February 28, 1985 and continues until February 28, 2030. Under the terms of the current contract, Evanston is to supply the NWWC sufficient potable Lake Michigan water to satisfy the Commission's maximum 24-hour demands for Lake Michigan water for resale to the Commission's customers.

##### **C. Special Service District No. 4**

On August 13, 2007, the City Council adopted Ordinance No. 37-R-07 which extended the life of Special Service District No. 4 until December 31, 2019. Special Service District No. 4 comprises the central business district of the City. The special district was established for the purpose of providing funds for special maintenance and repair and for promotion and advertisement. The annual property tax levy for 2010 was \$406,122 which includes a loss & cost amount of \$8,122.

The ordinance also authorized the City to enter into an agreement with DOWNTOWN EVANSTON, an Illinois not-for-profit corporation to plan, implement, and manage the district.

## CITY OF EVANSTON, ILLINOIS

### Notes to the Financial Statements

For the Ten Months ended December 31, 2011

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#### NOTE 12. RISK MANAGEMENT - CLAIMS AND JUDGMENTS

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to the City's employees. The City maintains commercial all-risk property insurance to cover damage to City facilities and contents and other losses including business interruption and loss of rents. The coverage is subject to a deductible of \$50,000 for each loss and each location. The City also maintains crime and fidelity insurance coverage with a \$25,000 deductible to a limit of \$2,000,000. In addition, coverage is maintained for ambulance/paramedic liability and dental malpractice.

For workers' compensation, specific excess coverage in excess of \$500,000 per occurrence (except \$600,000 for Police, Fire and EMT) is purchased from a commercial insurance company. For general liability claims, the City retains risk of loss.

Workers' compensation and general liability risks are accounted for in the Insurance Fund. The fund was established on March 1, 1994 to administer general liability claims and workers' compensation programs on a cost-reimbursement basis. The fund accounts for the aforementioned liabilities of the City, but does not constitute a transfer of risk from the City.

The City records estimated liabilities for workers' compensation and for general claims. Claims liabilities are based on estimates of the ultimate cost of reported claims including future claim adjustment expenses.

The changes in the balances of claims liabilities during the past two fiscal periods are as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>	<u>Total</u>
<b>February 28, 2010</b>	\$ 4,542,080	\$ 631,288	5,173,368
New claims and/or estimate revisions	442,956	1,258,725	1,701,681
Claims payments	<u>(1,283,558)</u>	<u>(136,288)</u>	<u>(1,419,846)</u>
<b>February 28, 2011</b>	3,701,478	1,753,725	5,455,203
New claims and/or estimate revisions	225,374	2,694,999	2,920,373
Claims payments	<u>(705,471)</u>	<u>(214,559)</u>	<u>(920,030)</u>
<b>December 31, 2011</b>	<u>\$ 3,221,381</u>	<u>\$ 4,234,165</u>	<u>\$ 7,455,546</u>

## **CITY OF EVANSTON, ILLINOIS**

### **Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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#### **NOTE 13. CONTINGENCIES**

There are various claims and legal actions pending against the City for which provision has been made in the financial statements. At the present time, the City believes that the reserves established are sufficient so that the expected liability for these claims and legal actions will not materially exceed the amounts recorded in the financial statements. 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 the 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.

#### **NOTE 14. JOINT VENTURES**

##### **A. Solid Waste Agency of Northern Cook County**

On March 28, 1988, the Evanston City Council authorized agreements providing for the City's participation in the Solid Waste Agency of Northern Cook County (Agency) and in the interim financing of that Agency. The Agency was planned and developed by the Northwest Municipal Conference, of which the City is a member. The agency is empowered to plan, finance, construct, and operate a solid waste disposal system.

The Agency is a municipal joint action agency created as of May 2, 1988 under the provisions of the Intergovernmental Cooperation Act, 5 ILCS 220/3.2. The Agency consists of twenty-three municipalities. The Agency is governed by a Board of Directors consisting of one official selected by each member community who serves a two-year term. Each director has one vote. The Board of Directors determines the general policies of the Agency. The Executive Committee of the Agency consists of seven persons elected by the Board of Directors. Each person is entitled to one vote. The Executive Committee may take action not specifically reserved to the Board of Directors by the Act, the Agency agreement, or the bylaws.

