

NEW ISSUE
GLOBAL BOOK ENTRY
Series 2010A Bonds: Bank-Qualified
Series 2010B Bonds: Taxable

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 Series A Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. Interest on the Series B Bonds is not excludable from gross income of the owners thereof for federal income tax purposes. Interest on the Series A Bonds and Series B Bonds is not exempt from present State of Illinois income taxes. See "TAX TREATMENT" herein for a more complete discussion. The Series A Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "QUALIFIED TAX-EXEMPT OBLIGATIONS" herein.



City of Evanston
Cook County, Illinois

\$6,500,000 General Obligation Bonds, Series 2010A
\$8,000,000 Taxable General Obligation Bonds, Series 2010B

Dated: August 15, 2010

Due: December 1, as shown on inside cover

The \$6,500,000 General Obligation Bonds, Series 2010A (the "Series A Bonds") and the \$8,000,000 Taxable General Obligation Bonds, Series 2010B (the "Series B Bonds"), (collectively, the "Bonds"), 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 December 1, 2010. 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 Series 2010A 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.

Co-Financial Advisors: Public Financial Management, Inc.
Kathy Thomas Consulting LLC

Bond Registrar/Paying Agent: Wells Fargo Bank, N.A., Chicago, Illinois.

Delivery: Delivery of the Bonds is expected on August 30, 2010

The date of this Official Statement is August 16, 2010.

(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.)

Series A Bonds
Raymond James & Associates, Inc.

Series B Bonds
Baird

MATURITIES, RATES AND YIELDS

\$6,500,000 General Obligation Bonds, Series 2010A

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2011	\$ 240,000	2.000%	0.400%	299227 Z68
2012	300,000	2.000%	0.500%	299227 Z76
2013	305,000	2.000%	0.750%	299227 Z84
2014	305,000	2.000%	0.950%	299227 Z92
2015	--	--	--	
2016	310,000	2.000%	1.650%	299227 2A5
2017	320,000	2.500%	1.950%	299227 2B3
2018	325,000	2.500%	2.200%	299227 2C1
2019	335,000	2.750%	2.400%	299227 2D9
2020	345,000	2.750%	2.600%	299227 2E7
2021	355,000	2.750%	2.800%	299227 2F4
2022	370,000	3.000%	2.950%	299227 2G2
2023	380,000	3.500%	3.050%	299227 2H0
2024	395,000	3.500%	3.200%	299227 2J6
2025	410,000	3.500%	3.300%	299227 2K3
2026	425,000	3.500%	3.400%	299227 2L1
2027	440,000	3.500%	3.500%	299227 2M9
2028	460,000	3.500%	3.600%	299227 2N7
2029	480,000	3.625%	3.700%	299227 2P2

\$8,000,000 Taxable General Obligation Bonds, Series 2010B

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2011	\$ 695,000	1.000%	0.650%	299227 2Q0
2012	735,000	1.000%	1.000%	299227 2R8
2013	775,000	1.400%	1.400%	299227 2S6
2014	820,000	1.850%	1.850%	299227 2T4
2015	870,000	2.100%	2.100%	299227 2U1
2016	925,000	2.500%	2.500%	299227 2V9
2017	990,000	2.650%	2.650%	299227 2W7
2018	1,055,000	2.950%	2.950%	299227 2X5
2019	1,135,000	3.300%	3.300%	299227 2Y3

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 Underwriters. 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 UNDERWRITERS 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 UNDERWRITERS 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 st Ward	July Fiske
2 nd Ward	Lionel Jean-Baptiste
3 rd Ward	Melissa A. Wynne
4 th Ward	Donald N. Wilson
5 th Ward	Delores A. Holmes
6 th Ward	Mark Tendam
7 th Ward	Jane Grover
8 th Ward	Ann Rainey
9 th Ward	Coleen Burrus

CITY CLERK

Rodney Greene

CITY ADMINISTRATION

City Manager	Wally Bobkiewicz
Assistant City Manager/Treasurer	Martin Lyons
Director of Administrative Services	Joellen Earl
Corporation Counsel	Grant Farrar

PROFESSIONAL SERVICES

Bond Counsel

Chapman and Cutler LLP
Chicago, Illinois

Financial Advisors

Public Financial Management, Inc.
Kathy Thomas Consulting LLC
Chicago, Illinois

Auditor

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

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OFFICIAL STATEMENT

Relating to

CITY OF EVANSTON COOK COUNTY, ILLINOIS

\$6,500,000 General Obligation Bonds, Series 2010A
\$8,000,000 Taxable General Obligation Bonds, Series 2010B

INTRODUCTION

This Official Statement sets forth information concerning the offer by the City of Evanston, Cook County, Illinois (“City”), of the \$6,500,000 General Obligation Bonds, Series 2010A (the “Series A Bonds”) and the \$8,000,000 Taxable General Obligation Bonds, Series 2010B (the “Series B Bonds”), (collectively 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 August 9, 2010 (the “Bond Ordinance”) as supplemented by a Bond Order dated August 16, 2010 executed by the City (the “Bond Order”).

The Bonds are 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 2000 of 74,239, 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 Series A Bonds are being issued to pay for public improvements within the City and for costs of issuance. The Series B Bonds are being issued to pay the City’s obligation to the Illinois Municipal Retirement Fund (the “IMRF”) for the Early Retirement Incentive (“ERI”) plan adopted by the City on August 14, 2007, and for costs of issuance.

SOURCES AND USES OF FUNDS

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

<u>Estimated Sources:</u>	<u>Series A Bonds</u>	<u>Series B Bonds</u>	<u>Total</u>
Par Amount	\$ 6,500,000.00	\$ 8,000,000.00	\$ 14,500,000.00
Net Original Issue Premium	101,433.55	3,023.25	104,456.80
Est. Interest Earnings	8,000.00	--	8,000.00
Total Sources of Funds	<u>6,609,433.55</u>	<u>8,003,023.25</u>	<u>14,612,456.80</u>
<u>Estimated Uses:</u>			
Project Costs	\$ 6,537,800.00	--	\$ 6,537,800.00
ERI Payment	--	\$ 7,932,375.75	7,932,375.75
Est. Cost of Issuance	71,633.55	70,647.50	142,281.05
Total Uses of Funds	<u>6,609,433.55</u>	<u>8,003,023.25</u>	<u>14,612,456.80</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 Series A Bonds (the "Series A Debt Service Fund") and for the Series B Bonds (the "Series B Debt Service Fund").

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 August 15, 2010. 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 December 1, 2010.

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 15th day of the month preceding any interest payment date. 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. See "Book-Entry-Only System" herein.

Optional Redemption

Series A Bonds maturing on December 1, 2020, and thereafter are subject to redemption prior to maturity at the option of the City on December 1, 2019 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.

Series B Bonds maturing on December 1, 2018, and thereafter are subject to redemption prior to maturity at the option of the City on December 1, 2017 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 Paying Agent.

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 Standard & Poor’s highest rating: AAA. 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 and www.dtc.org.

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 Underwriters 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 Obligations 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 Obligations are delivered. Such Undertaking will be in substantially the form attached hereto as Appendix C. The City has not failed to comply in all material respects with any undertakings previously entered into under the Rule to provide annual reports or notices of material events. A failure by the City to comply with the Undertaking will not constitute an event of default on the Obligations (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 Obligations in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Obligations and their market price.

On December 8, 2008, the Securities and Exchange Commission (the "Commission") approved an amendment to the Rule designating the MSRB as the central repository to continuing disclosure by state and local government debt issuers, including the City. Under a separate MSRB rule change, the MSRB designated its Electronic Municipal Market Access ("EMMA") system as the system to be used for continuing disclosures to investors. The Commission and MSRB rule changes took effect on July 1, 2009. As a result, the City will be required to file its continuing disclosure information using the EMMA system. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

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

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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

Due to the strong and versatile economic growth from 1999-2008 the City has been able to maintain a high level of economic stability since the economic recession that began in October 2008.

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 at "Real Property Taxation") growth in the City has grown from \$1.26 billion in 1998 to \$2.93 billion in 2008, representing more than 133% in growth. Evanston's prudent use of TIF development has added significantly to this growth and its recently dissolved Downtown II TIF grew by over \$143 million from its inception in 1985. The Washington National TIF grew by more than \$66 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 797 (full-time equivalent) employees and include Police: Teamsters Local 714 (expires 2/29/2012); Firefighters: Evanston Firefighters Association, Local 742 of the International Association of Firefighters (AFL-CIO-CLC) (expired 2/28/2010); Public Works: American Federation of State County and Municipal Employees, Council 31 of the AFL-CIO, Evanston City Employees Union Local 1891 A (expired 2/29/2012); Police Sergeants: Evanston Police Sergeants Association, affiliated with the Illinois Fraternal Order of Police Labor Council (expires on 2/28/2011).

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

	2008	2000	2008	2000	2008 ⁽¹⁾	2000 ⁽¹⁾
	Median Family	Median Family	Per Capita	Per Capita	Median Home	Median Home
	<u>Income</u>	<u>Income</u>	<u>Income</u>	<u>Income</u>	<u>Value</u>	<u>Value</u>
City of Evanston	\$ 103,620	\$ 78,886	\$ 42,481	\$ 33,645	\$ 416,000	\$ 290,800
Cook County	65,587	53,784	29,299	23,227	280,300	157,700
State of Illinois	68,296	55,545	28,820	23,104	208,000	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>2008*</u>	<u>2000</u>	<u>2008*</u>	<u>2000</u>	<u>2008*</u>	<u>2000</u>
Median Home Value ⁽¹⁾	\$ 416,000	\$ 290,800	\$ 280,300	\$ 157,700	\$ 208,000	\$ 130,800
Number of Single Family Homes ⁽¹⁾	16,729	9,597	1,198,229	816,532	3,315,284	2,470,338
Percent of Homes Valued:						
Under \$50,000	0.40%	0.30%	1.90%	1.90%	6.30%	9.30%
\$50,000-\$100,000	0.50%	3.00%	3.70%	17.30%	13.50%	26.40%
\$100,000-\$150,000	3.60%	11.20%	8.80%	26.80%	13.70%	23.60%
\$150,000-\$200,000	7.20%	14.90%	13.60%	22.50%	14.40%	17.40%
\$200,000-\$300,000	15.70%	22.40%	26.50%	18.10%	21.40%	14.00%
Above \$300,000	72.60%	48.20%	45.50%	13.40%	30.70%	9.40%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.10%</u>

(1) Single Family Owner Occupied Units Only

* 2008 inflation adjusted. Based on 2006/2008 American Community Survey estimates which are based on data collected over a 3-year time period. The estimates represent the average characteristics of population and housing between January 2006 and December 2008 and do not represent a single point in time.

Source: U.S. Census Bureau

City of Evanston – Age of Housing Structures
(as of 2000 U.S. Census)

<u>Years Built</u>	<u>Number</u>	<u>Percentage</u>
1939 or Earlier	14,298	46.4%
1940 to 1959	8,986	29.2%
1960 to 1969	3,755	12.2%
1970 to 1979	1,930	6.3%
1980 to 1989	734	2.4%
1990 to 1994	394	1.3%
1995 to 1998	644	2.1%
1999 to Mar-00	76	0.2%
Total	30,817	100.0%

Source: U.S. Census Bureau

Education and Employment

Census data from 2000 reflects that over 62% of adult residents of Evanston have four or more years of college, compared to 26% 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%		
High school graduate	4,932	10.40%		91.40%
9th to 12th grade, no diploma	2,483	5.20%		
Less than 9 th grade	1,599	3.40%		
Total	47,326	100.00%		

Source: U.S. Census Bureau

The following chart shows the proportion of Evanston residents holding various job categories. Consistent with the high average level of educational attainment, over 60% of job holders who are Evanston residents work in professional or managerial jobs, as compared to 28.8% in the six-county Chicago region and 26.5% statewide.

Select Occupation Categories

<u>Type of Occupations</u>	<u>Number</u>	<u>Percentage</u>
Management, professional and related	23,199	60.7%
Service occupations	3,477	9.1%
Sales and office occupations	8,540	22.3%
Farming, fishing and forestry	7	0.0%
Construction, extraction and maintenance	1,066	2.8%
Production, transportation, material moving	1,931	5.1%
Total	38,220	100.0%

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>
City of Evanston	73,233	74,239
Cook County	5,105,067	5,376,741
State of Illinois	11,430,602	12,419,293

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 1.70 over the past decade.

Ten Year History State Sales Tax Receipts

<u>FY Ended</u>	Home Rule		<u>Annual</u>	<u>Increase</u>
	<u>Annual</u>	<u>Increase</u>		
2000	\$ 3,855,792	147.60%	\$ 7,060,151	4.67%
2001	3,922,296	1.72%	7,742,807	9.67%
2002	4,792,114	22.18%	7,517,415	(2.91%)
2003	5,577,088	16.38%	8,215,766	9.29%
2004	5,499,126	(1.40%)	7,922,537	(3.57%)
2005	5,594,134	1.73%	8,389,985	5.90%
2006	5,611,780	0.32%	8,484,692	1.13%
2007	5,651,328	0.70%	8,895,104	4.84%
2008	5,911,796	4.61%	9,237,337	3.85%
2009	5,572,880	(5.73%)	8,857,994	(4.11%)

Compounded 10-Year Annual Growth Rate: 1.70%

Building Activity – Value of Permits

<u>Calendar Year</u>	<u>Value of All Building Permits</u>
2009	\$ 105,958,715
2008	77,836,668
2007	347,638,462
2006	180,781,107
2005	240,769,623
2004	237,000,000
2003	165,664,615
2002	118,610,929

Replacement Taxes

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$ 1,171,440
2009	1,410,830
2008	1,609,337
2007	1,460,003
2006	1,313,549

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	8,766
Evanston Northwestern Healthcare	Administrative and general hospital	4,000
Evanston School District 65	Elementary school	1,599
St. Francis Hospital	General hospital	1,225
City of Evanston	Local government	980
Presbyterian Homes/McGaw Care Center	Retirement/nursing homes	611
Evanston School District 202	Public high school	559
Rotary International	Non-profit service organization	525
C.E. Neihoff & Co.	Manufacturing	450
Mather Lifeways	Retirement/nursing homes	421

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.

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
City of Evanston	5.0%	5.0%	3.5%	3.7%	4.7%	7.3%
Cook County	6.6%	6.5%	4.7%	5.1%	6.5%	10.3%
State of Illinois	6.2%	5.7%	4.5%	5.0%	6.4%	10.1%

FINANCES

Budget Process, Accounting and Financial Control Procedures

The City's fiscal year ("FY") begins on March 1 of each year. The City Manager submits to the City Council a proposed operating budget in December for the FY commencing the following March 1. 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 2010/11 the City projects that 38.6% (\$86.9 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 FY 2009-10 Budget and has previously received the award for over 13 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 29, 2009, 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 FY 2008/09. Copies of the City's audited financial statements for the fiscal year ended February 28, 2009 (most recent available) are available from the Administrative Services Department of the City. Excerpts of the audited financial statements for the fiscal year ended February 28, 2009, 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. Over 90% of General Fund investments (approximately \$11.9 million as of February 29, 2009) are invested in United States government, United States agency obligations and money market funds. 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 \$8.9 million, and the home rule sales tax produced \$5.6 million in FY 2008/09.

Utility Taxes

The City collects utility taxes on natural gas, electricity and telephone charges. Utility taxes generated \$8.8 million in FY 2008/09. This compares to \$8.5 million in FY 2007/08.

FY 2010/11 Budget

Overview of Budget for Fiscal Year 2010/2011

The total budget of the City for FY 2010/11 is \$224.4 million. This represents a decrease of 4.0% over the FY 2009/10 budget.

General Fund

The General Fund budget for FY 2010/11 is \$86.6 million, a 3.4% decrease over the prior FY. The current City budget provides for 797 employees (full-time equivalent or "FTE"), of whom 698 are budgeted in the General Fund. The City's head count decreased by a net of 45 FTEs. A total of 72.5 positions are budgeted in departments funded by enterprise revenues such as water, sewer and parking.

The largest single expenditure in the General Fund is for public safety. The City employs 106 fire fighters in five stations and earns an ISO rating of "Class 3." The police department has 214.5 FTE employees, 164 of whom are police officers.

Revenues

Property Tax: The total property tax levy is \$40.2 million. This is an increase of \$1.2 million or 3.2%. The General Fund portion decreased from \$16.6 million to \$16.3 million as a result of cost cutting initiatives and enhanced revenues from other sources. The property tax continues to make up the largest percentage of City tax revenues.

State Sales Tax: General Fund revenue from the State sales tax is expected to generate \$8.9 million in FY 2010/11, a decrease of \$.3 million over the FY 2009/10 amount.

Home Rule Sales Tax: This source is expected to decrease to \$5.5 million in FY 2010/11 from \$5.8 million for FY 2009/10.

State Income Tax: State income tax revenues are expected to decrease by 18.9% in FY 2010/2010, bringing the expected revenue to \$5.7 million.

Utility Taxes: Revenues from utility taxes are comprised of electric, natural gas and telecommunications taxes. For FY 2010/11, utility taxes are projected to total \$8.5 million, which is a decrease of \$674,000 or 7.3%.

Real Estate Transfer Tax: Real estate transfer tax revenue is expected to generate \$1.6 million, an increase of \$100,000 over actual FY 2009-2010 receipts.

Vehicle Licenses: Vehicle license revenue is expected to general \$2.7 million which is no change from the prior year. This revenue source is considered to be relatively insulated from economic fluctuations.

Other Licenses, Permits, and Fees: Total licenses, permits, and fees are expected to generate \$5.6 million in revenues for FY 2010/11, a decrease of \$645,000 from FY 2009/10 due to lower building permit value activity.

Fines and Forfeitures: Parking ticket, regular and other fine revenues are expected to increase by \$147,000 to \$4.4 million in FY 2010/11. This increase is primarily attributed to an increase in the collection rate of fines as a result of utilizing an external Citation Management System.

Service Charges: Services charges, which includes recreation program fees, garbage pickup, dental clinic fees, and ambulance usage, to name a few, is expected to increase \$728,000, from \$8.7 million to \$9.4 million. This increase is primarily due to an increase in recycling service charge fees.

State and Federal Aid: State and federal aid revenues are expected to decrease by \$160,100 in FY 2010/11 as a result of normal fluctuations in this type of revenue.

Other Funds

Motor Fuel Tax Fund: Spending for the fund is budgeted at \$2.6 million in FY 2010/11. This is an increase of \$450,000 from the FY 2009/10 budget.

Emergency Telephone System Fund: Revenues for this fund are derived from the \$1.50 Enhanced 911 Surcharge and a share of the State wireless surcharge. Budgeted expenditures for FY 2010/11 are \$2.6 million, an increase of \$1.4 million nearly all of which will be spent on the rehabilitation of the E911 Center at the Evanston Police Department Headquarters.

Special Service District #4: This accounts for services such as promotion, advertisement and other public services of the district's territory as managed by EvMark, an Illinois not-for-profit corporation. FY 2010/11 budgeted expenditures for this fund are \$378,000.

Community Development Block Grant Fund: This accounts for funds granted from the U.S. Department of Housing and Urban Development. The amount for FY 2010/11 is \$2.0 million for Community Development related programs, a decrease of \$9,113 from FY 2009/10.

Economic Development Fund: Expenditures from the Economic Development Fund are budgeted to be \$1.8 million for FY 2010/11. Revenues for this fund are generated from the Hotel and Amusement Taxes and are projected to be \$1.8 million for FY 2010/2011.

Affordable Housing Fund: The fund supports housing related programs as adopted by the City Council. The FY 2010/11 budgeted expenditures are \$322,000 a decrease of \$84,000.

Washington National Special Tax Allocation Debt Service Fund: This fund accounts for the payment of general obligation debt issued for this tax increment financing district. The district is bounded by Church Street on the North, Davis Street on the South, and Chicago Avenue on the East. FY 2010/11 budgeted expenditures are \$4.4 million, an increase of \$1.0 million from last year. The increase is primarily due to this TIF Fund assisting with the Sherman Garage with debt payments.

Special Service Area # 5 Fund: Adopted by the City Council on June 27, 1994, Special Service District #5 includes the City of Evanston downtown business district. FY 2010/11 budgeted expenditures for this fund total \$438,062. This is a slight increase of \$4,749.

Southwest II Special Tax Allocation Debt Service Fund: Better known as the Howard/Hartrey District, the district consists of a 23 acre site located at 2201 Howard Street. A decrease of \$27,753 in projected expenditures brings the FY 2010/11 budget for this fund to \$816,653.

Southwest Special Tax Allocation Debt Service Fund: This Tax Increment District consists of 12 acres of land bounded by Main Street, Pitner Avenue and the North Shore Channel. Budgeted expenditures for FY 2010/11 will be \$864,100, an increase of \$839,978 due to a new intergovernmental agreement expenditure previously budgeted in the Downtown II TIF.

Debt Service Fund: The property tax levy reported in this budget is stated on the full accrual basis. The property tax revenue represents the 2009 levy, almost all of which will be collected in the FY 2010/11. The expenditures for the general obligation bonds represent debt service payments due in FY 2010/11.

Howard-Ridge Tax Increment Finance District Fund: The City Council adopted the Howard-Ridge TIF District on January 26, 2004. The TIF District is generally bounded on the north by various parcels that front Howard Street and Chicago Avenue, on the east by the City of Evanston's boundaries and the CTA Red Line, on the south by City Boundaries and on the west by Ridge Avenue. The TIF District contains mixed residential uses, retail/commercial properties and institutional uses. Total operating expenditures budgeted are \$120,400 which is a decrease of \$16,000 from the prior year amount.

West Evanston Tax Increment Finance District Fund: The City Council adopted the West Evanston TIF District on September 2005. The TIF District is generally bound on the north by Emerson Street and by various parcels that front Church Street, on the east by parcels that front Florence Avenue and Dodge Avenue, on the south by Dempster Street properties that front Dempster Street and Greenleaf Street and on the west by the City of Evanston's border, properties that front Hartrey Avenue and the property that fronts the west side of Dodge Avenue. The TIF District contains mixed residential uses, retail, commercial and industrial and institutional uses. Total operating expenditures budgeted are \$515,000 which is an increase of \$440,000 from the prior year amount due to additional capital projects budgeted.

Special Assessment Fund: This Fund serves as the collection center for special assessments by residential homeowners for their share of the cost for alley paving. Total operating expenditures budgeted are \$797,659 which is a \$1.2 million decrease due to much lower capital (alley paving) costs budgeted.

Garages and Parking Funds: This Fund covers the operations of three separate City owned garages plus several lots and metered spaces. Total operating expenditures budgeted are \$11.4 million which is a \$10.4 million decrease from the prior year. This difference is primarily due to a prior year balloon debt payment.

Water Fund: The Water Fund is budgeted to have total expenses of \$20.1 million in FY 2010/11 which represents an increase of \$1.6 million or 8.4%.

Sewer Fund: Budgeted expenditures for FY 2010/11 are projected to be \$17.5 million. This is an increase of \$360,520 or 2.0%.

Fleet Services Fund: Budgeted expenditures for FY 2010/11 are \$4.9 million. This is a decrease of \$1,017,140 or 17.2%.

Insurance Fund: FY 2010/11 budgeted expenditures for the Insurance Fund are \$15.9 million, an increase of \$13.4 million over FY 2009/10. The reason for this dramatic increase is primarily due to a change in accounting methods whereas health insurance premiums are now paid directly out of this Fund with “chargebacks” made back to the operating units for this expense.

Fire Pension Fund: Every Illinois municipality having a population of not less than 5,000 and not more than 500,000 must have a Fire Pension Fund as required per Illinois Pension Code 40 ILCS 5/4. The actuarially required contribution for FY 2010/11 is \$6.4 million.

Police Pension Fund: Every Illinois municipality of not less than 5,000 and not more than 500,000 people must have a Police Pension Fund as required per Illinois Pension Code 40 ILCS 5/3. The actuarially required contribution for FY 2010/11 is \$7.8 million.

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Summary of Financial Information

The following summary of financial information is taken from audited financial statements of the City for FY 2005/06 through FY 2008/09. This summary does not purport to be complete. Reference should be made to excerpts of the audited financial statements for FY 2008/09 in 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 February 28, 2009

Assets:	FY2005	FY2006	FY2007	FY2008	FY2009
Cash and Investments	\$12,002,436	\$17,924,193	\$16,861,003	\$15,755,277	\$11,615,911
Property Taxes Receivable	14,213,232	14,226,522	15,326,039	15,381,869	14,995,648
Due From Other Governments	5,854,693	6,063,406	5,817,766	6,846,587	5,856,040
Due From Other Funds	2,407,301	1,480,988	97,762	623,615	290,877
Utility Tax Receivable	829,984	--	--	--	--
All Other Assets	1,324,013	1,694,667	2,117,205	1,745,729	2,815,290
Total Assets	36,631,659	41,389,776	40,219,775	40,353,077	35,573,766
Liabilities and Fund Balance:					
Vouchers Payable	1,821,377	2,450,860	2,762,061	1,737,365	2,517,228
Due To Other Funds/Governments	591,607	2,936,422	33,187	186,480	133,437
Accrued Payroll	952,730	1,268,681	1,504,581	2,016,915	2,366,980
Compensated Absences Payable	452,081	338,417	162,370	611,907	80,963
Deferred Revenue	9,489,038	9,427,384	9,437,191	9,674,201	9,205,702
All Other Liabilities	167,243	136,458	127,220	178,694	242,640
Total Liabilities	13,474,076	16,558,222	14,026,610	14,405,562	14,546,950
Fund Balance:					
Reserved	7,947,852	6,027,420	1,327,291	1,107,516	1,274,562
Unreserved – Designated	318,496	320,196	5,426,091	5,426,091	5,426,913
Unreserved – Undesignated	14,891,235	18,483,938	19,439,783	19,413,908	14,325,341
Total Fund Balance	23,157,583	24,831,554	26,193,165	25,947,515	21,026,816
Total Liabilities and Fund Balance	\$36,631,659	\$41,389,776	\$40,219,775	\$40,353,077	\$35,573,766

Sources: City of Evanston, Illinois; CAFR for FY 2004/05 through 2008/09.

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual (Budgetary Basis) ¹
Year Ended February 28, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue			
Taxes	\$41,812,900	\$40,274,141	(\$1,538,759)
Licenses and Permits	8,683,800	8,820,280	136,480
Intergovernmental	16,533,300	16,391,753	(141,547)
Charges for Services	8,427,100	8,399,042	(28,058)
Fines	4,341,400	4,442,282	100,882
Interest	550,000	240,988	(309,012)
Miscellaneous	8,304,500	3,980,418	(4,324,082)
Total Revenues	<u>88,653,000</u>	<u>82,548,904</u>	<u>(6,104,096)</u>
Expenditures			
General Management and Support	14,264,881	12,703,911	1,560,970
Public Safety	37,230,000	38,453,815	(1,223,815)
Public Works	16,365,400	16,317,586	47,814
Health and Human Resources Development	4,074,200	3,745,632	328,568
Recreation and Cultural Opportunities	18,854,000	18,450,868	403,132
Housing and Economic Development	3,584,200	3,301,478	282,722
Total Expenditures	<u>94,372,681</u>	<u>92,973,290</u>	<u>1,399,391</u>
Excess / (Deficiency) of Revenues Over Expenditures	<u>(5,719,681)</u>	<u>(10,424,386)</u>	<u>(4,704,705)</u>
Other Financing Sources (Uses)			
Operating transfers in (out)			
Motor Fuel Tax Fund	772,500	772,500	--
Housing Fund	24,000	24,000	--
Downtown TIF Debt Service Fund	325,000	325,000	--
Washington National TIF Debt Service Fund	151,900	151,900	--
Howard Hartrey Debt Service	141,600	141,600	--
Southwest TIF I Debt Service Fund	24,100	24,100	--
Howard Ridge TIF	120,400	120,400	--
Capital Improvement Fund	300,000	300,000	--
Parking Fund	777,500	777,500	--
Water Fund	2,778,600	2,778,600	--
Issuance of Debt	304,081	304,081	--
	<u>5,719,681</u>	<u>5,719,681</u>	<u>--</u>
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>--</u>	<u>(4,704,705)</u>	<u>(4,704,705)</u>
Fund Balance			
Beginning of Year		<u>34,614,837</u>	
End of Year		<u>\$29,910,132</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 Budget versus Actual operations on a budgetary basis of accounting.

Sources: City of Evanston, Illinois; CAFR for the year ended February 28, 2009

General Fund
Statement of Fund Operations
GAAP Basis ¹
Audited Fiscal Years Ending February 28, 2009

Revenues:	2005	2006	2007	2008	2009
Taxes	\$38,779,313	\$41,910,555	\$42,264,921	\$42,893,729	\$40,173,003
Licenses and Permits	6,773,407	9,164,065	8,060,996	10,275,694	8,820,280
Intergovernmental	14,732,805	15,254,462	16,338,153	17,582,733	16,391,753
Charges for Services	6,052,956	6,904,796	7,167,364	7,732,399	8,399,042
Fines and Forfeits	3,999,105	3,781,020	4,029,228	4,660,258	4,442,282
Investment Income	192,461	575,281	777,165	623,865	240,988
Miscellaneous	8,102,267	4,387,070	4,949,769	2,998,910	3,980,418
Total	<u>78,632,314</u>	<u>81,977,249</u>	<u>83,587,596</u>	<u>86,767,588</u>	<u>82,447,766</u>
Expenditures:					
General Management and Support	12,397,917	13,905,339	12,829,182	15,396,084	12,709,098
Public Safety	28,730,903	29,912,381	30,272,639	32,460,477	38,453,587
Public Works	12,070,461	11,687,269	12,436,547	16,176,198	16,393,126
Health & Human Resource Dev.	5,200,662	4,565,684	5,049,621	4,182,385	3,745,632
Housing & Economic Dev.	2,928,285	2,904,682	3,093,676	3,486,934	3,301,478
Recreation & Cultural Opportunities	15,389,468	16,408,586	16,681,579	18,191,253	18,485,225
Pension – IMRF	1,371,992	4,627,930	5,645,241	--	--
Total	<u>78,089,688</u>	<u>84,011,871</u>	<u>86,008,485</u>	<u>89,893,331</u>	<u>93,088,146</u>
Transfers In	4,264,000	4,966,843	4,257,500	4,832,493	5,415,600
Transfers Out	(689,560)	(1,258,250)	(475,000)	(1,952,400)	--
Issuance of Debt	--	--	--	--	304,081
Fund Balance, Beginning of Year	<u>19,040,517</u>	<u>23,157,583</u>	<u>24,831,554</u>	<u>26,193,165</u>	<u>25,947,515</u>
Fund Balance, End of Year	<u>\$23,157,583</u>	<u>\$24,831,554</u>	<u>\$26,193,165</u>	<u>\$25,947,515</u>	<u>\$21,026,816</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 FY 2004/05 through FY 2008/09.

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 ¹	\$49,410,755	\$119,852,896	\$70,442,141	41.23%
Police ¹	66,514,296	154,971,310	88,457,014	42.92%
IMRF ²	<u>44,075,583</u>	<u>72,888,719</u>	<u>28,813,136</u>	<u>60.47%</u>
All Funds Combined	<u>\$160,000,634</u>	<u>\$347,712,925</u>	<u>\$187,712,291</u>	<u>46.02%</u>

(1) Data as of 3/1/2009

(2) Data as of 12/31/2008

Sources: City of Evanston, Illinois; CAFR and Pension Fund Annual Actuarial Valuation as of March 1, 2009.

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.

General Obligation Debt by Issue

<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	\$ 20,250,000	01/01/2022	5.00% - 5.25%	\$ 5,520,000
06/01/2003	Bonds, Series 2003B	11,485,000	01/01/2015	3.10% - 3.50%	3,145,000
05/01/2004	Bonds, Series 2004	13,355,000	12/01/2023	4.00% - 5.00%	12,640,000
07/15/2004	Ref. Bonds, Series 2004B	11,730,000	12/01/2017	3.75% - 5.25%	7,460,000
07/28/2005	Ref. Bonds, Series 2005	29,270,000	12/01/2025	4.00% - 5.00%	25,195,000
07/19/2006	Bonds, Series 2006	10,290,000	12/01/2026	3.95% - 5.00%	9,930,000
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%	25,015,000
05/07/2008	Ref. Bonds, Series 2008A	3,800,000	12/01/2021	3.00% - 5.00%	3,605,000
05/07/2008	Ref. Bonds, Series 2008B	27,755,000	12/01/2018	3.00% - 5.00%	16,435,000
05/07/2008	Bonds, Series 2008C	12,395,000	12/01/2028	3.00% - 5.00%	11,970,000
12/10/2008	Ref. Bonds, Series 2008D	19,015,000	12/01/2016	3.25% - 5.00%	16,125,000
Subtotal					<u>\$ 151,470,000</u>
08/15/2010	Bonds, Series 2010A	6,500,000	12/01/2029	2.00% - 3.625%	6,500,000
08/15/2010	Taxable Bonds, Series 2010B	8,000,000	12/01/2019	1.00% - 3.30%	8,000,000
Subtotal					<u>\$ 14,500,000</u>
TOTAL					<u><u>\$ 165,970,000</u></u>

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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 <u>Ending</u>	Outstanding G.O. Debt		The Bonds		Total <u>Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2/28/2012	\$ 12,435,000	\$ 6,648,400	935,000	366,665	\$ 20,385,065
2/28/2013	13,025,000	6,156,185	1,035,000	354,915	20,571,100
2/28/2014	14,215,000	5,669,665	1,080,000	341,565	21,306,230
2/28/2015	12,800,000	5,110,943	1,125,000	324,615	19,360,558
2/28/2016	13,135,000	4,534,383	870,000	303,345	18,842,728
2/28/2017	11,885,000	3,987,958	1,235,000	285,075	17,393,033
2/28/2018	11,070,000	3,450,388	1,310,000	255,750	16,086,138
2/28/2019	11,380,000	2,964,365	1,380,000	221,515	15,945,880
2/28/2020	9,570,000	2,425,358	1,470,000	182,268	13,647,625
2/28/2021	6,030,000	2,000,620	345,000	135,600	8,511,220
2/28/2022	6,365,000	1,725,213	355,000	126,113	8,571,325
2/28/2023	6,585,000	1,430,681	370,000	116,350	8,502,031
2/28/2024	5,395,000	1,119,956	380,000	105,250	7,000,206
2/28/2025	4,520,000	864,981	395,000	91,950	5,871,931
2/28/2026	3,545,000	647,031	410,000	78,125	4,680,156
2/28/2027	3,720,000	475,750	425,000	63,775	4,684,525
2/28/2028	2,890,000	289,750	440,000	48,900	3,668,650
2/28/2029	1,980,000	145,250	460,000	33,500	2,618,750
2/28/2030	925,000	46,250	480,000	17,400	1,468,650
Total	151,470,000	49,693,125	14,500,000	3,452,675	219,115,800

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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 Ending	Outstanding G.O. Debt		Scheduled for Abatement		Net Debt Service
	Principal	Interest	Principal	Interest	
2/28/2012	\$ 13,370,000	\$ 7,015,065	(6,472,660)	(2,472,579)	\$ 11,439,826
2/28/2013	14,060,000	6,511,100	(6,646,200)	(2,158,550)	11,766,350
2/28/2014	15,295,000	6,011,230	(7,513,560)	(1,830,846)	11,961,824
2/28/2015	13,925,000	5,435,558	(5,832,100)	(1,450,700)	12,077,758
2/28/2016	14,005,000	4,837,728	(4,951,820)	(1,115,818)	12,775,089
2/28/2017	13,120,000	4,273,033	(4,755,360)	(878,464)	11,759,208
2/28/2018	12,380,000	3,706,138	(3,900,080)	(661,948)	11,524,109
2/28/2019	12,760,000	3,185,880	(4,444,800)	(494,802)	11,006,278
2/28/2020	11,040,000	2,607,625	(3,404,520)	(273,640)	9,969,465
2/28/2021	6,375,000	2,136,220	(210,420)	(121,972)	8,178,828
2/28/2022	6,720,000	1,851,325	(227,500)	(111,901)	8,231,924
2/28/2023	6,955,000	1,547,031	(234,580)	(100,901)	8,166,550
2/28/2024	5,775,000	1,225,206	(247,840)	(89,547)	6,662,819
2/28/2025	4,915,000	956,931	(256,100)	(77,568)	5,538,263
2/28/2026	3,955,000	725,156	(274,360)	(65,244)	4,340,552
2/28/2027	4,145,000	539,525	(283,800)	(51,901)	4,348,824
2/28/2028	3,330,000	338,650	(263,240)	(37,711)	3,367,699
2/28/2029	2,440,000	178,750	(272,680)	(24,549)	2,321,521
2/28/2030	1,405,000	63,650	(218,300)	(10,915)	1,239,435
Total	165,970,000	53,145,800	(50,409,920)	(12,029,556)	156,676,324

Overlapping Debt

Taxing District	Outstanding Bonds	Applicable to City	
		Percentage	Amount
Cook County	\$ 3,583,275,000	1.69%	\$ 60,557,348
Cook County Forest Preserve District	108,665,000	1.69%	1,836,439
Metropolitan Water Reclamation District	1,945,429,817 ¹	1.73%	33,655,936
Skokie Park District	9,800,000 ²	0.65%	63,700
Community Consolidated School District No. 65	43,854,878 ³	89.19%	39,114,166
Evanston Township High School No. 202	18,372,460 ³	89.18%	16,384,560
Total Overlapping General Obligation Bonded Debt			\$ 151,612,147

(1) Includes IEPA revolving loan fund bonds.