The authority to designate management, influence operations, and formulate budgets rests with the Board of Directors and Executive Committee. No one member has the ability to significantly influence operations; therefore, the Agency is not a component unit of any other governmental reporting entity.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 14. JOINT VENTURES – Continued**

**A. Solid Waste Agency of Northern Cook County - Continued**

Under the 1992 project use agreement executed by the City with the Agency, the City's share of project costs, including debt service and disposal, is based on its share of deliveries to the Wheeling Transfer station for each year. The City does not control the Agency's fiscal management or operations nor is the City legally responsible for any more than its share of the Agency's debt or operating deficits, if any.

Summary of Financial Position as of April 30, 2011:

Current assets	\$ 6,843,409
Property, plant, and equipment	11,228,739
Debt issuance costs, net and other assets	<u>66,091</u>
Total assets	<u>\$ 18,138,239</u>
Current liabilities	\$ 5,164,235
Long-term debt, net of unamortized discount	4,788,844
Invested in capital assets, net of related debt	5,319,895
Restricted net assets	2,371,951
Unrestricted net assets	<u>493,314</u>
Total liabilities and fund equity	<u>\$ 18,138,239</u>

Summary of Revenues and Expenses for the Year Ended April 30, 2011:

Total revenues	\$ 14,270,755
Total expenses	<u>(14,183,633)</u>
Net income	<u>\$ 87,122</u>

Complete financial statements for the agency can be obtained at 2700 Patriot Blvd., Glenview, IL 60026.

## CITY OF EVANSTON, ILLINOIS

### Notes to the Financial Statements

For the Ten Months ended December 31, 2011

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#### NOTE 14. JOINT VENTURES – Continued

##### B. Evanston Housing Corporation

The City agreed to jointly participate with various lending institutions in a not-for-profit housing mortgage corporation by approval of the City Council on May 22, 1989. The purpose of the corporation is to lend mortgage funds to qualified, income eligible, first-time homebuyers in the City of Evanston.

The Corporation is governed by a Board of Directors of ten people, four of whom are selected by the City. The Board has the authority to approve the annual budget and to arrange for the management of the affairs of the Corporation. The City has no governing authority to influence actions of the Corporation. The City is not liable for payment of any debts of the Corporation.

The City of Evanston has advanced \$639,000 to the corporation under the notes due on or before November 30, 2034. The notes bear no interest. However, the City is entitled to a certain net sales consideration upon the sale or exchange of the mortgaged property, as well as a prorated portion of the investment income earned on the funds not loaned to mortgagees.

The financial institutions' funds are advanced under Non-Recourse Collateral Trust Notes. The notes are payable on or before November 30, 2029. Interest accrues based on interest earned from the mortgage notes receivable and investments, less expenses. Interest is paid semiannually to the holders on a pro-rata basis based on the amount of each note held to the total outstanding notes.

The audited financial statements of Evanston Housing Corporation for the year ended December 31, 2010 are summarized as follows:

Statement of Financial Position as of December 31, 2010:

Cash and cash equivalents	\$ 896,163
Mortgage loans receivable	<u>2,330,841</u>
Total assets	<u>3,227,004</u>
Payables and accrued expenses	163,004
Notes payable	<u>3,064,000</u>
Total liabilities	<u>3,227,004</u>
Net Assets	<u>\$ -</u>

(Note: December 31, 2010 is the most current information available.)

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 14. JOINT VENTURES – Continued**

**B. Evanston Housing Corporation - Continued**

Statement of Activities for the Year Ended December 31, 2010:

Total revenues	\$ 125,449
Total operating expenses	(125,449)
Excess of revenues over expenses	<u>\$ -</u>

(Note: December 31, 2010 is the most current information available.)

The City provides the Corporation with office space and staff support on a cost reimbursement basis. Complete financial statements for the Corporation can be obtained in the City's Community Development Department from the Assistant Director, Housing Rehabilitation and Property Standards.

**NOTE 15. DEFERRED COMPENSATION PLAN**

The City of Evanston offers its elected officials and employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the ICMA Retirement Corporation. The plan, available to all City employees, permits them to defer a portion of their current salary to all future years. The deferred compensation is not available to the participants until termination, retirement, death, or an unforeseeable emergency occurs.