(2) Excludes principal amounts of outstanding General Obligation (Alternate Revenue Source) Bonds which are expected to be paid from sources other than general taxation.

(3) Includes original principal amounts of outstanding General Obligation Capital Appreciation Bonds.

Source: Cook County Clerk's Office as of July 19, 2010

Debt Ratios

<u>Metric</u>	<u>Value</u>
True Value (2008)	\$ 8,815,193,676
EAV (2008)	2,938,397,892
Population (2000)	74,239
Direct Debt (Property Tax Supported)	\$ 115,560,080
Direct Debt (Supported by Other Sources)	50,409,920
Total Direct Debt	\$ 165,970,000
Total Overlapping Debt	\$ 151,612,147

<u>Debt Ratio</u>	<u>All General Obligation Debt</u>	<u>General Obligation Debt (Less Self Supporting Debt)</u>
Direct Debt Per True Value	1.88%	1.31%
Direct Debt Per EAV	5.65%	3.93%
Direct Debt Per Capita	\$ 2,236	\$ 1,557
Direct and Overlapping Debt Per True Value	3.60%	3.03%
Direct and Overlapping Debt Per EAV	10.81%	9.09%
Direct and Overlapping Debt Per Capita	\$ 4,278	\$ 3,599

Debt Trends

<u>Year Ending</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total General Obligation</u>
2/28/2010	\$ 111,233,880	\$ 40,236,120	\$ 151,470,000
2/28/2009	118,126,135	55,983,865	174,110,000
2/28/2008	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
2/28/2004	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 2010 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 2010. The following table shows the City’s EAV in recent years. The taxes collected in 2009 were payable with respect to the EAV for tax year 2008. The EAV of property for tax year 2008 was approximately \$2.9 billion which does not include approximately \$268 million of EAV included in TIF districts (see “Tax Increment Financing” below).

Historic Equalized Assessed Valuation ⁽¹⁾

<u>Tax Year</u>	<u>Total</u>	<u>% Change</u>
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%
2003	1,727,147,885	-0.60%
2002	1,737,543,904	7.53%

(1) Incremental EAV in Tax Increment Districts not included.

Source: Cook County Clerk’s Office

Equalized Assessed Valuation by Classification of Property ⁽¹⁾

	<u>2006</u>		<u>2007</u>		<u>2008</u>	
Residential	\$1,707,669,215	76.04%	\$2,149,123,958	77.52%	\$2,324,551,100	79.11%
Farm	16,895	0.00%	16,895	0.00%	16,895	0.00%
Commercial	476,821,737	21.23%	560,536,782	20.22%	560,106,493	19.06%
Industrial	60,920,888	2.71%	62,154,048	2.24%	53,168,671	1.81%
Railroad	464,011	0.02%	508,346	0.02%	554,733	0.02%
TOTAL EAV	\$2,245,892,746	100.00%	\$2,772,340,029	100.00%	\$2,938,397,892	100.00%

(1) Does not include incremental EAV in redevelopment project areas. See “Tax Incremental Financing” below. The incremental 2008 EAV in redevelopment project areas was \$268,255,964.

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

Source: Cook County Clerk’s Office

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.

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 2008 the City has designated six TIF areas. The total EAV increment of these areas for this tax year totaled \$268,255,958. The EAV for these areas at the time the areas were so designated (the base or “frozen” value) was \$68,669,219.

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Frozen Value	\$ 41,583,289	\$ 68,669,219	\$ 68,669,219	\$ 68,669,219	\$ 79,060,859
Incremental	<u>145,627,991</u>	<u>180,380,994</u>	<u>177,560,327</u>	<u>238,512,923</u>	<u>268,255,958</u>
TOTAL EAV	<u>\$187,211,280</u>	<u>\$249,050,213</u>	<u>\$246,229,546</u>	<u>\$307,182,142</u>	<u>\$347,316,817</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.

Tax Extensions and Collections

<u>Levy Year</u>	<u>Collection Year</u>	<u>Taxes Extended</u>	<u>Taxes Collected and Distributed</u> ¹	<u>Percent Collected</u>
1999	2000	\$ 25,137,352	\$ 24,468,693	97.34%
2000	2001	26,217,646	25,319,911	96.58%
2001	2002	26,305,327	25,391,349	96.53%
2002	2003	27,957,126	27,286,591	97.60%
2003	2004	29,813,787	28,565,408	95.81%
2004	2005	32,100,657	30,991,234	96.54%
2005	2006	33,423,311	32,550,464	97.39%
2006	2007	34,399,146	33,249,612	96.66%
2007	2008	35,550,694	34,061,461	95.81%
2008	2009	38,044,671	36,246,629	95.27%

(1) Through February 28, 2010

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

Ten Largest Real Property Taxpayers

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2008 Equalized Assessed Values</u>	<u>Percentage of Total City EAV</u>
Church St. Plaza	Commercial, retail, shopping	\$ 38,719,188	1.32%
Rotary International	Non-profit Organization	26,605,707	0.91%
Grubb & Ellis	Commercial Building	24,020,467	0.82%
Omni Orrington Hotel	Hotel	17,153,477	0.58%
Inland	Commercial, retail	16,184,339	0.55%
Church & Chicago LTD	Apartment building and supermarket	15,851,793	0.54%
Evanston Hotel Association	Hotel - Hilton Garden Inn	13,665,739	0.47%
NNN Church St. Office Center	Office building	13,198,415	0.45%
Albertson's	Shopping center - Jewel/Osco	11,742,809	0.40%
Samir Cumberland Center	Commercial, office building	11,601,647	0.39%
		<u>\$ 188,743,581</u>	<u>6.43%</u>

Source: Cook County Assessor; based on individual parcels of \$250,000 or more.

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Corporate	\$0.7685	\$0.7598	\$0.7765	\$0.6253	\$0.5662
Bond & Interest	0.4025	0.3975	0.3918	0.3332	0.3508
Police Pension	0.1991	0.1860	0.1885	0.1707	0.2071
Fire Pension	0.1573	0.1420	0.1697	0.1538	0.1707
TOTAL	<u><u>\$1.5274</u></u>	<u><u>\$1.4853</u></u>	<u><u>\$1.5265</u></u>	<u><u>\$1.2830</u></u>	<u><u>\$1.2948</u></u>

Tax Rates for Overlapping Taxing Agencies
(Taxes Billed in 2008 – Per \$100 EAV)

<u>Taxing Agency</u>	<u>2008 Rate</u>
City of Evanston	\$ 1.295
Cook County	0.415
Cook County Forest Preserve District	0.051
Suburban TB Sanitarium	--
Consolidated Elections	--
Town of Evanston	0.012
General Assistance	0.038
Metropolitan Water Reclamation District	0.252
North Shore Mosquito Abatement District	0.008
Elementary School District No. 65	2.552
Evanston Township High School District No. 202	1.722
Oakton Community College District No. 535	0.141
TOTAL	<u><u>\$ 6.486</u></u>

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 "County Assessor") is responsible for the assessment of all taxable real property within Cook County (the "County"), including that in the City, except for certain railroad property and pollution control facilities which are assessed directly by the Illinois Department of Revenue (the "Department of Revenue"). For triennial reassessment purposes, Cook County is divided into three sections: west and south suburbs, north and northwest suburbs, and the City of Chicago. Suburbs in the western and southern portions of the County will be reassessed in 2008, the City of Chicago was reassessed in 2006 and suburbs in the northern and northwestern portions of the County, including the City, were reassessed in 2007.

Real property in the County is separated into classifications for assessment purposes. After the County 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. The classification percentages range from 16% for certain residential, commercial and industrial property to 36% and 38%, respectively, for other industrial and commercial property.

Property is classified for assessment into six basic categories each of which is assessed at various percentages of fair market value as follows: Class 1) unimproved land - 22%; Class 2) residential - 16%; Class 3) rental-residential - 33%; Class 4) not-for-profit - 30%; Class 5a) commercial - 38%; Class 5b) industrial - 36%. There are also seven additional categories. Newly constructed industrial properties or substantially rehabilitated sections of existing industrial properties within the County may qualify for a Class 6b assessment level, which assessment level is 16% for the first 10 years and for any subsequent 10-year renewal periods. If the incentive is not renewed, the 6b assessment level is 23% in year 11 and 30% in year 12, thereafter reverting to Class 5b. Real estate which is to be used for industrial or commercial purposes where such real estate has undergone environmental testing and remediation may be eligible for a Class C assessment level. The Class C assessment level for industrial properties is 16% for the first 10 years, 23% in year 11 and 30% in year 12, thereafter reverting to Class 5b. Class C commercial properties are assessed at 16% for the first 10 years, 23% in year 11 and 30% in year 12, thereafter reverting to Class 5a. Commercial properties that are newly constructed or substantially rehabilitated and are within an area determined to be an area in need of commercial development may be classified as Class 7a or 7b property, and will then be assessed at a level of 16% for the first 10 years, 23% in year 11 and 30% in year 12, thereafter reverting to Class 5a. Certain commercial and industrial properties located in zones determined to be in need of substantial revitalization or in an enterprise community could be eligible for Class 8 assessments. The Class 8 assessment level for industrial properties is 16% for the first 10 years and for any subsequent 10-year renewal periods. If the incentive is not renewed, the Class 8 assessment level for industrial properties is 23% in year 11 and 30% in year 12, thereafter reverting to Class 5b. The Class 8 assessment level for commercial properties is 16% for the first 10 years, 23% in year 11 and 30% in year 12, thereafter reverting to Class 5a. Substantially rehabilitated or new construction multi-family residential properties within certain target areas, empowerment or enterprise zones, may be eligible for Class 9 categorization. The Class 9 assessment level is 16% for an initial 10-year period, renewable for one additional 10-year period at 16%. When the Class 9 assessment level expires, the assessment level reverts to the applicable classification. Rental-residential (Class 3) properties subject to a Section 8 contract that has been renewed under the "Mark Up To Market" option may qualify for a Class S assessment level. The Class S assessment level is 16% for the term of the Section 8 contract renewal under the Mark Up To Market option, and for any additional terms of renewal of the Section 8 contract under the Mark Up To Market option. When the Class S assessment level expires, the assessment level reverts to Class 3. Substantially rehabilitated properties which are designated as Class 3, Class 4, Class 5a, or Class 5b and which qualify as Landmark or Contributing buildings may qualify for a Class L assessment level. The Class L assessment level for Class 3, 4, or 5b properties is 16% for the first 10 years and for any subsequent 10-year renewal periods. If the incentive is not renewed, the Class L assessment level is 23% in year 11 and 30% in year 12, thereafter reverting to Class 3, 4, or 5b. Class L commercial properties are assessed at 16% for the first 10 years, 23% in year 11 and 30% in year 12, thereafter reverting to Class 5a.

Procedures have been established enabling taxpayers to contest their tentative Assessed Valuations. Once the Assessor certifies final Assessed Valuations, a taxpayer can seek review of its assessment by appealing to the Cook County Board of Review consisting of three commissioners elected by the voters of the County. The Board of Review has the power to review and adjust Assessed Valuations set by the Assessor.

Owners of real property 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 the PTAB to either the Circuit Court of Cook County or the Illinois Appellate Court under the Illinois Administrative Review Law.

As an alternative to seeking review of Assessed Valuations by the PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court of Cook County. 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 the Assessed Value, and thus reduce the amount of taxes due, by issuing a Certificate of Error.

Equalization. After the County Assessor has established the Assessed Valuation for each parcel for a given year, and following any revisions by the Board of Review or the 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. Under State law, the aggregate of the assessments within each county is to be 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 Cook County, regardless of its assessment category, except for some farmland property which is not subject to equalization.

Once the Equalization Factor is established, the Assessed Valuation, as revised by the Board of Review or the PTAB, is multiplied by the Equalization Factor to determine 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 State, constitutes the total real estate tax base for the taxing body and is the figure used to calculate tax rates (the "Assessment Base").

Exemptions. Public Act 95-0644, effective October 17, 2007, made changes to a number of property tax exemptions taken by residential property owners. These changes are discussed below.

An annual General Homestead Exemption provides that the EAV of certain property owned and used for residential purposes ("Residential Property") may be reduced by the amount of any increase over the 1977 EAV, up to a maximum reduction of \$5,000 for assessment year 2007, \$5,500 for assessment year 2008 and \$6,000 for assessment years 2009 and later (the "General Homestead Exemption").

The Alternative General Homestead Exemption (the "Alternative General Homestead Exemption") caps property tax assessment increases for homeowners (who also reside on the property as their principal place of residence) at 7% a year. Homes that do not increase by at least 7% a year are entitled to the General Homestead Exemption as discussed above. The Base Year for purposes of calculation of the Alternative General Homestead Exemption is 2003 for properties located in the City. The Base Homestead Value is the EAV of the homestead property minus the General Homestead Exemption for that year: \$4,500 for years prior to 2004; \$5,000 for 2004 through 2007; \$5,500 for 2008; and \$6,000 for the year 2009 and thereafter. For properties in the Cook County portion of the City, the Alternative General Homestead Exemption cannot exceed \$20,000 for assessment year 2006, \$33,000 for assessment year 2007, \$26,000 for assessment year 2008, \$20,000 for assessment year 2009, and \$6,000 thereafter.

The Long-Time Occupant Homestead Exemption applies to those counties subject to the Alternative General Homestead Exemption, including Cook County. Beginning with assessment year 2007 and thereafter, the EAV of homestead property of a taxpayer who has owned the property for at least 10 years (or 5 years if purchased with certain government assistance) and who has a household income of \$100,000 or less ("Qualified Homestead Property") may increase by no more than 10% per year. If the taxpayer's annual income is \$75,000 or less, the EAV of the Qualified Homestead Property may increase by no more than 7% per year. There is no exemption limit for Qualified Homestead Properties. Individuals applying for this exemption must comply with the following guidelines: (i) continuously occupy their property for 10 years, as of January 1st of the assessment year, and occupy such property as their principal residence or, (ii) continuously occupy their property as their principal place of residence for 5 years, as of January 1st of the assessment year, provided that the property was purchased with certain government assistance.

The Homestead Improvement Exemption ("Homestead Improvement Exemption") applies to residential properties that have been improved and to properties that have been rebuilt in the two years following a catastrophic event. The exemption is limited to \$45,000 through December 31, 2003, and \$75,000 per year beginning January 1, 2004, and thereafter, to the extent the assessed value is attributable solely to such improvements or rebuilding.

The Senior Citizens Homestead Exemption ("Senior Citizens Homestead Exemption") operates annually to reduce the EAV on a senior citizen's home by \$3,500 in all counties. In addition, for assessment year 2008 and thereafter, the maximum reduction is \$4,000 for all counties. Furthermore, property that is first occupied as a residence after January 1st of any assessment year by a person who is eligible for the Senior Citizens Homestead Exemption must be granted a pro rata exemption for the assessment year based on the number of days during the assessment year that the property is occupied as a residence by a person eligible for the exemption.

A Senior Citizens Assessment Freeze Homestead Exemption ("Senior Citizens Assessment Freeze Homestead Exemption") freezes property tax assessments for homeowners who are 65 and older, reside in their property as their principal place of residence and receive a household income not in excess of the maximum income limitation. The maximum income limitation is \$50,000 for assessment years 2006 and 2007; for assessment years 2008 and after, the maximum income limitation is \$55,000. In general, the exemption grants qualifying senior citizens an exemption based upon a "freeze" of their home's Assessed Valuation.

Another exemption, available to disabled veterans, may be applied annually to exempt up to \$70,000 of the Assessed Valuation of property owned and used exclusively by such veterans or their spouses for residential purposes. However, individuals claiming exemption under the Disabled Persons' Homestead Exemption ("Disabled

Persons' Homestead Exemption") or the hereinafter defined Disabled Veterans Standard Homestead Exemption cannot claim the aforementioned exemption.

The Disabled Persons' Homestead Exemption provides an annual homestead exemption in the amount of \$2,000 for property that is owned and occupied by certain persons with a disability. However, individuals claiming exemption as a disabled veteran or claiming exemption under the Disabled Veterans Standard Homestead Exemption cannot claim the Disabled Persons' Homestead Exemption.