The assets of the plan are held in Trust (ICMA Retirement Corporation Deferred Compensation Plan and Trust), with the City serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets cannot be diverted to any other purpose. The City's beneficial ownership of plan assets held in the ICMA Retirement Trust is held for the further exclusive benefit of the plan participants and their beneficiaries.

The City and its agent have no liability for losses under the plan, but do have the duty of care that would be required of an ordinary prudent investor.

Plan balance at December 31, 2011	<u>\$ 37,249,261</u>
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## **CITY OF EVANSTON, ILLINOIS**

### **Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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#### **NOTE 16. DEFINED BENEFIT PENSION PLANS**

The City maintains two separate single-employer retirement plans established by state statute for the City's police officers and firefighters. The City also participates in the Illinois Municipal Retirement Fund (IMRF), a statewide multiple-employer public employee retirement system which acts as investment and administrative agent. The IMRF plan covers substantially all of the City's employees other than police officers and firefighters.

The City created a special revenue fund, the Employer Pension Contribution Fund, to accommodate the Police and Fire pension accounting requirements. This fund recognizes the appropriate tax revenues for the City on behalf of the Pension Trust Funds and contributes those amounts into the Pension Trust Funds as the employer contribution.

The Employer Pension Contribution Fund is a special revenue fund and uses the modified accrual basis of accounting. The tax revenues are recognized when measurable and available. The expenditures are recorded when the liability is incurred.

#### **Illinois Municipal Retirement Fund**

##### **A. Plan Description**

The City and Township's defined benefit pension plan, IMRF, provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. IMRF is an agent multiple employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523, or by accessing their website at [www.imrf.org/pubs/pubs\\_homepage.htm](http://www.imrf.org/pubs/pubs_homepage.htm).

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The City and Township are required to contribute at an actuarially determined rate. The City's rate as of December 2010 was 9.36% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees.

In 2010, the Illinois Legislature passed Senate Bill 1946. The Bill modifies benefits for most Illinois public pension systems, including IMRF's regular plans. The provisions of the bill became effective January 1, 2011. The bill created a second tier for the employees starting on or after January 1, 2011. As a part of this bill, the vesting time for the second tier employees has been increased from eight to ten years. The bill also increased the age to receive full retirement benefits to 67 and reduced retirement benefit to age 62 from the current age of 60 and 55 respectively for each type of benefit. The final rate of earnings used to calculate a pension is also capped at \$106,800 as a part of pension reforms.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued**

**Illinois Municipal Retirement Fund - Continued**

**B. Funding Status and Progress**

The City's gross total payroll for the calendar ten months ended December 31, 2011 was \$51,483,448. Of this amount, \$32,270,312 in payroll earnings were reported to and covered by the IMRF system. The Township's total payroll for the year ended December 31, 2010 was \$334,330 which were reported to and covered by the IMRF plan.

As of December 31, 2011, the most recent actuarial valuation date, the City's Regular plan was 75.54% funded. The City's actuarial accrued liability for benefits was \$86,311,655 and the actuarial value of assets was \$65,199,440 resulting in an underfunded actuarial accrued liability (UAAL) of \$21,112,215. The covered payroll for the ten months ended December 31, 2011 (annual payroll of active employees covered by the plan) was \$32,270,312 and the ratio of the UAAL to the covered payroll was 65%.

As of December 31, 2010, the most recent valuation date, the Township's Regular plan was fully funded. The Township's actuarial accrued liability for benefits was \$305,956 and the actuarial value of assets was \$331,048 resulting in an overfunding of \$25,092. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$334,330.

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

**C. Annual Pension Cost**

For December 31, 2011, the employer's actual contributions for pension cost were \$3,020,501. Actual required contributions for calendar year 2011 was \$4,811,504. The required contribution was determined as part of the December 31, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year, depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor.

Three-Year Trend Information for IMRF - City

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/11	\$ 4,811,504	63%	\$ 3,247,991
12/31/10	4,914,570	70%	1,456,988
12/31/09	2,702,269	100%	-

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 16. DEFINED BENEFIT PENSION PLANS – Continued**

**Illinois Municipal Retirement Fund - Continued**

**C. Annual Pension Cost - Continued**

For December 31, 2010, the Township's annual pension cost of \$23,203 was equal to the Township's required and actual contributions. The required contribution was determined as part of the December 31, 2008 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor. The actuarial assumptions used to determine the actuarial accrued liability for 2010 are based on the 2007-2009 experience study.

Three-Year Trend Information for IMRF - Township

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/10	\$ 23,203	100%	\$ -
12/31/09	12,053	100%	-
12/31/08	13,371	100%	-

**Police and Firefighters' Pension Plans**

**D. Plan Descriptions**

The Police Pension Plan and Firefighters' Pension Plan are contributory, defined benefit public employee retirement plans administered by the City and a Board of Trustees for each Fund. All sworn City police officers and firefighters are participants in the plans. The plans do not issue stand-alone financial reports and they are not included in the report of a public employee retirement system or another entity. The City's payroll for police and firefighter employees covered by the plans for the ten months ended December 31, 2011 was \$11,502,613 and \$7,736,550 respectively.

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

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 16. DEFINED BENEFIT PENSION PLANS – Continued**

**Police and Firefighters' Pension Plans - Continued**

**D. Plan Descriptions - Continued**

Participation in the plans at December 31, 2011 was:

	<u>Police</u>	<u>Firefighters'</u>
Retirees, disabled participants, and beneficiaries of deceased retirees currently receiving benefits	167	138
Active plan members	<u>158</u>	<u>104</u>
Total	<u><u>325</u></u>	<u><u>242</u></u>

Any police officer or firefighter who has creditable service of 20 years or more, has reached age 50, and is no longer in the service, is entitled to a yearly pension equal to 50% of the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater, in the case of a police officer, and at the date of retirement in the case of a firefighter. The police officer pension is increased by 2.5% of such salary for each additional year of service over 20 years to a maximum limit of 75% of such salary. The firefighter pension is increased by 1/12 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.

	<u>Police</u> <u>Pension Fund</u>	<u>Firefighters'</u> <u>Pension Fund</u>
Actuarial assumptions:		
Investment rate of return	7.00%	7.00%
Projected salary increases	4.00%	4.00%
Attributable to inflation	2.50%	2.50%
Cost of Living Increases	3.00%	3.00%

## **CITY OF EVANSTON, ILLINOIS**

### **Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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#### **NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued**

##### **Police and Firefighters' Pension Plans - Continued**

###### **D. Plan Descriptions – Continued**

A police officer or firefighter who retires or is separated from service after accumulating at least eight years for a police officer and ten years for a firefighter, but less than 20 years of creditable service, will receive a monthly pension after attaining the age of 60 based on the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater, in the case of a police officer and at the date of retirement or separation in the case of a firefighter. The amount of the benefit is a tabular percentage of such salary ranging from 15% for 10 years of service to 50% for 20 years of service. These benefit provisions and all other requirements are established by state statute.

In 2010, the Illinois Legislature passed Senate Bill 1946. This bill modifies benefits for most Illinois public pension systems, including Police and Fire Pension plans. The provisions of the bill became effective January 1, 2011. The bill created a second tier for the employees starting on or after January 1, 2011. As a part of the bill, the vesting time for the second tier police employees has been increased from eight to ten years. The bill also increased the retirement age from 50 to 55. Accordingly, a police officer or firefighter from the second tier who retires or is separated from service after accumulating at least ten years for a police officer or a firefighter, but less than 20 years of creditable service, will receive a monthly pension after attaining the age of 60 based on the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater, in the case of a police officer and at the date of retirement or separation in the case of a firefighter. The amount of the benefit is a tabular percentage of such salary ranging from 15% for 10 years of service to 50% for 20 years of service. These benefit provisions and all other requirements are established by state statute.

###### **E. Summary of Significant Accounting Policies**

###### **Basis of Accounting**

The Police and Firefighters' Pension Fund financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized when due. Employer contributions to each plan are recognized when due, pursuant to formal commitment as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative cost for Police and Firefighters are financed by investment income.