The Disabled Veterans Standard Homestead Exemption ("Disabled Veterans Standard Homestead Exemption") provides disabled veterans an annual homestead exemption starting with assessment year 2007 and thereafter. Specifically, (i) those veterans with a service-connected disability of 75% are granted an exemption of \$5,000 and (ii) those veterans with a service-connected disability of less than 75%, but at least 50%, are granted an exemption of \$2,500. Furthermore, the veteran's surviving spouse is entitled to the benefit of the exemption, provided that the spouse has legal or beneficial title of the homestead, resides permanently on the homestead and does not remarry. Moreover, if the property is sold by the surviving spouse, then an exemption amount not to exceed the amount specified by the current property tax roll may be transferred to the spouse's new residence, provided that it is the spouse's primary residence and the spouse does not remarry. However, individuals claiming exemption as a disabled veteran or claiming an exemption under the Disabled Persons' Homestead Exemption cannot claim the aforementioned exemption.

The Returning Veterans' Homestead Exemption ("Returning Veterans' Homestead Exemption") is available for property owned and occupied as the principal residence of a veteran in the assessment year the veteran returns from an armed conflict while on active duty in the United States armed forces. This provision grants a homestead exemption of \$5,000, which is applicable in all counties. In order to apply for this exemption, the individual must pay real estate taxes on the property, own the property or have either a legal or an equitable interest in the property, subject to some limitations. Those individuals eligible for this exemption may claim the exemption in addition to other homestead exemptions, unless otherwise noted.

Certain property is exempt from taxation on the basis of ownership and/or use, such as public parks, not-for-profit schools and public schools, churches, and not-for-profit hospitals and public hospitals.

Tax Levy. As part of the annual budgetary process of governmental units (the "Units") with power to levy taxes in the County, proceedings are adopted by the designated body for each Unit each year in which they determine 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. The Cook County Clerk uses the prior year's EAV to compute the taxing district's maximum allowable levy. The maximum that can be raised for a Unit is the maximum tax rate for that Unit multiplied by the prior year EAV for all property currently in the district. The prior year EAV includes the prior year EAV plus the EAV of any new property, the current year value of any annexed property, and any recovered tax increment value, minus any disconnected property for the current year under the Property Tax Extension Limitation Law. The tax rate for a Unit is computed by dividing the lesser of the maximum allowable levy or the actual levy by the current year EAV.

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 tax 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 is also 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. The first installment is equal to one-half of the prior years' 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 equal to one-half of the corrected prior year's tax bill. The second installment is for the balance of the current year's tax bill, and is based on the then current tax year levy, assessed value and Equalization Factor, and reflects any changes from the prior year in those factors. The following table sets forth the second

installment penalty date for the last 10 tax levy years in Cook County; the first installment penalty date has been March 1 for all such years.

<u>Tax Levy Year</u>	<u>Second Installment Penalty Date</u>
1999	October 2, 2000
2000	November 2, 2001
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

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 second installment in future years. The County may provide for tax bills to be payable in four installments instead of two. However, the County has not required payment of tax bills in four installments. 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.

At the end of each collection year, 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. 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 one-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 scheduled to be 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 one-half years depending upon the type and occupancy of the property.

TAX TREATMENT

Tax Exemption – Series A Bonds

Federal tax law contains a number of requirements and restrictions which apply to the Series A 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 Series A Bonds to be excludible from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause the interest on the Series A Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Series A Bonds.

Subject to the compliance by the City with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Series A Bonds (i) is excludible from the gross income of the owners

thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing “adjusted current earnings”, as described below.

In rendering their opinion, Bond Counsel will rely upon certifications of the City with respect to certain material facts within the City’s knowledge. Relating to the applications of the proceeds of the Series A Bonds 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 not a guarantee of 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 alternative minimum taxable income of the corporation (“AMTI”), which is the taxable income of the corporation with certain adjustments. One of the adjustment items using AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess such corporation “adjusted current earnings” of 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, but not interest on the Series A Bonds.

Ownership of the Series A 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 Series A Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

The issue price (the “Issue Price”) for each maturity of the Series A Bonds is the price at which a substantial amount of such maturity of the Series A Bonds is first sold to the public. The Issue Price of a maturity of the Series A 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 Series A Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Series A 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 excludible 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; (d) such original issue discount is not taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations under the Code, as described above; and (e) 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 Series A Bonds who dispose of Series A Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Series A Bonds in the initial public offering, but at a price different from the Issue Price or purchase Series A Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Series A Bond is purchased at any time for a price that is less than the stated redemption price of such Series A Bond 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 Series A Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the election of the purchaser, 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 Series A Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series A Bonds.

An investor may purchase a Series 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 Series A 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 basis of the investor in the Series A Bond. Investors who purchase a Series A Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the basis of the Series A Bond for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Series A Bond.

There are or may be pending in the Congress of the United States of America legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Series A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations issued prior to enactment. Prospective purchasers of the Series A 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 Series A Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer, and the owners of the Series A Bonds may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series A 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 Series A Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner of a Series A Bond who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any owner of a Series A Bond 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 Series A Bonds is not exempt from present Illinois income or franchise taxes.

Taxability of Interest – Series B Bonds

Interest on the Series B Bonds is not excludible from gross income for federal income tax purposes. Owners of the Series B Bonds should consult their tax advisors with respect to the inclusion of interest on the Series B Bonds in gross income for federal tax law purposes. The interest on the Series B Bonds is not exempt from present Illinois income or franchise taxes.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Subject to the City’s compliance with certain covenants, in the opinion of Bond Counsel, the Series A Bonds are “qualified tax-exempt obligations” under the small issuer exception provided under Section 265(b)(3) of the Code, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

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 August 16, 2010.

Raymond James & Associates, Inc. has agreed, subject to the conditions of closing set forth in the Series A Notice of Sale, to purchase the Series A Bonds at a purchase price of \$6,565,000.00 (consisting of the par amount of the Series A Bonds, plus a net original issue premium of \$101,433.55, less an underwriter's discount of \$36,433.55), plus accrued interest.

Robert W. Baird & Co., Inc. has agreed, subject to the conditions of closing set forth in the Series B Notice of Sale, to purchase the Series B Bonds at a purchase price of \$7,970,075.75 (consisting of the par amount of the Series B Bonds, plus a net original issue premium of \$3,023.25, less an underwriter's discount of \$32,947.50), 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 ADVISORS

The City has engaged Public Financial Management, Inc. and Kathy Thomas Consulting LLC (the "Financial Advisors") in connection with the City's issuance and sale of the Bonds. Under the terms of their engagement, the Financial Advisors 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 the 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 Financial Advisor, supplied the information under the captions "TAX TREATMENT" and "QUALIFIED TAX-EXEMPT OBLIGATIONS". Certain legal matters in conjunction with the issuance of the Bonds will be passed upon for the City by its First Assistant Corporation Counsel, Elke Purze.

CLOSING CERTIFICATE

The City will provide to the purchaser at the time of delivery of the Bonds, a certificate confirming to the purchaser that, to the best of their knowledge and belief, the Official Statement, together with any supplements to it, at the time of acceptance of the Purchase Contract and at the time of delivery of the Bonds, was true and correct in all material respects and did not at any time contain any untrue statement of a material fact or omit to state a material fact required to be stated, where necessary to make the statements, in light of the circumstances under which they were made, not misleading.

This Official Statement has been duly approved, executed and delivered by the City.

City of Evanston,
Cook County, Illinois

By: /s/
 City Manager

By: /s/
 Mayor

**CITY OF EVANSTON ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDING FEBRUARY 28, 2009
(EXCERPTS)**

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CITY OF EVANSTON, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
February 28, 2009

Prepared by Finance Department

CITY OF EVANSTON, ILLINOIS

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BASIC FINANCIAL STATEMENTS

CITY OF EVANSTON, ILLINOIS

Statement of Net Assets

February 28, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and equivalents	\$ 61,907,761	\$ 21,111,607	\$ 83,019,368
Investments	1,703,704	-	1,703,704
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	50,933,227	-	50,933,227
Accounts	-	4,149,324	4,149,324
Notes	6,361,234	-	6,361,234
Special assessments	886,662	-	886,662
Accrued interest	18,462	15,017	33,479
Other	3,096,147	46,744	3,142,891
Due from other governments	6,060,845	-	6,060,845
Internal balances	(1,040,345)	1,040,345	-
Inventories	267,572	827,738	1,095,310
Restricted assets			
Cash and equivalents and investments	-	8,310,124	8,310,124
Capital assets			
Capital assets not being depreciated	31,225,284	16,598,950	47,824,234
Capital assets (net of accumulated depreciation)	121,193,127	316,019,731	437,212,858
Other assets	7,237	259,000	266,237
Total Assets	282,620,917	368,378,580	650,999,497

The accompanying notes are an integral part of this statement.

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Vouchers payable	\$ 4,120,463	\$ 1,391,550	\$ 5,512,013
Accrued payroll	2,366,980	-	2,366,980
Interest payable	1,159,219	383,619	1,542,838
Other payables	245,897	6,887	252,784
Due to other governments	6,682	-	6,682
Due to pension funds	3,331,373	-	3,331,373
Payable from restricted assets			
Vouchers payable	-	1,736,996	1,736,996
Interest payable	-	1,036,163	1,036,163
Unearned revenue	31,994,810	-	31,994,810
Noncurrent liabilities			
Payable from restricted assets - due within one year	-	10,647,035	10,647,035
Due within one year	15,265,371	13,782,682	29,048,053
Due in more than one year	143,075,162	137,421,205	280,496,367
Total Liabilities	201,565,957	166,406,137	367,972,094
Net Assets			
Investment in capital assets, net of related debt	30,384,446	172,398,892	202,783,338
Restricted			
Culture and recreation	851,878	-	851,878
Capital improvements	-	800,000	800,000
Debt service	23,826,206	1,187,334	25,013,540
Other	400,358	-	400,358
Unrestricted	25,592,072	27,586,217	53,178,289
Total Net Assets	\$ 81,054,960	\$ 201,972,443	\$ 283,027,403

CITY OF EVANSTON, ILLINOIS

Statement of Activities

Year ended February 28, 2009

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General management and support	\$ 18,017,293	\$ 13,347,538	\$ -
Public safety	49,484,161	1,524,787	36,378
Public works	21,627,529	702,780	2,031,686
Health and human resource development	4,545,632	1,429,534	581,129
Recreation and cultural opportunities	20,001,518	4,637,300	-
Housing and economic development	6,964,810	6,632,236	2,467,956
Interest	4,041,342	-	-
Total governmental activities	124,682,285	28,274,175	5,117,149
Business-type activities:			
Water	9,390,801	13,685,196	-
Sewer	8,725,626	13,773,957	-
Motor vehicle parking system	8,896,141	6,719,006	-
Total business-type activities	27,012,568	34,178,159	-
Total	\$ 151,694,853	\$ 62,452,334	\$ 5,117,149

General revenues:

- Property tax
- Other taxes
- Personal property replacement tax
- Sales and home rule tax
- Income tax
- Utility tax
- Gain (Loss) on sale of capital assets
- 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.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (4,669,755)	\$ -	\$ (4,669,755)
-	(47,922,996)	-	(47,922,996)
-	(18,893,063)	-	(18,893,063)
-	(2,534,969)	-	(2,534,969)
-	(15,364,218)	-	(15,364,218)
113,000	2,248,382	-	2,248,382
-	(4,041,342)	-	(4,041,342)
113,000	(91,177,961)	-	(91,177,961)
-	-	4,294,395	4,294,395
-	-	5,048,331	5,048,331
-	-	(2,177,135)	(2,177,135)
-	-	7,165,591	7,165,591
\$ 113,000	(91,177,961)	7,165,591	(84,012,370)
	56,217,108	-	56,217,108
	7,575,381	-	7,575,381
	1,440,614	-	1,440,614
	15,499,781	-	15,499,781
	6,821,169	-	6,821,169
	8,802,973	-	8,802,973
	-	(27,898)	(27,898)
	2,043,480	-	2,043,480
	360,133	605,654	965,787
	(9,468,972)	9,468,972	-
	89,291,667	10,046,728	99,338,395
	(1,886,294)	17,212,319	15,326,025
	82,941,254	184,760,124	267,701,378
\$	\$ 81,054,960	\$ 201,972,443	\$ 283,027,403

CITY OF EVANSTON, ILLINOIS

Governmental Funds

Balance Sheet
February 28, 2009

	General	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and equivalents	\$ 11,615,911	\$ 13,897,422	\$ 31,985,335	\$ 57,498,668
Investments	-	-	1,703,704	1,703,704
Receivables				
Property taxes (net of allowance)	14,995,648	-	35,937,579	50,933,227
Notes (net of allowance)	-	-	6,361,234	6,361,234
Special assessments	-	-	886,662	886,662
Accrued interest	-	-	18,462	18,462
Other	2,808,053	-	254,557	3,062,610
Building held for resale	-	-	410,000	410,000
Due from other governments	5,856,040	-	204,805	6,060,845
Due from other funds	290,877	67,977	808,897	1,167,751
Other assets	7,237	-	-	7,237
Total Assets	\$ 35,573,766	\$ 13,965,399	\$ 78,571,235	\$ 128,110,400
Liabilities and Fund Balances				
Liabilities				
Vouchers payable	\$ 2,517,228	\$ 774,916	\$ 592,059	\$ 3,884,203
Accrued payroll	2,366,980	-	-	2,366,980
Compensated absences payable	80,963	-	-	80,963
Other	242,640	-	3,257	245,897
Due to other governments	-	-	6,682	6,682
Due to other funds	133,437	-	5,358,974	5,492,411
Deferred revenues	9,205,702	-	22,789,108	31,994,810
Total Liabilities	14,546,950	774,916	28,750,080	44,071,946
Fund Balances				
Reserved	1,274,562	-	31,346,659	32,621,221
Reserved for HUD Approved Projects	-	-	410,000	410,000
Unreserved designated				
General fund	5,426,913	-	-	5,426,913
Capital improvement funds	-	13,190,483	-	13,190,483
Capital project funds	-	-	7,708,627	7,708,627
Special revenue funds	-	-	3,165,605	3,165,605
Unreserved undesignated				
Special revenue funds	-	-	7,190,264	7,190,264
General fund	14,325,341	-	-	14,325,341
Total Fund Balances	21,026,816	13,190,483	49,821,155	84,038,454
Total Liabilities and Fund Balances	\$ 35,573,766	\$ 13,965,399	\$ 78,571,235	

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.	145,779,027
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.	(152,167,426)
OPEB liability payable is not due and payable in the current period and therefore, is not reported in the governmental funds.	(640,956)
Interest accrual from last interest payment (December 1, 2008 or January 1, 2009) to February 28, 2009.	(1,159,219)
The net assets of the internal service fund are included in the governmental activities in the statement of net assets.	<u>5,205,080</u>
Net assets of governmental activities	<u>\$ 81,054,960</u>

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

Year ended February 28, 2009

	General	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 40,173,003	\$ -	\$ 43,861,991	\$ 84,034,994
Licenses and permits	8,820,280	-	-	8,820,280
Special assessments	-	-	516,168	516,168
Intergovernmental	16,391,753	113,000	4,508,101	21,012,854
Charges for services	8,399,042	-	-	8,399,042
Fines and forfeits	4,442,282	-	-	4,442,282
Investment income	240,988	293,789	(262,779)	271,998
Miscellaneous	3,980,418	416,436	282,356	4,679,210
Total Revenues	82,447,766	823,225	48,905,837	132,176,828
Expenditures				
Current				
General management and support	12,709,098	2,287,551	1,501,780	16,498,429
Public safety	38,453,587	360,097	11,185,688	49,999,372
Public works	16,393,126	817,343	1,702,613	18,913,082
Health and human resource development	3,745,632	-	800,000	4,545,632
Recreation and cultural opportunities	18,485,225	366,605	90,452	18,942,282
Housing and economic development	3,301,478	-	3,661,989	6,963,467
Debt service				
Principal	-	-	9,885,000	9,885,000
Interest	-	-	5,142,184	5,142,184
Fiscal agent fees	-	-	27,650	27,650
Capital outlay	-	7,823,903	384,925	8,208,828
Total Expenditures	93,088,146	11,655,499	34,382,281	139,125,926
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,640,380)	(10,832,274)	14,523,556	(6,949,098)
Other Financing Sources (Uses)				
Transfers in	5,415,600	-	511,644	5,927,244
Transfers out	-	(300,000)	(14,493,973)	(14,793,973)
Issuance of debt	304,081	10,410,191	13,660,000	24,374,272
Premiums and discounts	-	-	804,606	804,606
Escrow funding	-	-	(13,280,204)	(13,280,204)
Total Other Financing Sources (Uses)	5,719,681	10,110,191	(12,797,927)	3,031,945
Net Change in Fund Balances	(4,920,699)	(722,083)	1,725,629	(3,917,153)
Fund Balances -Beginning of Year	25,947,515	13,912,566	48,095,526	87,955,607
Fund Balances - End of Year	\$ 21,026,816	\$ 13,190,483	\$ 49,821,155	\$ 84,038,454

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

Year ended February 28, 2009

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

Net change in fund balances - total governmental funds	\$ (3,917,153)
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.	5,126,526
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.	23,615,000
Issuance of 2008 Bonds provides current financial resources to governmental funds, while the repayment of the principal of long term debt and capital lease expenditure consume the current financial resources of governmental funds. Neither transaction has any effect on net assets. Governmental funds also report the effect of bonds premiums, discounts, and similar items when debt is first issued.	(25,081,112)
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.	357,743
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.	(344,368)
Interest accrual from last interest payment (December 1, 2008 or January 1, 2009) to February 28, 2009.	(75,308)
Internal service funds are reported separately in the fund financial statements.	<u>(1,567,622)</u>
Change in net assets of governmental activities	<u>\$ (1,886,294)</u>

The accompanying notes are an integral part of this statement.