###### **Method Used to Value Investments**

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued**

**Police and Firefighters' Pension Plans – Continued**

**F. Contributions and Reserves**

Employee contribution rates are established by statute at 9.91% of a police officer's salary and 9.46% of a firefighter's salary. Accumulated employee contributions for tier one employees are refunded if an employee leaves covered employment or dies before 8 years of credited service in the case of police officers and 10 years in the case of firefighters. But, in case of tier two employees who have started participating in the pension plans on or after January 1, 2011, contributions will be refunded if an employees leaves covered employment or dies before 10 years of credited service.

For employer contributions, the City's budget policy is to fund pension plans at the funding level recommended annually by the actuary. The General Fund is used to liquidate the net pension obligation.

The City's annual pension cost and net pension obligation to the Police and Firefighters' pension funds were obtained from the funds' most recent actuarial valuations as of December 31, 2011 are as follows:

	<u>Police</u>	<u>Firefighters'</u>
Annual required contribution	\$ 6,232,478	\$ 4,468,888
Interest on net pension obligation	876,109	592,589
Adjustment to annual required contribution	<u>(824,950)</u>	<u>(555,402)</u>
Annual pension cost	6,283,637	4,506,075
Contributions made	<u>(5,366,299)</u>	<u>(4,367,153)</u>
Increase (decrease) in net pension obligation	917,338	138,922
Net pension obligation at March 1, 2011	<u>12,515,848</u>	<u>8,465,557</u>
Net pension obligation at December 31, 2011	<u>\$ 13,433,186</u>	<u>\$ 8,604,479</u>

The difference between the total amount funded and the amount to be funded, as actuarially determined, is recorded as the net pension obligation in the general long-term debt schedule. The total pension liability calculated as the net pension liability dates forward from fiscal year 1987-88.

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued**

**Police and Firefighters' Pension Plans – Continued**

**G. Concentration of Investments**

The Police Pension Trust Fund had no significant investments (other than U.S. Government and U.S. Government-guaranteed obligations) in any one organization that represented 5% or more of net assets available for benefits. The only exception to the aforementioned is investments in FNMA (10%).

The Firefighters' Pension Trust Fund had no significant investments (other than U.S. Government and U.S. Government-guaranteed obligations) in any one organization that represented 5% or more of net assets available for benefits.

**H. Five-Year Trend Information – Pension Trust Funds**

	<u>Fiscal Period Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Police	12/31/11 (10 months)	\$ 6,283,638	85.40%	\$ 13,433,187
	2/28/11	8,933,767	91.65%	12,515,848
	2/28/10	7,914,901	104.71%	10,836,432
	2/28/09	7,233,096	115.50%	10,495,325
	2/29/08	6,789,705	91.52%	11,100,974
Firefighters'	12/31/11 (10 months)	4,506,075	96.92%	8,604,479
	2/28/11	7,216,303	92.18%	8,465,557
	2/28/10	6,441,073	102.37%	7,186,892
	2/28/09	5,928,290	115.77%	6,814,595
	2/29/08	5,575,720	98.27%	7,341,644

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

**NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued**

**Police and Firefighters' Pension Plans – Continued**

**I. Pensions - Detailed Statement of Net Assets**

	<u>Firefighters' Pension</u>	<u>Police Pension</u>	<u>Total Pension</u>
Assets			
Cash and short-term investments	\$ 3,572,681	\$ 3,211,981	\$ 6,784,662
Receivables			
Accrued interest	95,038	351,179	446,217
Due from other funds	<u>1,063,387</u>	<u>1,299,081</u>	<u>2,362,468</u>
Total Receivables	<u>1,158,425</u>	<u>1,650,260</u>	<u>2,808,685</u>
Investments, at fair value			
Common Stock	12,609,091	23,484,485	36,093,576
U.S. Government and agency obligations	13,458,693	27,897,001	41,355,694
Mutual funds	<u>24,101,512</u>	<u>16,375,844</u>	<u>40,477,356</u>
Total Investments	<u>50,169,296</u>	<u>67,757,330</u>	<u>117,926,626</u>
Total Assets	<u>54,900,402</u>	<u>72,619,571</u>	<u>127,519,973</u>
Liabilities			
Vouchers payable	<u>6,781</u>	<u>23,307</u>	<u>30,088</u>
Net assets held in trust for pension benefits	<u>\$ 54,893,621</u>	<u>\$ 72,596,264</u>	<u>\$ 127,489,885</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

**NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued**

**Police and Firefighters' Pension Plans – Continued**

**J. Pensions - Detailed Statement of Changes in Net Assets**

	<u>Firefighters' Pension</u>	<u>Police Pension</u>	<u>Total Pension</u>
Additions			
Contributions			
Employer	\$ 4,367,019	\$ 5,366,230	\$ 9,733,249
Plan members	742,350	1,149,735	1,892,085
Other-Donations, Legal Sett., Surplus Sales	134	69	203
Total Contributions	<u>5,109,503</u>	<u>6,516,034</u>	<u>11,625,537</u>
Investment income			
Net appreciation (depreciation) in fair value of investments	443,976	(1,208,517)	(764,541)
Interest	<u>835,335</u>	<u>2,268,478</u>	<u>3,103,813</u>
Total investment income	1,279,311	1,059,961	2,339,272
Less investment expense	<u>169,307</u>	<u>170,765</u>	<u>340,072</u>
Net investment income	<u>1,110,004</u>	<u>889,196</u>	<u>1,999,200</u>
Total Additions	<u>6,219,507</u>	<u>7,405,230</u>	<u>13,624,737</u>
Deductions			
Benefits	5,608,851	7,061,270	12,670,121
Refunds of contributions	-	128,188	128,188
Administrative expense	<u>75,857</u>	<u>85,022</u>	<u>160,879</u>
Total Deductions	<u>5,684,708</u>	<u>7,274,480</u>	<u>12,959,188</u>
Net increase	534,799	130,750	665,549
Net assets held in trust for pension benefits			
Beginning	<u>54,358,822</u>	<u>72,465,514</u>	<u>126,824,336</u>
Ending	<u>\$ 54,893,621</u>	<u>\$ 72,596,264</u>	<u>\$ 127,489,885</u>

**CITY OF EVANSTON, ILLINOIS**

**Notes to the Financial Statements**

For the Ten Months ended December 31, 2011

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**NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued**

**Police and Firefighters' Pension Plans – Continued**

**K. Pensions - Actuarial Valuations**

The information presented in the Notes to the Financial Statements was determined as part of the actuarial valuations at the dates specified. Additional information as of the latest actuarial valuation follows:

	<u>Firefighters' Pension Fund</u>	<u>Police Pension Fund</u>
Valuation date	March 1, 2011	March 1, 2011
Actuarial cost method	Entry-Age Normal	Entry-Age Normal
Amortization method	Level percent Closed	Level percent Closed
Remaining amortization period	22 Years , 4 months	22 Years, 4 months
Actuarial valuation method	5-year smoothed mkt.	5-year smoothed mkt.

**L. Funding Status and Progress**

As of March 1, 2011, the City's Police Pension plan was 45.76% funded. The City's actuarial accrued liability for benefits was \$156,201,256 and the actuarial value of assets was \$71,478,229 resulting in an underfunded actuarial accrued liability (UAAL) of \$84,723,027. The covered payroll for the ten months ended December 31, 2011 (annual payroll of active employees covered by the Police Pension Plan) was \$13,803,135 and the ratio of the UAAL to the covered payroll was 613.80%.

As of March 1, 2011, the City's Fire Pension plan was 45.55% funded. The City's actuarial accrued liability for benefits was \$119,011,406 and the actuarial value of assets was \$54,214,525 resulting in an underfunded actuarial accrued liability (UAAL) of \$64,796,881. The covered payroll for the ten months ended December 31, 2011 (annual payroll of active employees covered by the Fire Pension Plan) was \$9,283,861 and the ratio of the UAAL to the covered payroll was 697.95%.