CITY OF EVANSTON, ILLINOIS

Proprietary Funds

Statement of Net Assets
February 28, 2009

Assets	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Water	Sewer	Motor Vehicle Parking System	Total	
Current Assets					
Cash and equivalents	\$ 7,006,178	\$ -	\$ 14,105,429	\$ 21,111,607	\$ 4,409,093
Restricted cash and equivalents and investments	2,442,692	5,867,432	-	8,310,124	-
Receivables					
Accounts - billed	941,803	266,076	-	1,207,879	-
Accounts - unbilled	821,253	2,120,192	-	2,941,445	-
Accrued interest	15,017	-	-	15,017	-
Other	6,887	-	39,857	46,744	33,537
Due from other funds	-	366,947	850,312	1,217,259	-
Inventories	639,684	188,054	-	827,738	267,572
Total Current Assets	11,873,514	8,808,701	14,995,598	35,677,813	4,710,202
Noncurrent Assets					
Capital Assets					
Capital assets not being depreciated	4,081,512	9,523,292	2,994,146	16,598,950	-
Capital assets being depreciated	67,068,536	232,599,878	77,963,636	377,632,050	20,308,430
Less accumulated depreciation	(18,207,726)	(31,714,968)	(11,689,625)	(61,612,319)	(14,079,046)
Total Capital Assets	52,942,322	210,408,202	69,268,157	332,618,681	6,229,384
Other Assets					
Notes Receivable	-	-	259,000	259,000	-
Total Noncurrent Assets	52,942,322	210,408,202	69,527,157	332,877,681	6,229,384
Total Assets	64,815,836	219,216,903	84,522,755	368,555,494	10,939,586

The accompanying notes are an integral part of this statement.

Liabilities	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Water	Sewer	Motor Vehicle Parking System	Total	
Current Liabilities					
Vouchers payable	\$ 686,225	\$ 167,744	\$ 537,581	\$ 1,391,550	\$ 236,260
Vouchers payable - restricted	352,599	1,384,397	-	1,736,996	-
Interest payable	-	-	383,619	383,619	-
Interest payable - restricted	15,259	1,020,904	-	1,036,163	-
Revenue bonds payable	437,500	-	-	437,500	-
Revenue bonds payable - restricted	87,500	-	-	87,500	-
Compensated absences payable	309,768	68,408	50,532	428,708	80,389
General obligation bonds payable	-	-	12,916,474	12,916,474	-
General obligation bonds payable - restricted	-	2,550,125	-	2,550,125	-
Claims payable	-	-	-	-	2,395,337
Notes payable - Sewer IEPA Loans - restricted	-	8,009,410	-	8,009,410	-
Due to other funds	104,046	23,275	49,593	176,914	47,058
Other Payable	6,887	-	-	6,887	-
Total Current Liabilities	1,999,784	13,224,263	13,937,799	29,161,846	2,759,044
Long-Term Liabilities					
Notes payable - Sewer IEPA Loans	-	93,765,813	-	93,765,813	-
General obligation bonds payable	-	13,560,433	26,956,833	40,517,266	-
OPEB liability payable	20,709	4,604	4,852	30,165	12,199
Revenue bonds payable	1,720,000	-	-	1,720,000	-
Unamortized bond discount/premium	14,677	378,599	763,696	1,156,972	-
Compensated absences payable	166,904	36,858	27,227	230,989	-
Claims payable	-	-	-	-	2,963,263
Total Long-Term Liabilities	1,922,290	107,746,307	27,752,608	137,421,205	2,975,462
Total Liabilities	3,922,074	120,970,570	41,690,407	166,583,051	5,734,506
Net Assets					
Invested in capital assets, net of related debt	50,770,145	92,510,769	29,117,978	172,398,892	6,229,384
Restricted for debt service	1,187,334	-	-	1,187,334	-
Restricted for capital improvements	800,000	-	-	800,000	-
Unrestricted	8,136,283	5,735,564	13,714,370	27,586,217	(1,024,304)
Total net assets	\$ 60,893,762	\$ 98,246,333	\$ 42,832,348	\$ 201,972,443	\$ 5,205,080

CITY OF EVANSTON, ILLINOIS

Proprietary Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year ended February 28, 2009

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Motor Vehicle Parking System	Nonmajor Proprietary Funds	Total	
Operating Revenues						
Charges for services	\$ 13,208,340	\$ 13,748,122	\$ 3,521,244	\$ 3,088,665	\$ 33,566,371	\$ 6,328,600
Miscellaneous	476,856	25,835	58,040	51,057	611,788	11,896
Total Operating Revenues	13,685,196	13,773,957	3,579,284	3,139,722	34,178,159	6,340,496
Operating Expenses Excluding Depreciation						
Administration	674,624	1,726,263	613,139	-	3,014,026	-
Operations	7,192,285	472,485	1,271,692	3,283,451	12,219,913	6,883,659
Total Operating Expenses Excluding Depreciation	7,866,909	2,198,748	1,884,831	3,283,451	15,233,939	6,883,659
Operating Income (Loss) Before Depreciation	5,818,287	11,575,209	1,694,453	(143,729)	18,944,220	(543,163)
Depreciation	1,417,334	3,033,718	216,060	1,757,103	6,424,215	1,225,265
Operating Income (Loss)	4,400,953	8,541,491	1,478,393	(1,900,832)	12,520,005	(1,768,428)
Nonoperating Revenues (Expenses)						
Investment income	193,637	121,612	19,930	270,475	605,654	88,135
Interest expense	(107,687)	(3,521,914)	(63,937)	(1,773,315)	(5,466,853)	-
Bond expenses and amortization of discount	1,129	(30,786)	-	(4,060)	(33,717)	-
Amortization of bond premium	-	59,540	5,283	81,333	146,156	-
Gain (loss) on disposition of assets	(27,898)	-	-	-	(27,898)	112,671
Total Nonoperating Revenues (Expenses)	59,181	(3,371,548)	(38,724)	(1,425,567)	(4,776,658)	200,806
Income (Loss) before transfers and contributions	4,460,134	5,169,943	1,439,669	(3,326,399)	7,743,347	(1,567,622)
Capital Contribution - Governmental Activities	-	250,000	338,307	13,936	602,243	-
Transfers In (Out)						
Central Business Tax Increment District	-	-	-	1,872,829	1,872,829	-
Washington National Tax Increment District	-	-	-	5,300,000	5,300,000	-
Motor Vehicle Parking System	-	-	-	(33,837,787)	(33,837,787)	-
Sherman Garage	-	-	4,901,718	-	4,901,718	-
Maple Avenue Garage	-	-	28,936,069	-	28,936,069	-
Economic Development	-	-	-	4,600,000	4,600,000	-
General	(2,778,600)	-	(777,500)	650,000	(2,906,100)	-
Total Transfers In (Out)	(2,778,600)	-	33,060,287	(21,414,958)	8,866,729	-
Change in Net Assets	1,681,534	5,419,943	34,838,263	(24,727,421)	17,212,319	(1,567,622)
Total Net Assets - Beginning of Year	59,212,228	92,826,390	7,994,085	24,727,421	184,760,124	6,772,702
Total Net Assets - End of Year	\$ 60,893,762	\$ 98,246,333	\$ 42,832,348	\$ -	\$ 201,972,443	\$ 5,205,080

The accompanying notes are an integral part of this statement.

CITY OF EVANSTON, ILLINOIS

Proprietary Funds

Statement of Cash Flows
Year ended February 28, 2009

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Motor Vehicle Parking System	Nonmajor Proprietary Funds	Total	
Cash Flows from Operating Activities						
Receipts from customers and users	\$ 13,669,856	13,837,190	\$ 3,556,631	\$ 3,146,539	\$ 34,210,216	\$ 6,334,258
Receipts from interfund services provided	(42,805)	-	-	727,072	684,267	2,470
Payments to suppliers	(6,831,585)	(24,795)	(1,253,380)	(2,983,838)	(11,093,598)	(4,760,090)
Payments to employees	(662,254)	(1,713,340)	(616,389)	-	(2,991,983)	(3,345,742)
Payments for interfund services provided	-	(1,380,861)	(30,537)	(4,451,354)	(5,862,752)	2,474
Net Cash Provided by (Used for) Operating Activities	6,133,212	10,718,194	1,656,325	(3,561,581)	14,946,150	(1,766,630)
Cash Flows from Noncapital Financing Activities						
Transfers In (Out)						
Central Business Tax Increment District	-	-	-	1,872,829	1,872,829	-
Washington Tax Increment District	-	-	-	5,300,000	5,300,000	-
Motor Vehicle Parking System	-	-	-	(12,649,190)	(12,649,190)	-
Sherman Garage	-	-	5,270,730	-	5,270,730	-
Maple Avenue Garage	-	-	7,378,460	-	7,378,460	-
Economic Development	-	-	-	4,600,000	4,600,000	-
General	(2,778,600)	-	(777,500)	650,000	(2,906,100)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(2,778,600)	-	11,871,690	(226,361)	8,866,729	-
Cash Flows from Capital and Related Financing Activities						
Sale of capital assets	-	-	-	-	-	112,671
Acquisition and construction of capital assets	(4,021,825)	(6,825,517)	(59,990)	-	(10,907,332)	(1,755,496)
Principal paid on revenue bonds	(510,000)	-	-	-	(510,000)	-
Interest paid on revenue bonds	(107,687)	-	-	-	(107,687)	-
Net proceeds from bond refundings	-	-	-	55,000	55,000	-
Proceeds from general obligation bonds	-	2,412,793	-	-	2,412,793	-
Principal paid on general obligation bonds	-	(2,305,000)	(675,000)	(9,340,000)	(12,320,000)	-
Interest paid on general obligation bonds	-	(977,522)	(151,387)	(1,409,827)	(2,538,736)	-
Proceeds from bond premium	-	438,139	36,978	813,334	1,288,451	-
Principal paid on IEPA loans	-	(7,290,628)	-	-	(7,290,628)	-
Interest paid on IEPA loans	-	(2,673,254)	-	-	(2,673,254)	-
Proceeds from IEPA loans	-	5,654,964	-	-	5,654,964	-
Net Cash (Used for) Capital and Related Financing Activities	(4,639,512)	(11,566,025)	(849,399)	(9,881,493)	(26,936,429)	(1,642,825)
Cash Flows from Investing Activities						
Sale of investments	-	-	-	-	-	6,928,631
Interest income	193,637	121,612	19,930	270,475	605,654	88,135
Net Cash Provided by Investing Activities	193,637	121,612	19,930	270,475	605,654	7,016,766
Net Increase (Decrease) in Cash and Equivalents	(1,091,263)	(726,219)	12,698,546	(13,398,960)	(2,517,896)	3,607,311
Cash and Equivalents						
Beginning of year	10,540,133	6,593,651	1,406,883	13,398,960	31,939,627	801,782
End of year	\$ 9,448,870	\$ 5,867,432	\$ 14,105,429	\$ -	\$ 29,421,731	\$ 4,409,093
Reconciliation						
Cash and equivalents						
Current Cash	\$ 7,006,178	\$ -	\$ 14,105,429	\$ -	\$ 21,111,607	\$ 4,409,093
Restricted Current Cash	2,442,692	5,867,432	-	-	8,310,124	-
	\$ 9,448,870	\$ 5,867,432	\$ 14,105,429	\$ -	\$ 29,421,731	\$ 4,409,093

Note: The City incurred a non-cash transaction of current debt refunding of \$37,455,000.

CITY OF EVANSTON, ILLINOIS

Proprietary Funds

Statement of Cash Flows - Continued
 Year ended February 28, 2009

	Business-type Activities- Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Motor Vehicle Parking System	Nonmajor Proprietary Funds	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities						
Operating income (loss)	\$ 4,400,953	\$ 8,541,491	\$ 1,478,393	\$ (1,900,832)	\$ 12,520,005	\$ (1,768,428)
Depreciation	1,417,334	3,033,718	216,060	1,757,103	6,424,215	1,225,265
Changes in assets and liabilities						
Increase/decrease in A/R miscellaneous	-	-	-	-	-	(7,802)
Other receivables	30,225	-	(27,653)	(3,580)	(1,008)	1,564
Notes receivables	-	-	5,000	-	5,000	-
Accounts receivable	(45,565)	52,692	-	-	7,127	-
Interfund receivable	(42,805)	-	-	727,072	684,267	2,470
Inventories	(6,676)	47,675	-	-	40,999	105,458
Accrued interest receivable	-	10,541	-	10,397	20,938	-
Compensated absences	10,988	12,923	(3,565)	-	20,346	(21,231)
Accounts payable	-	-	-	-	-	(41,388)
Interfund payable	-	(1,380,861)	(30,537)	(4,451,354)	(5,862,752)	2,474
OPEB liability payable	1,382	296	315	-	1,993	6,316
Vouchers payable	166,119	(3,856)	30,590	299,613	492,466	(1,476)
Vouchers payable (restricted)	204,483	377,468	-	-	581,951	-
Interest payable	(3,226)	26,107	(12,278)	-	10,603	-
Claims payable	-	-	-	-	-	(1,269,852)
Net Cash Provided by (Used for) Operating Activities	\$ 6,133,212	\$ 10,718,194	\$ 1,656,325	\$ (3,561,581)	\$ 14,946,150	\$ (1,766,630)

CITY OF EVANSTON, ILLINOIS

Fiduciary Funds

Statement of Net Assets

February 28, 2009

	Pension Trust Funds	Special Assessment Agency Fund
Assets		
Cash and short-term investments	\$ 10,180,411	\$ 21,073
Receivables		
Accrued interest	280,394	-
Contribution receivable - Due from other funds	3,331,373	-
Total Receivables	3,611,767	-
Investments, at fair value		
U.S. Government obligations	44,180,237	-
Common stock	6,455,343	-
Mutual funds	32,449,981	-
Total Investments	83,085,561	-
Total Assets	96,877,739	21,073
Liabilities		
Vouchers payable	9,925	-
Due to special assessment bondholders	-	21,073
Total Liabilities	9,925	21,073
Net assets held in trust	\$ 96,867,814	\$ -

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 Year ended February 28, 2009

	Pension Trust Funds
<hr/> <hr/>	
Additions	
Contributions	
Employer	\$ 14,294,084
Plan members	1,908,741
Total contributions	<hr/> 16,202,825 <hr/>
Investment income	
Net appreciation (depreciation) in fair value of investments	(18,458,788)
Investment income	3,995,834
Total investment income	<hr/> (14,462,954) <hr/>
Less investment expense	292,123
Net investment income	<hr/> (14,755,077) <hr/>
Total additions	<hr/> 1,447,748 <hr/>
Deductions	
Benefits	12,366,962
Refunds of contributions	5,657
Administrative expense	76,413
Total deductions	<hr/> 12,449,032 <hr/>
Net increase	(11,001,284)
Net assets held in trust for pension benefits	
Beginning of year	<hr/> 107,869,098 <hr/>
End of year	<hr/> \$ 96,867,814 <hr/> <hr/>

The accompanying notes are an integral part of this statement.

CITY OF EVANSTON, ILLINOIS

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CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

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.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

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, 2008. This report is the most recent one available.

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.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Government-wide and Fund Financial Statements - Continued

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."

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.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

Taxes	Fines
Property	Traffic fines
Sales (Home Rule)	
Utility	Intergovernmental
Personal property	Motor fuel tax allotments
	Grants
	Supplemental Security Income reimbursements
Licenses	Income taxes
	Sales taxes
	Use tax
Franchise fees	
Charges for services	Investment income
	Recycling program fees and sales

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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.

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

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.

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.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Agency funds account for the cash received from property owners on capital improvement special assessments. Such amounts collected will be forwarded to bondholders. The City is not obligated in any manner for this debt and is only acting as agent for the property owners.

The City's enterprise funds apply all applicable GASB pronouncements as well as relevant Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, 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.

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.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 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

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.

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.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H. Capital Assets - Continued

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

Description	Years	Description	Years
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		

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, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 Fiscal Year Ending February 28, 2009

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:

Lien Date	January 1 of Levy Year
Levy Date	December of Levy Year
First Installment Due Date (one-half of prior bill)	March 1 of Year following Levy Year
Second Installment Due Date (balance of total bill)	August or September 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 year between March 1, 2008 and February 28, 2009 and all property tax collections received within 60 days after the end of the fiscal year. A 2% allowance for loss is reflected in the Township financial statements.

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 2007 property tax levy that will not be collected within 60 days of the Township's March 31, 2008 year-end. A 5% allowance for loss is reflected in the Township financial statements.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent management plans that are subject to change.

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. Land Held for Resale

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

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

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 \$152,167,426 difference are as follows:

General obligation bonds payable	\$ 115,961,136
Special service district bonds payable	2,165,000
Bonds premium liability	5,037,459
Compensated absences payable	10,658,541
Capital lease	1,035,370
Pension contributions payable	<u>17,309,920</u>
Net adjustments to reduce fund balance – total governmental funds to arrive at net assets – governmental activities.	\$ <u>152,167,426</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 \$5,126,526 difference are as follows:

Capital outlay	\$ 12,415,151
Depreciation expense	<u>(7,288,625)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ <u>5,126,526</u>

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

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 \$23,615,000 difference are as follows:

Principal repayments:	
General obligation debt	\$ 23,320,000
SSD#5 Bond	<u>295,000</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	
	\$ <u>23,615,000</u>

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 \$357,743 difference are as follows:

Capital Contribution	\$ (495,000)
Compensated absences	(908,543)
Amortization income	628,588
Pension contributions	<u>1,132,698</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	
	\$ <u>357,743</u>

4. Another element of that reconciliation states that "Issuance of 2008 Bonds provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds." The details of this (\$25,081,112) difference are as follows:

2008 Bond Series (A,C,D)	\$ (23,241,136)
Capital lease	(1,035,370)
Bonds premium liability	<u>(804,606)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	
	\$ <u>(25,081,112)</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

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. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following March 1. 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 (1) property taxes are budgeted as revenue in the year they are levied, (2) debt service payments are budgeted upon tax levy for such purposes, (3) encumbrances are recorded as the equivalent of expenditures for budget purposes, and (4) interest earned on escrow accounts is budgeted as revenue in the year of debt repayment rather than when earned. 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 11, 2007. 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 year.

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

Special Revenue

Library, Neighborhood Improvement, Affordable Housing, HOME, Community Development Loan, Employee Pension Contribution

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued

A. Budgetary Information - Continued

Capital Projects

Capital Improvements, Central Business Tax Increment District, Washington National Tax Increment District, Special Assessment

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities under GAAP.