**FORM OF LEGAL OPINION**

[PROPOSED FORM OF OPINION OF BOND COUNSEL]

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[DATED THE DATE OF CLOSING]

July 26, 2012

We hereby certify that we have examined certified copy of the proceedings (the “*Proceedings*”) of the City Council of the City of Evanston, Cook County, Illinois (the “*City*”) passed preliminary to the issue by the City of its fully registered General Obligation Corporate Purpose Bonds, Series 2012A (the “*Bonds*”), to the amount of \$15,720,000, dated the date hereof, denomination \$5,000 or authorized integral multiple thereof, due and payable serially on December 1 of the years and in the amounts and bearing interest at the rates percent per annum as follows:

YEAR	AMOUNT (\$)	RATE (%)	YEAR	AMOUNT (\$)	RATE (%)
2013	1,335,000	2.000	2023	765,000	3.000
2014	1,590,000	2.000	2024	790,000	3.000
2015	860,000	3.000	2025	810,000	3.000
2016	870,000	3.000	2026	475,000	3.000
2017	845,000	3.000	2027	490,000	3.000
2018	865,000	3.000	2028	505,000	3.000
2019	840,000	3.000	2029	520,000	3.000
2020	850,000	3.000	2030	535,000	3.125
2021	910,000	3.000	2031	555,000	3.250
2022	740,000	3.000	2032	570,000	3.250

Each of the Bonds bears interest from the later of its dated date as stated above or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of each such Bond, respectively, is paid or duly provided for, such interest (computed upon the basis of a 360-day year of twelve 30-day months) being payable on June 1 and December 1 of each year, commencing on June 1, 2013.

Those of the Bonds due on or after December 1, 2022, are subject to redemption prior to maturity at the option of the City as a whole or in part in any order of their maturity as determined by the City (less than all of the Bonds of a single maturity to be selected by lot), on December 1, 2021, or on any date thereafter, at the redemption price of par plus accrued interest to the redemption date, as provided in the Proceedings.

The Bonds have been issued for the purposes of (i) providing financing for certain public improvement projects within the City, (ii) making a deposit into certain debt service funds of the

City's Sewerage System for purposes of certain outstanding obligations on their respective scheduled payment dates, (iii) refunding certain outstanding obligation of the City for savings and (iv) paying for costs of issuance associated with the Bonds.

Based upon such examination, we are of the opinion that the Proceedings show lawful authority for the issuance of the Bonds under the laws of the State of Illinois now in force.

We further certify that we have examined the form prescribed for the Bonds and find the same in due form of law, and in our opinion the Bonds, to the amount named, are valid and legally binding upon the City, payable from any funds of the City legally available for the purpose, and all taxable property in the City is subject to the levy of taxes to pay the same without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

It is our opinion that, subject to the City's compliance with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "*Code*"), but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such City covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

In rendering this opinion, we have relied upon certifications of the City with respect to certain material facts within the City's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

**FORM OF CONTINUING DISCLOSURE UNDERTAKING**

## CONTINUING DISCLOSURE UNDERTAKING

### FOR THE PURPOSE OF PROVIDING CONTINUING DISCLOSURE INFORMATION UNDER SECTION (b)(5) OF RULE 15c2-12

This Continuing Disclosure Undertaking (the “*Agreement*”) is executed and delivered by City of Evanston, Cook County, Illinois (the “*City*”) in connection with the issuance of \$15,720,000 General Obligation Corporate Purpose Bonds, Series 2012A (the “*Bonds*”). The Bonds are being issued pursuant to an Ordinance, as adopted by the City Council of the City on July 9, 2012 (as supplemented by the Bond Order executed in connection therewith, the “*Ordinance*”).

In consideration of the issuance of the Bonds by the City and the purchase of such Bonds by the beneficial owners thereof, the City covenants and agrees as follows:

1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the City as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The City represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds.

2. DEFINITIONS. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

*Annual Financial Information* means the financial information and operating data described in *Exhibit I*.

*Annual Financial Information Disclosure* means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

*Audited Financial Statements* means the audited financial statements of the City prepared pursuant to the standards and as described in *Exhibit I*.

*Commission* means the Securities and Exchange Commission.

*Dissemination Agent* means any agent designated as such in writing by the City and which has filed with the City a written acceptance of such designation, and such agent’s successors and assigns.

*EMMA* means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

*Exchange Act* means the Securities Exchange Act of 1934, as amended.

*MSRB* means the Municipal Securities Rulemaking Board.

*Participating Underwriter* means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

*Reportable Event* means the occurrence of any of the Events with respect to the Bonds set forth in *Exhibit II*.