The following funds had an excess of actual budgetary expenditures over original and final budget for the year ended February 28, 2009:

<u>Fund</u>	<u>Actual</u>	<u>Budget</u>	<u>Excess</u>
Debt Service Fund	\$ 11,326,856	\$ 10,644,328	\$ 682,528
Howard Ridge Tax Increment District	78,975	16,000	62,975

B. DEFICIT FUND EQUITY

The Insurance Fund, an internal service fund, had a net deficit of \$1,607,345 as of February 28, 2009. The City plans to use current resources to pay for future liabilities.

The Washington National Tax Increment District CIP Fund had a deficit fund balance of \$251,740 as of February 28, 2009. The City plans to use current resources and possible debt proceeds to pay for future liabilities.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

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.

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 Fiscal Year Ending February 28, 2009

NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS - Continued

C. Types of Investments

As of February 28, 2009, 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	\$ 20,012,214	\$ 20,012,214	\$ -	\$ -
Illinois Funds	41,302,065	41,302,065	-	-
Mutual Funds	1,703,704	-	-	1,703,704
Certificate of Deposits	2,780,506	2,780,506	-	-
Total Governmental and Enterprise Investment Fund	\$ 65,798,489	\$ 64,094,785	\$ -	\$ 1,703,704

IMET Money Market	\$ 2,729,663
Fifth Third Money Market	8,819,858
First Bank Money Market	1,297,021
Fidelity Money Market	89,167
JP Morgan Money Market	6,768,042
Vanguard Money Market	308,463
Total Money Market	\$ 20,012,214

Township Investment Type	Fair Value	Investment Maturities (In Years)		
		Less Than 1 Year	1 - 10 More Years	Equities
Illinois Funds	\$ 1,434,978	\$ 1,434,978	\$ -	\$ -
Total Township Investment	\$ 1,434,978	\$ 1,434,978	\$ -	\$ -

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS - Continued

C. Types of Investments - continued

Fire and Police Pension Investment Type	Fair Value	Investment Maturities (In Years)		
		Less Than 1 Year	1 - 10 More Years	Equities
Money Market / Liquid Assets	\$ 9,253,034	\$ 9,253,034	\$ -	\$ -
Mutual Funds	32,449,982	-	1,568,988	30,880,994
U.S. Treasuries	15,100,645	575,814	14,524,831	-
Federal Home Loan Bank	1,643,839	277,728	1,366,111	-
Federal Home Loan Mortgage Corp	7,656,762	897,945	6,758,817	-
Fannie Mae	13,750,403	905,560	12,844,843	-
Ginnie Mae	6,028,588	4,726	6,023,862	-
Common Stock	6,455,343	-	-	6,455,343
Total Fire and Police Investment	\$ 92,338,596	\$ 11,914,807	\$ 43,087,452	\$ 37,336,337

JP Morgan Trust Money Market	\$ 444,000
Smith Barney Money Market	1,278,033
JP Morgan Money Market	4,733,935
Schwab Money Market	1,435,587
MB Bank Money Market	1,232,348
IMET Money Market Convenience	129,131
	\$ 9,253,034

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 AAAM 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. Investments in Illinois Funds and IMET are valued at the fund's share price, the price for which the investments could be sold. 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.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS - Continued

C. Types of Investments - continued

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 filed by the counterparty's trust.

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 in overconcentration in a security, maturity, issuer, or class of securities.

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 February 28, 2009, the carrying amount of the City's deposits, including cash on hand of \$16,311, was \$25,564,935. The financial institutions' balances totaled \$26,463,161.

Township

At March 31, 2008, the carrying amount of the Township's deposits was \$234,792. The financial institutions' balances totaled \$244,065.

Fiduciary

Deposits consist of deposits in interest-bearing and noninterest-bearing accounts. At February 28, 2009, the carrying amount of the Pension's deposits was \$927,378 and \$21,073 for Agency. The financial institutions' balances totaled \$900,264 and \$21,073, respectively.

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:

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS – Continued

E. Reconciliation of Unrestricted and Restricted Cash and Investments - Continued

Unrestricted cash and equivalents	\$ 83,019,368
Unrestricted investments	1,703,704
Restricted cash and equivalents and investments	<u>8,310,124</u>
Total Cash and Investments – Primary Government	93,033,196
Fiduciary funds cash and equivalents	10,201,484
Fiduciary funds investments	<u>83,085,561</u>
Total Cash and Investments	<u>\$ 186,320,241</u>
Carrying amount of deposits – from Note 4 D	\$ 26,748,178
Investments – from Note 4 C	<u>159,572,063</u>
Total	<u>\$ 186,320,241</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 5. RECEIVABLES

A. Summary of Receivables

Receivables as of year - end 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	Water	Sewer	Motor Vehicle Parking System	Nonmajor and Other Funds	Total
Receivables:						
Property taxes	\$ 15,285,561	\$ -	\$ -	\$ -	\$ 36,656,331	\$ 51,941,892
Accounts	-	1,763,056	2,386,268	-	-	4,149,324
Notes	-	-	-	-	6,547,883	6,547,883
Special assessments	-	-	-	-	886,662	886,662
Accrued interest	-	15,017	-	-	298,856	313,873
Other	2,808,053	6,887	-	39,857	288,094	3,142,891
Gross receivables	18,093,614	1,784,960	2,386,268	39,857	44,677,826	66,982,525
Less: allowance for uncollectibles	289,913	-	-	-	905,401	1,195,314
Net total receivables	<u>\$ 17,803,701</u>	<u>\$ 1,784,960</u>	<u>\$ 2,386,268</u>	<u>\$ 39,857</u>	<u>\$ 43,772,425</u>	<u>\$ 65,787,211</u>
Net total receivables						<u>\$ 65,787,211</u>

Out of the total Notes Receivable, \$6,337,883 is not expected to be paid during the next year. Out of the total Special Assessment receivable, \$416,662 is not expected to be paid during the next year.

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 year is summarized as follows:

Interest Rates	Beginning of Year	Loans Made	Loan Repayments	End of Year
0% - 8%	\$ <u>6,047,185</u>	\$ <u>589,663</u>	\$ <u>275,614</u>	\$ <u>6,361,234</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 6. CAPITAL ASSETS

A. Capital Asset Activity

Capital asset activity for the year ended February 28, 2009, was as follows:

	Beginning of Year	Additions	Deletions	End of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,556,620	\$ -	\$ -	\$ 6,556,620
Right of way	18,695,896	-	-	18,695,896
Property held for resale	410,000	-	-	410,000
Artwork	-	40,000	-	40,000
Construction in progress	4,146,126	2,734,494	1,357,852	5,522,768
Total capital assets, not being depreciated	29,808,642	2,774,494	1,357,852	31,225,284
Capital assets, being depreciated:				
Buildings and improvements	80,251,917	107,258	-	80,359,175
Office equipment and furniture	10,079,103	351,358	-	10,430,461
Machinery and equipment	21,315,006	1,925,231	1,470,941	21,769,296
Infrastructure	102,238,955	8,159,932	-	110,398,887
Library collections	10,108,678	1,229,801	-	11,338,479
Capitalized leases	729,644	1,035,370	-	1,765,014
Total capital assets being depreciated	224,723,303	12,808,950	1,470,941	236,061,312
Less accumulated depreciation for:				
Buildings and improvements	27,049,920	1,815,434	-	28,865,354
Office equipment and furniture	7,722,254	1,328,110	-	9,050,364
Machinery and equipment	15,175,901	1,363,525	1,415,997	15,123,429
Infrastructure	49,229,673	3,415,137	-	52,644,810
Library collections	7,921,916	578,570	-	8,500,486
Capitalized leases	670,627	13,115	-	683,742
Total accumulated depreciation	107,770,291	8,513,891	1,415,997	114,868,185
Total capital net assets being depreciated, net	116,953,012	4,295,059	54,944	121,193,127
Governmental activities capital assets, net	\$ 146,761,654	\$ 7,069,553	\$ 1,412,796	\$ 152,418,411

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 6. CAPITAL ASSETS - Continued

A. Capital Asset Activity - Continued

	Beginning of Year	Additions	Deletions	End of Year
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,297,937	\$ -	\$ -	\$ 3,297,937
Construction in progress	18,757,533	11,776,768	17,484,912	13,049,389
Artwork	251,624	-	-	251,624
Total capital assets, not being depreciated	22,307,094	11,776,768	17,484,912	16,598,950
Capital assets, being depreciated:				
Land improvements	3,563,393	-	-	3,563,393
Buildings and improvements	72,355,641	153,297	-	72,508,938
Leasehold improvements	302,752	-	-	302,752
Plant	32,083,799	36,765	31,723	32,088,841
Transmission and distribution system	30,511,181	3,893,996	2,983	34,402,194
Sewer system and underground lines	218,683,011	12,559,400	-	231,242,411
Equipment	2,856,140	65,326	105,633	2,815,833
Parking meters	707,688	-	-	707,688
Total capital assets being depreciated	361,063,605	16,708,784	140,339	377,632,050
Less accumulated depreciation for:				
Land improvements	866,135	102,683	-	968,818
Buildings and improvements	8,099,805	1,737,465	-	9,837,270
Leasehold improvements	289,070	4,691	-	293,761
Plant	10,731,901	724,850	10,121	11,446,630
Transmission and distribution system	5,556,420	679,430	2,983	6,232,867
Sewer system and underground lines	27,573,602	2,993,261	-	30,566,863
Equipment	1,793,566	137,916	99,337	1,832,145
Parking meters	390,046	43,919	-	433,965
Total accumulated depreciation	55,300,545	6,424,215	112,441	61,612,319
Total capital net assets being depreciated, net	305,763,060	10,284,569	27,898	316,019,731
Business-type activities capital assets, net	\$ 328,070,154	\$ 22,061,337	\$ 17,512,810	\$ 332,618,681

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

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	\$	1,337,304
Public safety		535,194
Public works		4,352,357
Recreation and cultural opportunities		<u>2,289,036</u>

Total depreciation expense – governmental activities \$ 8,513,891

Business – type activities:

Water	\$	1,417,334
Sewer		3,033,718
Motor Vehicle Parking		<u>1,973,163</u>

Total depreciation expense – business – type activities \$ 6,424,215

B. Construction Commitments

The value of construction contracts signed, where the work has not yet been performed at February 28, 2009, is as follows:

Capital Improvement Fund	\$	2,514,233
Water Fund		641,911
Sewer Fund		<u>2,215,105</u>

Total Construction Commitments \$ 5,371,249

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

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 February 28, 2009 interfund receivables and payables consist of the following:

Funds	Due from Other Funds	Due to Other Funds
Governmental Funds		
General Fund		
Emergency Telephone System	\$ 12,730	\$ -
Economic Development	-	21,748
Fleet Service	43,518	-
Insurance	3,540	-
Community Development Block Grant	6,955	-
Central Business Tax Increment District	144	-
Capital Improvements	-	67,977
Motor Vehicle Parking System	49,593	-
Water	104,046	-
Sewer	23,275	-
Neighborhood Improvement Fund	-	40,000
Howard Hartrey Tax Increment District	12	-
Special Assessment CP Fund	-	3,690
Firefighters Pension	17,265	-
Police Pension	29,760	-
Howard Ridge Tax Increment District	5	-
Southwest Tax Increment District	-	22
Washington National Tax Increment District	34	-
Total General Fund	<u>290,877</u>	<u>133,437</u>
Capital Improvements		
General	67,977	-
Total Capital Improvements	<u>67,977</u>	<u>-</u>
Nonmajor Governmental Funds		
Howard Ridge Tax Increment District		
General	-	5
Economic Development		
General	21,748	-
Emergency Telephone System		
General	-	12,730
HOME		
Community Development Block Grant	-	16,008
Community Development Block Grant		
General	-	6,955
HOME	16,008	-
Community Development Loan	-	1,434
Affordable Housing	-	10,000
Total Community Development Block Grant	<u>16,008</u>	<u>18,389</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 7. INTERFUNDS - Continued

A. Interfund Accounts - Continued

Funds	Due from Other Funds	Due to Other Funds
Nonmajor Governmental Funds - Continued		
Community Development Loan		
Community Development Block Grant	\$ 1,434	\$ -
Neighborhood Improvement Fund		
General	40,000	-
Howard Hartrey Tax increment District		
General	-	12
Special Service District No. 4		
Debt Service Fund	-	25,000
Employer Pension Contribution		
Firefighters Pension	-	1,594,706
Police Pension	-	1,783,692
Total Employer Pension Contribution	-	3,378,398
Town		
General Assistance	22,051	-
General Assistance		
Town	-	22,051
Affordable Housing		
Community Development Block Grant	10,000	-
Southwest Tax Increment District		
Debt Service Fund	-	90,000
General	22	-
Total Southwest TIF	22	90,000
Washington National Tax Increment District		
General	-	34
Washington National Capital Projects	250,000	-
Total Washington National TIF	250,000	34
Debt Service Fund		
Special Service District No. 4	25,000	-
Southwest Tax Increment District	90,000	-
Special Assessment CP Fund	328,944	-
Sewer	-	366,947
Motor Vehicle Parking System	-	850,312
Total Debt Service	443,944	1,217,259
Central Business Tax Increment District		
General	-	144
Washington National Capital Projects		
Washington National Tax Increment District	-	250,000
Special Assessment CP Fund		
General	3,690	-
Debt Service Fund	-	328,944
Total Special Assessment	3,690	328,944
Total Nonmajor Governmental Funds	808,897	5,358,974
Total Governmental Funds	1,167,751	5,492,411

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 7. INTERFUNDS - Continued

A. Interfund Accounts - Continued

Funds	Due from Other Funds	Due to Other Funds
Enterprise Funds		
Water		
General	\$ -	\$ 104,046
Sewer		
General	-	23,275
Debt Service	366,947	-
Total Sewer	366,947	23,275
Motor Vehicle Parking System		
General	-	49,593
Debt Service	850,312	-
Total Motor Vehicle Parking System	850,312	49,593
Total Enterprise Funds	1,217,259	176,914
Internal Service Funds		
Fleet Services		
General	-	43,518
Insurance		
General	-	3,540
Total Internal Service Funds	-	47,058
Trust and Agency Funds		
Firefighters Pension		
Employer Pension Contribution	1,594,706	-
General	-	17,265
Firefighters Pension	1,594,706	17,265
Police Pension		
Employer Pension Contribution	1,783,692	-
General	-	29,760
Police Pension	1,783,692	29,760
Total Trust and Agency Funds	3,378,398	47,025
Total Primary Government	\$ 5,763,408	\$ 5,763,408

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

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 February 28, 2009 transfers in / out consist of the following:

Funds	Transfers In	Transfers Out
Governmental Funds		
General Fund		
Affordable Housing Fund	\$ 24,000	\$ -
Central Business Tax Increment District	325,000	-
Washington Natl. Tax Increment District	151,900	-
Howard Hartrey Tax Increment District	141,600	-
Southwest Tax Increment District	24,100	-
Capital Improvement Fund	300,000	-
Water Fund	2,778,600	-
Howard Ridge Tax Increment District	120,400	-
Motor Fuel Tax Fund	772,500	-
Motor Vehicle Parking System	777,500	-
Total General Fund	<u>5,415,600</u>	<u>-</u>
Capital Improvements		
General	-	300,000
Total Capital Improvement	<u>-</u>	<u>300,000</u>
Nonmajor Governmental Funds		
Economic Development		
Maple Avenue Garage	-	650,000
Affordable Housing Fund		
General	-	24,000
Community Development Block Grant		
Community Development Loan	57,700	-
Community Development Loan		
Community Development Block Grant	-	57,700

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 7. INTERFUNDS - Continued

B. Interfund Transfers - Continued

Funds	Transfer In	Transfer Out
Nonmajor Governmental Funds - Continued		
Town		
General Assistance	\$ -	\$ 125,000
General Assistance		
Town	125,000	-
General Obligation Debt Service Fund		
Special Assessment	328,944	-
Total General Obligation Debt	328,944	-
Central Business Tax Increment District		
General	-	325,000
Sherman Garage	-	1,872,829
Maple Avenue Garage	-	4,600,000
Total Central Business Tax Increment District	-	6,797,829
Southwest Tax Increment District		
General	-	24,100
Howard Hartrey Tax Increment District		
General	-	141,600
Howard Ridge Tax Increment District		
General	-	120,400
Washington National Tax Increment District		
General	-	151,900
Sherman Garage	-	5,300,000
Total Washington National	-	5,451,900
Special Assessment		
General Obligation Debt	-	328,944
Total Special Assessment	-	328,944
Motor Fuel Tax		
General	-	772,500
 Total Nonmajor Governmental Funds	 511,644	 14,493,973
 Total Governmental Funds	 5,927,244	 14,793,973

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 7. INTERFUNDS - Continued

B. Interfund Transfers - Continued

Funds	Transfer In	Transfer Out
Enterprise Funds		
Water		
General	\$ -	\$ 2,778,600
Total Water	-	2,778,600
Motor Vehicle Parking System		
General Fund	-	777,500
Sherman Garage	4,901,718	-
Maple Avenue Garage	28,936,069	-
	<u>33,837,787</u>	<u>777,500</u>
Nonmajor Enterprise Funds		
Sherman Garage		
Washington Natl. Tax Increment District	5,300,000	-
Central Business Tax Increment District	1,872,829	-
Motor Vehicle Parking System	-	4,901,718
	<u>7,172,829</u>	<u>4,901,718</u>
Maple Avenue Garage		
Central Business Tax Increment District	4,600,000	-
Economic Development	650,000	-
Motor Vehicle Parking System	-	28,936,069
Total Maple Avenue Garage	<u>5,250,000</u>	<u>28,936,069</u>
Total Nonmajor Enterprise Funds	<u>12,422,829</u>	<u>33,837,787</u>
Total Enterprise Funds	<u>46,260,616</u>	<u>37,393,887</u>
Total Primary Government	<u>\$ 52,187,860</u>	<u>\$ 52,187,860</u>

C. Capital Contribution

Capital contributions were made from governmental activities to the Motor Vehicle Parking System fund in the amount of \$338,307, Sherman Garage fund in the amount of \$13,936 and Sewer fund in the amount of \$250,000.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 8. Operating Leases

The City of Evanston has various operating leases covering the rental of several digital office copiers from the GE Capital and Great America Leasing. The copiers are located in the Evanston Civic Center, Recreation Department and the Evanston Police and Fire Station.

The following are the outstanding lease agreements as of February 28, 2009:

<u>Leasing Co.</u>	<u>Expiration</u>	<u>Number of Copiers</u>	<u>Monthly Payment</u>	<u>Location</u>
GE Capital	10/01/09	5	\$ 1,243	Police Dept.
GE Capital	04/18/09	1	247	Police Dept.
GE Capital	03/02/09	2	2,138	Civic Center
GE Capital	03/02/09	3	2,346	Civic Center
GE Capital	12/25/09	1	209	Civic Center
GE Capital	11/19/09	1	367	Chandler Center
Great America Leasing	04/25/10	6	2,541	Civic Center

Minimum annual lease payments are as follows:

Fiscal year ending 2010	\$ 60,023
Fiscal year ending 2011	<u>5,082</u>
	<u>\$ 65,105</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 9. LONG-TERM DEBT

A. Changes in Long-Term Debt

	Interest Rate	Final Maturity Date	Balance 3/1/2008	Issued	Refundings	Payments	Balance 2/28/2009	Due Within One Year
G.O. Debt Governmental Activities								
Series 1998	4.80%-4.875%	12/1/2018	\$ 480,000	\$ -	\$ -	\$ 480,000	\$ -	\$ -
Series 1999	4.25%-5.00%	12/1/2019	11,175,000	-	9,830,000	1,345,000	-	-
Series 2000C	Variable Rate	12/1/2021	3,400,000	-	-	3,400,000	-	-
Series 2000D	Variable Rate	12/1/2021	3,900,000	-	3,900,000	-	-	-
Series 2002C	5.00%-5.80%	1/1/2022	5,060,000	-	-	705,000	4,355,000	695,000
Series 2003	2.00%-5.00%	1/1/2010	1,405,000	-	-	825,000	580,000	580,000
Series 2003B	2.00%-5.25%	1/1/2023	3,560,000	-	-	85,000	3,475,000	330,000
Series 2004	2.00%-5.00%	12/1/2023	12,940,000	-	-	150,000	12,790,000	150,000
Series 2004B	2.00%-5.25%	12/1/2017	10,215,000	-	-	1,340,000	8,875,000	1,415,000
Series 2005	3.25%-5.00%	12/1/2025	16,130,000	-	-	105,000	16,025,000	585,000
Series 2006	3.85%-5.00%	12/1/2026	10,170,000	-	-	120,000	10,050,000	120,000
Series 2006B	4.00%-4.25%	12/1/2023	14,430,000	-	-	-	14,430,000	-
Series 2007	4.00%-5.00%	12/1/2016	23,175,000	-	-	1,035,000	22,140,000	1,250,000
Series 2008A	3.00%-5.00%	12/1/2021	-	3,800,000	-	-	3,800,000	195,000
Series 2008C	3.00%-5.00%	12/1/2019	-	9,965,580	-	-	9,965,580	341,700
Series 2008D	3.25%-5.00%	12/1/2016	-	9,475,556	-	-	9,475,556	1,206,701
Subtotal Governmental Activity G.O. Debt			<u>116,040,000</u>	<u>23,241,136</u>	<u>13,730,000</u>	<u>9,590,000</u>	<u>115,961,136</u>	<u>6,868,401</u>
G.O. Special Service District #5 Series 2002C	5.00%-5.80%	1/1/2016	2,460,000	-	-	295,000	2,165,000	305,000
Subtotal G.A. Special Service District #5 G.O. Debt			<u>2,460,000</u>	<u>-</u>	<u>-</u>	<u>295,000</u>	<u>2,165,000</u>	<u>305,000</u>
Capital lease			-	1,035,370	-	-	1,035,370	326,818
Bonds premium liability			4,861,441	804,606	-	628,588	5,037,459	-
OPEB liability			302,471	350,684	-	-	653,155	-
Pension contributions			18,442,618	13,161,386	-	14,294,084	17,309,920	-
Compensated absences payable- City			10,463,525	6,898,467	-	6,542,099	10,819,893	5,369,815
Claims payable			<u>6,628,452</u>	<u>(300,255)</u>	<u>-</u>	<u>969,597</u>	<u>5,358,600</u>	<u>2,395,337</u>
Subtotal Other G.A. Liabilities			<u>40,698,507</u>	<u>21,950,258</u>	<u>-</u>	<u>22,434,368</u>	<u>40,214,397</u>	<u>8,091,970</u>
Total Governmental Activity Debt & Liabilities			<u>\$ 159,198,507</u>	<u>\$ 45,191,394</u>	<u>\$ 13,730,000</u>	<u>\$ 32,319,368</u>	<u>\$ 158,340,533</u>	<u>\$ 15,265,371</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 9. LONG-TERM DEBT - Continued

A. Changes in Long-Term Debt - Continued

	Interest Rate	Final Maturity Date	Balance 3/1/2008	Issued	Refundings	Payments	Balance 2/28/2009	Due Within One Year
G.O. Debt Business-type Activities								
Series 1999 Parking	4.25%-5.00%	12/1/2019	\$ 1,055,000	\$ -	\$ 960,000	\$ 95,000	\$ -	\$ -
Series 1999 Sewer	4.25%-5.00%	12/1/2019	-	-	-	-	-	-
Series 1999 Sewer	4.25%-5.00%	12/1/2019	10,260,000	-	8,795,000	1,465,000	-	-
Series 2000A Maple Avenue Garage	Variable Rate	12/1/2021	4,000,000	-	-	4,000,000	-	-
Series 2002A Sherman Garage	Variable Rate	12/1/2018	27,700,000	-	27,700,000	-	-	-
Series 2002B Sherman Garage	Variable Rate	12/1/2008	4,500,000	-	-	4,500,000	-	-
Series 2003 Parking System	2.00%-5.00%	1/1/2010	1,200,000	-	-	580,000	620,000	620,000
Series 2005 Sherman Garage	3.25%-5.00%	12/1/2025	11,465,000	-	-	840,000	10,625,000	870,000
Series 2007 Sewer	4.00%-5.00%	12/1/2016	5,855,000	-	-	840,000	5,015,000	890,000
Series 2008B Sherman Garage	3.00%-5.00%	12/1/2018	-	27,755,000	-	-	27,755,000	11,320,000
Series 2008C Sewer	3.00%-5.00%	12/1/2018	-	2,429,420	-	-	2,429,420	83,300
Series 2008D Parking	3.25%-5.00%	12/1/2016	-	873,307	-	-	873,307	106,474
Series 2008D Sewer	3.25%-5.00%	12/1/2016	-	8,666,138	-	-	8,666,138	1,576,825
Subtotal Business Activity G.O. Debt			<u>66,035,000</u>	<u>39,723,865</u>	<u>37,455,000</u>	<u>12,320,000</u>	<u>55,983,865</u>	<u>15,466,599</u>
Water Revenue Bond Series 1999	4.125-4.375%	1/1/2014	1,640,000	-	-	245,000	1,395,000	255,000
Water Revenue Bond Series 2002	2.00-3.75%	1/1/2012	1,115,000	-	-	265,000	850,000	270,000
Subtotal Water Revenue Bonds			<u>2,755,000</u>	<u>-</u>	<u>-</u>	<u>510,000</u>	<u>2,245,000</u>	<u>525,000</u>
Subtotal IEPA Loans	2.535-3.59%	Various	<u>103,410,887</u>	<u>5,654,964</u>	<u>-</u>	<u>7,290,628</u>	<u>101,775,223</u>	<u>8,009,410</u>
Unamortized bond Premium and discount			(2,413)	17,756	-	(34,846)	14,677	-
Bonds premium liability			-	1,288,451	-	146,156	1,142,295	-
Compensated absences payable- City			639,352	65,757	-	45,412	659,697	428,708
OPEB Liability			28,172	1,993	-	-	30,165	-
Subtotal Other Business Activity Liabilities			<u>665,111</u>	<u>1,373,957</u>	<u>-</u>	<u>156,722</u>	<u>1,846,834</u>	<u>428,708</u>
Total Business Debt & Liabilities			<u>172,865,998</u>	<u>46,752,786</u>	<u>37,455,000</u>	<u>20,277,350</u>	<u>161,850,922</u>	<u>24,429,717</u>
Total Governmental & Business Debt & Liabilities			<u>\$ 332,064,505</u>	<u>\$ 91,944,180</u>	<u>\$ 51,185,000</u>	<u>\$ 52,596,718</u>	<u>\$ 320,191,455</u>	<u>\$ 39,678,088</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

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 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 and are payable through 2014. Annual payment and interest on the bonds are expected to require \$616,556 of net revenues for Fiscal Year 2009-10. The total principal and interest remaining to be paid on the bonds is \$2,496,545. Principal and interest paid for the current year and total customer net revenues were \$620,913 and \$5,818,287 respectively.

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	1,395,000
10/1/2002	1/1/2012	Various	2,355,000	<u>850,000</u>
Total Business type Activities- Water Revenue Bonds				<u><u>2,245,000</u></u>

Business type activities - IEPA Loans

Business type activities IEPA loans are payable from revenues derived from Sewer service fees. The City has pledged future revenues, net of operating expenses, to repay principal totaling \$160,196,249 in IEPA loans issued in 1993 through 2008. Proceeds from the loans provided financing for the Long Term Sewer Improvement Program. The IEPA loans are payable solely from revenues and are payable through 2028. Annual payment and interest on the bonds are expected to require \$10,730,592 of net revenues for the Fiscal year 2009-10. The total principal and interest remaining to be paid on the loans is \$121,190,455. Principal and interest paid for the current year and total customer net revenues were \$9,908,346 and \$11,554,269 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	160,196,249	<u>101,775,223</u>
Total Business type Activities- IEPA Loan Debt				<u><u>101,775,223</u></u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

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.

In November 2001, the City entered into an interest rate swap agreement with Bank of America relating to the City's \$19,000,000 General Obligation (G.O.) Variable Rate Demand Bonds, Series 2000A and the \$10,400,000 Variable Rate Demand Bonds, Series 2000C with a fixed rate of 3.125% effective 12/1/01 through 11/30/05. In November 2002, the City entered into a rate cap agreement with JP Morgan Chase Bank relating to the City's \$35,000,000 G.O. Variable Rate Demand Bonds, Series 2002 A and B, with a cap rate of 4.75% effective 12/1/02 through 11/30/2005.

In March, 2003, the City issued \$16,430,000 in General Obligation bonds with an average interest rate of 3.27% to advance refund \$15,895,000 of outstanding 1993 Series bonds with an average interest rate of 4.04%. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$538,201. This difference, reported in the accompanying financial statements as a bond premium liability, is being charged to operations through the year 2011 using the straight-line method. The proceeds from the new bond issue were used to establish an escrow account and those monies were used to fully payoff the 1993 bonds on June 1, 2003. The City completed the advance refunding to reduce its total debt service payments over the next seven years by \$1,149,266 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,065,550.

In May, 2003, the City issued Series 2003B \$11,485,000 in General Obligation bonds at a net interest cost of 4.4900825%. The proceeds are being used to partially finance the City's Long Range Capital Improvement Program.

In May 13, 2004, the City issued Series 2004 \$13,355,000 in General Obligation bonds at a net interest cost of 4.6291740%. The proceeds are being used to partially finance the City's Long Range Capital Improvement Program and Special Assessment Alley program.

In July 27, 2004, the City issued Series 2004B \$11,730,000 in General Obligation bonds at a net interest cost of 3.739542%. The proceeds are being used to partially refund \$11,085,000 of the 1997 bonds.

In July 28, 2005, the City issued Series 2005 \$29,270,000 in General Obligation bonds at a net interest cost of 3.893986%. The proceeds are being used to partially refund \$6,350,000 of the 1998 bonds, pay a portion of the costs of Capital Improvement Program, finish constructing the Sherman Garage, and pay for additional Special Assessment Alley program.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 9. LONG-TERM DEBT - Continued

B. General Obligation Bonds Payable - Continued

In July 19, 2006, the City issued Series 2006 \$10,290,000 in General Obligation bonds at a net interest cost of 4.793401%. The proceeds are being used to partially finance the City's Long Range Capital Improvement Program and Special Assessment Alley program

In December 27, 2006, the City issued Series 2006B \$14,430,000 in General Obligation bonds at a net interest cost of 4.206030%. The proceeds are being used to partially refund \$6,480,000 of the 2002C bonds and \$7,270,000 of the 2003B bonds. This will result in net cash savings on \$769,505 which translates to a net present value savings of \$665,226.

On May 24, 2007 the City issued Series 2007 \$30,385,000 in General Obligation bonds at a net interest cost of 4.191092%. The proceeds are being used to current refund \$11,970,000 of the City's Series 1997, advance refund \$3,585,000 of the City's outstanding Series 1999 Bonds and provide \$14,830,000 for capital improvement needs. This will result in net cash savings of \$1,073,395 which translates to a net present value savings of \$858,467.

On May 7, 2008 the City issued Series 2008A/B/C in General Obligation bonds for a total of \$43,950,000 at a net interest cost of 3.7415324%. The proceeds are being used to current refund and remarket to fixed rates \$3,900,000 of 2000D variable bonds and \$27,700,000 of 2002A variable bonds with the remainder of \$12,395,000 to finance a portion of the current Capital Improvement plan of the City.

On December 10, 2008, the City issued Series 2008D for a total of \$19,015,000 at a net interest cost of 3.05%. The proceeds are being used to current refund the outstanding balance of Series 1999. This will result in a net cash savings of \$1,081,086 which translates to a net present value savings of \$940,979.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending	Governmental Activities		Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
February 28				
2010	6,868,401	5,267,142	15,466,599	2,392,031
2011	6,975,518	5,027,211	5,134,483	1,852,922
2012	7,478,538	4,727,326	5,211,463	1,624,578
2013	7,950,448	4,425,478	5,919,551	1,400,628
2014	8,283,876	3,995,066	4,131,124	1,173,265
2015-2019	37,918,374	14,560,916	18,651,626	2,894,938
2020-2024	28,250,160	6,835,494	644,840	305,954
2025-2028	12,235,821	1,476,380	824,179	127,640
Total	<u>115,961,136</u>	<u>46,315,013</u>	<u>55,983,865</u>	<u>11,771,956</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

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.

Annual debt service requirements to maturity for special assessment bonds are as follows:

Year Ending <u>February 28</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2010	305,000	128,313
2011	325,000	113,063
2012	335,000	96,813
2013	345,000	80,063
2014	385,000	61,950
2015-2016	470,000	63,001
Total	<u>2,165,000</u>	<u>543,203</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:

Year Ending <u>February 28</u>	Business-type Activities	
	<u>Principal</u>	<u>Interest</u>
2010	525,000	91,556
2011	550,000	71,269
2012	575,000	49,344
2013	290,000	26,032
2014	305,000	13,344
Total	<u>2,245,000</u>	<u>251,545</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 9. LONG-TERM DEBT - Continued

E. Notes Payable - Sewer IEPA Loans

During the fiscal year ended February 28, 2009, the City currently has 26 outstanding loans from the IEPA. The City will repay the loans solely from revenues derived from the sewer 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 – Sewer IEPA debt service requirements to maturity are as follows:

Year Ending	Business-type Activities	
	Principal	Interest
<u>February 28</u>		
2010	8,009,410	2,721,182
2011	8,242,107	2,488,393
2012	8,481,677	2,248,729
2013	8,605,653	2,001,982
2014	8,163,724	1,754,587
2015-2019	34,086,498	5,701,518
2020-2024	18,751,996	2,091,788
2025-2029	7,434,158	407,053
Total	<u>101,775,223</u>	<u>19,415,232</u>

F. Prior Years' General Obligation Bond Defeasances

In 1999, the City defeased a portion of Series 1994, Series 1995, and Series 1996 Corporate Purpose bonds, by placing a portion of the proceeds of Series 1999 Bonds in an irrevocable trust to provide for the advance refunding of the callable portion of the bonds.

In 2004, the City defeased a portion of Series 1997 Corporate Purpose bonds, by placing a portion of the proceeds of Series 2004B in an irrevocable Escrow Account.

In 2005, the City defeased a portion of Series 1998 Corporate Purpose bonds, by placing a portion of the proceeds of Series 2005 in an irrevocable Escrow Account.

In 2006, the City defeased a portion of Series 2002C and 2003B Corporate Purpose bonds, by placing a portion of the proceeds of Series 2006B in an irrevocable Escrow Account.

In 2007, the City defeased Series 1999 and a portion of Series 1997 by placing a portion of the proceeds of Series 2007 in an irrevocable Escrow Account.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 9. LONG-TERM DEBT - Continued

F. Prior Years' General Obligation Bond Defeasances - Continued

The trust account assets and the liabilities for the defeased bonds are not included in the City's financial statements. At February 28, 2009, the following remaining outstanding balances are considered defeased:

<u>G.O. Series</u>	<u>Original Amount Defeased</u>	<u>Outstanding Defeased Amounts</u>
1996	9,765,000	9,765,000
1998	6,350,000	6,350,000
1999 (partial)	3,585,000	3,585,000
2002C	6,480,000	6,480,000
2003B	7,270,000	7,270,000

The outstanding balances of Series 2002C and 2003B, not defeased at February 28, 2009, are recorded as a liability in the City's financial statements. Those balances are as follows:

<u>Series</u>	
2002C	4,355,000
2003B	3,475,000

G. Prior Years' Special Service District #5 Bond Defeasances

In 2003, the City defeased a portion of Special Service District #5 Series 1995 and 1996 bonds by placing a portion of the proceeds of Series 2002C in an irrevocable escrow account.