*Reportable Events Disclosure* means dissemination of a notice of a Reportable Event as set forth in Section 5.

*Rule* means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

*State* means the State of Illinois.

*Undertaking* means the obligations of the City pursuant to Sections 4 and 5.

3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Bonds as set forth in *Exhibit III*. The Final Official Statement relating to the Bonds is dated July 10, 2012 (the "*Final Official Statement*"). The City will include the CUSIP Number in all disclosure described in Sections 4 and 5 of this Agreement.

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 8 of this Agreement, the City hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in *Exhibit I*) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the City will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. REPORTABLE EVENTS DISCLOSURE. Subject to Section 8 of this Agreement, the City hereby covenants that it will disseminate in a timely manner (not in excess of ten business

days after the occurrence of the Reportable Event) Reportable Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Ordinance.

6. CONSEQUENCES OF FAILURE OF THE CITY TO PROVIDE INFORMATION. The City shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the City to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under this Agreement. The beneficial owners of 25% or more in principal amount of the Bonds outstanding may challenge the adequacy of the information provided under this Agreement and seek specific performance by court order to cause the City to provide the information as required by this Agreement. A default under this Agreement shall not be deemed a default under the Ordinance, and the sole remedy under this Agreement in the event of any failure of the City to comply with this Agreement shall be an action to compel performance.

7. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the City by ordinance authorizing such amendment or waiver, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including without limitation, pursuant to a “no-action” letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the City, or type of business conducted; or

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the City (such as the Bond Counsel).

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Reportable Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in

lieu of EMMA, the City shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

8. TERMINATION OF UNDERTAKING. The Undertaking of the City shall be terminated hereunder if the City shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Ordinance. The City shall give notice to EMMA in a timely manner if this Section is applicable.

9. DISSEMINATION AGENT. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

10. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Reportable Event, in addition to that which is required by this Agreement. If the City chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Agreement, the City shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event. If the City is changed, the City shall disseminate such information to EMMA.

11. BENEFICIARIES. This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the City, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

12. RECORDKEEPING. The City shall maintain records of all Annual Financial Information Disclosure and Reportable Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. ASSIGNMENT. The City shall not transfer its obligations under the Ordinance unless the transferee agrees to assume all obligations of the City under this Agreement or to execute an Undertaking under the Rule.

14. GOVERNING LAW. This Agreement shall be governed by the laws of the State.

CITY OF EVANSTON  
COOK COUNTY, ILLINOIS

By: \_\_\_\_\_

Its: Mayor

Address: 2100 Ridge Avenue  
Evanston, Illinois 60201

Date: July 26, 2012

## EXHIBIT I

### ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“*Annual Financial Information*” means financial information and operating data of the type contained in the Official Statement under the following captions:

1. All of the tables under the heading **FINANCES**
2. All of the tables under the heading **GENERAL OBLIGATION BONDED INDEBTEDNESS**
3. All of the table under the heading **REAL PROPERTY TAXATION**

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to EMMA or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available on EMMA; the Final Official Statement need not be available from the Commission. The City shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be submitted to EMMA by 210 days after the last day of the City’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

Audited Financial Statements will be prepared according to Generally Accepted Accounting Principles as applicable to governmental units (*i.e.*, as subject to the pronouncements of the Governmental Standards Accounting Board and subject to any express requirements of State law). Audited Financial Statements will be submitted to EMMA within 30 days after availability to City.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the City will disseminate a notice of such change as required by Section 4.

## EXHIBIT II

### EVENTS WITH RESPECT TO THE BONDS FOR WHICH REPORTABLE EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the City\*
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

NOTE: DO NOT DELETE ANY EVENT, EVEN IF IT IS INAPPLICABLE TO YOUR TRANSACTION.

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\* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

EXHIBIT III

CUSIP NUMBERS

(BASE NUMBER IS 299227)

YEAR	SUFFIX
2013	3V8
2014	3W6
2015	3X4
2016	3Y2
2017	3Z9
2018	4A3
2019	4B1
2020	4C9
2021	4D7
2022	4E5
2023	4F2
2024	4G0
2025	4H8
2026	4J4
2027	4K1
2028	4L9
2029	4M7
2030	4N5
2031	4P0
2032	4Q8