<u>Special Service District #5</u>	<u>Original Amount Defeased</u>	<u>Outstanding Defeased Amounts</u>
1995	1,990,000	1,990,000
1996	1,620,000	1,620,000

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 9. LONG-TERM DEBT - Continued

H. 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 \$369 for single coverage to \$1,579 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 \$369 for single coverage to \$1,579 for family coverage. For fiscal year 2009, the City contributed \$331,063 to the plan. 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 year, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the retiree health plan.

Annual required contribution	\$	709,660
Interest on net OPEB obligation		14,880
Adjustment to annual required contribution		<u>(40,800)</u>
Annual OPEB cost		683,740
Contributions made		<u>(331,063)</u>
Increase in net OPEB obligation		352,677
Net OPEB obligation - Beginning of Year		<u>330,643</u>
Net OPEB obligation - End of Year	\$	<u><u>683,320</u></u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 9. LONG-TERM DEBT - Continued

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

The City of Evanston's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009 were as follows.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
2/29/2008	\$680,975	51.45% \$	330,643
2/28/2009	\$683,740	48.42% \$	683,320

The funded status of the plan as of March 1st, 2008, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$	7,634,991
Actuarial value of plan assets		-
Unfunded Actuarial Accrued Liability (UAAL)	\$	<u>7,634,991</u>
Funded ratio (actuarial value of plan assets/AAL)		-
Covered payroll (active plan members)	\$	50,230,393
UAAL as a percentage of covered payroll		15.20%

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.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 9. LONG-TERM DEBT - Continued

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

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 March 1, 2008 actuarial valuation, 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 date of 9.50 percent initially, reduced by decrements to an ultimate rate of 4.50 percent after 10 years. 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 remaining amortization period at March 1, 2008, was 29 years.

I. Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of Accela Systems for Permit records. These lease agreements qualify as capital leases for accounting purposes and, therefore the assets and obligations have been recorded at the present value of the future minimum lease payments as of February, 28 2009. At February 28, 2009 \$1,035,370 of amounts included in capital assets were acquired via capital leases. The obligation for the capital leases will be repaid from the Governmental Funds. The future minimum lease obligations and the net present value of these minimum lease payments as of February 28, 2009 are as follows:

<u>Fiscal year ending</u>	<u>Amount</u>
2010	\$ 383,764
2011	383,764
2012	383,764
Total minimum lease payments	<u>1,151,292</u>
Less: amount representing interest	<u>(115,922)</u>
Present value of minimum lease payments	<u>\$ 1,035,370</u>

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

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	\$ 42,249,545
Police Pension Fund Restriction for employee pension benefits	<u>54,618,269</u>
Total Fiduciary Funds	<u>\$ 96,867,814</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 10. FUND EQUITY - Continued

C. Reservations of Fund Equity

Reservations are used to segregate portions of fund equity which are either legally restricted for specific purposes are not "available spendable resources." The following reservations are reported:

General Fund	
Reserved for encumbrances	\$ 22,326
Reserved for Arts Council	32,094
Reserved for private elm trees	162,438
Reserved for parkway trees	223,216
Reserved for Butterfield sculpture	31,833
Reserved for scholarship contributions	32,753
Reserved for public library acquisitions	120,271
Reserved for recreation group activities	207,123
Reserved for youth initiative	42,150
Other reserves	<u>400,358</u>
Total General Fund	<u>1,274,562</u>
Special Revenue Funds	
Reserved for HUD approved Projects	410,000
Reserved for notes receivable	<u>6,361,234</u>
Total Special Revenue Funds	<u>6,771,234</u>
Debt Service Funds	
Reserved for debt service	<u>24,985,425</u>
Total Reserved Fund Equity - Governmental Funds	<u>\$ 33,031,221</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 10. FUND EQUITY - Continued

D. Unrestricted Fund Equity - Designated

The City has designated certain amounts of unrestricted fund equity for the following purposes:

General Fund		
IMRF - Pension	\$	2,590,000
Compensated Absences		2,576,360
Capital projects to be financed in a future period		260,553
Total General Fund		<u>5,426,913</u>
 Special Revenue Funds		
Specific capital projects		
Motor Fuel Tax		1,072,522
Library		2,014,301
		<u>3,086,823</u>
 Legal Liabilities		
Township		78,782
Total Special Revenue Funds		<u>3,165,605</u>
 Capital Projects Funds		
Specific capital projects		
Capital Improvements		13,190,483
Tax Increment Districts		3,219,840
Special Assessment		4,488,787
Total Capital Projects Funds		<u>20,899,110</u>
 Unrestricted Fund Equity - Designated	\$	<u>29,491,628</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

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 Central Business, Southwest, Washington National, and Howard Hartrey Tax Increment Districts; revenues from the Motor Vehicle Parking System Fund associated with the 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 2008 was \$522,854 which included a deficiency in tax levy amount of \$187,662.

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

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

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 \$75,000 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 is purchased from a commercial insurance company. For general liability claims, the City retains risk of loss.

No cases have exceeded the amount of insurance coverage for the past three years.

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 years are as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>	<u>Total</u>
February 28, 2007	\$ 2,801,201	\$ 2,894,999	\$ 5,696,200
New claims and/or estimate revisions	1,075,507	251,016	1,326,523
Claims payments	<u>(283,255)</u>	<u>(111,016)</u>	<u>(394,271)</u>
February 29, 2008	3,593,453	3,034,999	6,628,452
New claims and/or estimate revisions	1,235,778	(1,536,033)	(300,255)
Claims payments	<u>(564,894)</u>	<u>(404,703)</u>	<u>(969,597)</u>
February 28, 2009	<u>\$ 4,264,337</u>	<u>\$ 1,094,263</u>	<u>\$ 5,358,600</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

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 Intergovernment Cooperation Act, 5 ILLCS 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 Fiscal Year Ending February 28, 2009

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, 2008:

Current assets	\$	5,237,757
Restricted assets		952,279
Property, plant, and equipment		12,739,965
Debt issuance costs, net		87,680
Total assets	\$	<u>19,017,681</u>
Current liabilities	\$	4,769,267
Long-term debt, net of unamortized discount		6,832,203
Invested in capital assets, net of related debt		4,782,762
Restricted for debt service, net of accrued interest		927,596
Unrestricted net assets		1,705,853
Total liabilities and fund equity	\$	<u>19,017,681</u>

Summary of Revenues and Expenses for the Year Ended April 30, 2008:

Total revenues	\$	16,037,930
Total expenses		<u>(17,349,294)</u>
Net (loss)	\$	<u>(1,311,364)</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 Fiscal Year Ending February 28, 2009

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 advanced funds to the Corporation under two secured promissory notes, one for \$500,000 and the other for \$214,287. The notes are payable on or before November 30, 2009 and April 30, 2030, respectively. 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, 2008 are summarized as follows:

Statement of Financial Position as of December 31, 2008:

Cash and cash equivalents	\$	833,072
Mortgage loans receivable		2,390,668
Total assets		<u>3,223,740</u>
Payables and accrued expenses		159,740
Notes payable		3,064,000
Total liabilities		<u>3,223,740</u>
Net Assets	\$	<u><u>-</u></u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 14. JOINT VENTURES – Continued

B. Evanston Housing Corporation - Continued

Statement of Activities for the Year Ended December 31, 2008:

Total revenues	\$	130,699
Total operating expenses		<u>(130,699)</u>
Excess of revenues over expenses	\$	<u><u>-</u></u>

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 February 28, 2009	\$	<u><u>27,103,604</u></u>
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CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

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 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, which is when the revenue is recognized.

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.

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 for calendar year 2008 was 7.53% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees.

B. Funding Status and Progress

The City's total payroll for the calendar year ended December 31, 2008 was \$62,065,285. Of this amount, \$34,189,216 in payroll earnings were reported to and covered by the IMRF system. The Township's total payroll for the year ended December 31, 2007 was \$338,122. Of this amount, \$338,122 in payroll earnings were reported to and covered by the IMRF plan.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued

Illinois Municipal Retirement Fund - Continued

C. Annual Pension Cost

For December 31, 2008, the City's annual pension cost of \$2,574,448 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% 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 11.6% 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. The assumptions for 2008 pension cost were based on the 2002-2004 experience study. However the 2008 actuarial valuation information is based on the 2005-2007 experience study. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2008 was 24 years.

Three-Year Trend Information for IMRF - City

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/08	\$ 2,574,448	100%	-
12/31/07	2,749,378	100%	-
12/31/06	2,665,493	100%	-

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 16. DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund - Continued

C. Annual Pension Cost - Continued

For December 31, 2007, the Township's annual pension cost of \$20,253 was equal to the Township's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% 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 15% corridor. The assumptions used for the 2007 actuarial valuation were based on the 2002-2004 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>
12/31/07	\$ 20,253	100%	-
12/31/06	20,372	100%	-
12/31/05	20,476	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 year ended February 29, 2008 was \$12,142,000 and \$8,999,000 respectively and for February 28, 2009, it was \$12,633,000 and \$9,242,000, respectively.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 16. DEFINED BENEFIT PENSION PLANS – Continued

Police and Firefighters' Pension Plans - Continued

D. Plan Descriptions - Continued

Participation in the plans at February 28, 2009 was:

	<u>Police</u>	<u>Firefighters'</u>
Retirees, disabled participants, and beneficiaries of deceased retirees currently receiving benefits	164	124
Active plan members	<u>160</u>	<u>111</u>
Total	<u><u>324</u></u>	<u><u>235</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 for one year immediately prior to retirement 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>Firefighters'</u>
	<u>Pension Fund</u>	<u>Pension Fund</u>
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	5.00%	5.00%
Attributable to inflation	3.50%	3.50%
Cost of Living Increases	3.00%	3.00%

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

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 10 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 for one year immediately prior to retirement or separation 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.

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 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.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued

Police and Firefighters' Pension Plans – Continued

F. Contributions and Reserves – Continued

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 March 1, 2009 are as follows:

	<u>Police</u>	<u>Firefighters'</u>
Annual required contribution	\$ 7,081,620	\$ 5,828,112
Interest on net pension obligation	804,821	532,269
Adjustment to annual required contribution	<u>(653,345)</u>	<u>(432,091)</u>
Annual pension cost	7,233,096	5,928,290
Contributions made	<u>(7,838,745)</u>	<u>(6,455,339)</u>
Increase (decrease) in net pension obligation	(605,649)	(527,049)
Net pension obligation at March 1, 2008	<u>11,100,974</u>	<u>7,341,644</u>
Net pension obligation at March 1, 2009	<u>\$ 10,495,325</u>	<u>\$ 6,814,595</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 Fiscal Year Ending February 28, 2009

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 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. Three-Year Trend Information – Pension Trust Funds

	<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Police	2/28/09	\$ 7,233,096	115.50 %	\$ 10,495,325
	2/29/08	6,789,705	91.52	11,100,974
	2/28/07	4,728,814	99.62	8,639,014
	2/28/06	4,388,343	106.25	8,237,212
	2/28/05	4,157,307	73.87	8,265,927
	2/29/04	4,361,218	107.87	7,330,143
Firefighters'	2/28/09	\$ 5,928,290	115.77 %	\$ 6,814,595
	2/29/08	5,575,720	98.27	7,341,644
	2/28/07	4,234,574	93.89	5,927,461
	2/28/06	3,973,339	104.44	5,383,088
	2/28/05	3,364,452	80.67	4,923,431
	2/29/04	3,091,174	106.37	4,052,686

The required supplementary information immediately follows the Notes to the Financial Statements.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued

Police and Firefighters' Pension Plans – Continued

I. Pensions - Detailed Statement of Net Assets

	Firefighters' Pension	Police Pension	Total Pension
Assets			
Cash and short-term investments	\$ 5,306,875	\$ 4,873,536	\$ 10,180,411
Receivables			
Accrued interest	33,129	247,265	280,394
Due from other funds	1,577,441	1,753,932	3,331,373
Total Receivables	1,610,570	2,001,197	3,611,767
Investments, at fair value			
U.S. Government obligations	9,094,220	35,086,017	44,180,237
Common stock	6,455,343	-	6,455,343
Mutual funds	19,789,383	12,660,598	32,449,981
Total Investments	35,338,946	47,746,615	83,085,561
Total Assets	42,256,391	54,621,348	96,877,739
Liabilities			
Vouchers payable	6,846	3,079	9,925
Total Liabilities	6,846	3,079	9,925
Net assets held in trust for pension benefits	\$ 42,249,545	\$ 54,618,269	\$ 96,867,814

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued

Police and Firefighters' Pension Plans – Continued

J. Pensions - Detailed Statement of Changes in Net Assets

	Firefighters' Pension	Police Pension	Total Pension
Additions			
Contributions			
Employer	\$ 6,455,339	\$ 7,838,745	\$ 14,294,084
Plan members	782,928	1,125,813	1,908,741
Total Contributions	<u>7,238,267</u>	<u>8,964,558</u>	<u>16,202,825</u>
Investment income			
Net appreciation (depreciation) in fair value of investments	(6,586,337)	(11,872,451)	(18,458,788)
Interest	1,634,295	2,361,539	3,995,834
Total investment income	<u>(4,952,042)</u>	<u>(9,510,912)</u>	<u>(14,462,954)</u>
Less investment expense	185,432	106,691	292,123
Net investment income	<u>(5,137,474)</u>	<u>(9,617,603)</u>	<u>(14,755,077)</u>
Total Additions	<u>2,100,793</u>	<u>(653,045)</u>	<u>1,447,748</u>
Deductions			
Benefits	5,144,538	7,222,424	12,366,962
Refunds of contributions	-	5,657	5,657
Administrative expense	50,475	25,938	76,413
Total Deductions	<u>5,195,013</u>	<u>7,254,019</u>	<u>12,449,032</u>
Net increase	(3,094,220)	(7,907,064)	(11,001,284)
Net assets held in trust for pension benefits			
Beginning of year	45,343,765	62,525,333	107,869,098
End of year	<u>\$ 42,249,545</u>	<u>\$ 54,618,269</u>	<u>\$ 96,867,814</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2009

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, 2009	March 1, 2009
Actuarial cost method	Entry-Age Normal	Entry-Age Normal
Amortization method	Level Percentage of payroll, closed period	Level Percentage of payroll, closed period
Remaining amortization period	24 Years , 4 months	24 Years, 4 months
Actuarial valuation method	4-year smoothed mkt.	4-year smoothed mkt.

FORMS OF LEGAL OPINION

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PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[TO BE DATED CLOSING DATE]

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 Bonds, Series 2010A (the "*Bonds*"), to the amount of \$6,500,000, dated August 15, 2010, 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 (%)
2011	240,000	2.000	2021	355,000	2.750
2012	300,000	2.000	2022	370,000	3.000
2013	305,000	2.000	2023	380,000	3.500
2014	305,000	2.000	2024	395,000	3.500
2015	***	***	2025	410,000	3.500
2016	310,000	2.000	2026	425,000	3.500
2017	320,000	2.500	2027	440,000	3.500
2018	325,000	2.500	2028	460,000	3.500
2019	335,000	2.750	2029	480,000	3.625
2020	345,000	2.750			

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 December 1, 2010.

Those of the Bonds due on or after December 1, 2020, 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, 2019, 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 purpose of paying for public improvements within the City.

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, 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 (i) is excludable from gross income of the owners thereof for federal income tax purposes; (ii) 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*"); and (iii) is not taken into account in computing adjusted current earnings, which is used as an adjustment 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.

It is also our opinion that the Bonds are "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

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.

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[TO BE DATED CLOSING DATE]

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 Taxable General Obligation Bonds, Series 2010B (the "*Bonds*"), to the amount of \$8,000,000, dated August 15, 2010, 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 (%)
2011	695,000	1.000	2016	925,000	2.500
2012	735,000	1.000	2017	990,000	2.650
2013	775,000	1.400	2018	1,055,000	2.950
2014	820,000	1.850	2019	1,135,000	3.300
2015	870,000	2.100			

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 December 1, 2010.

Those of the Bonds due on or after December 1, 2018, one 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, 2017, 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 purpose of paying the City's obligation to the Illinois Municipal Retirement Fund for the Early Retirement Incentive plan adopted by the City.

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, 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 under present law, interest on the Bonds is includible in gross income of the owners thereof for federal income tax purposes. Ownership of the Bonds may result in other federal income tax consequences to certain taxpayers. Bondholders should consult their own tax advisors concerning tax consequences of ownership of the Bonds. Ownership of the Bonds may result in other state and local 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

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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 the City of Evanston, Cook County, Illinois (the "*City*"), in connection with the issuance of its \$6,500,000 General Obligation Bonds, Series 2010A, and \$8,000,000 Taxable General Obligation Bonds, Series 2010B (collectively, the "*Bonds*"). The Bonds are being issued pursuant to an Ordinance adopted by the City Council of the City on the 9th day of August 2010, as further supplemented by a Bond Order dated August 16, 2010, by designated officers of the City, providing for the sale of the Bonds (collectively, 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.

Material Event means the occurrence of any of the Events with respect to the Bonds set forth in *Exhibit II* that is material, as materiality is interpreted under the Exchange Act.

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

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.

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

SID means the public or private repository designated by the State as the state information depository and recognized as such by the Commission for purposes of the Rule. As of the date of this Agreement there is no SID.

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 are as set forth in *Exhibit II*. The Final Official Statement relating to the Bonds is dated August 16, 2010 (the "*Final Official Statement*").

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 8 of this Agreement, the District 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.

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. MATERIAL EVENTS DISCLOSURE. Subject to Section 8 of this Agreement, the District hereby covenants that it will disseminate in a timely manner Material Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission or the State at the time of delivery of such

information. 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 District to comply with any provision of this Agreement, the beneficial owner of any Certificate may seek mandamus or specific performance by court order, to cause the District to comply with its obligations under 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 District 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 Certificates, as determined either by parties unaffiliated with the City (such as Bond Counsel).

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Material 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 in a timely manner if this Section is applicable to EMMA.

9. 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 Material 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 Material 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 Material Event. If the City is changed, the City shall disseminate such information to EMMA.

10. 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.

11. RECORDKEEPING. The City shall maintain records of all Annual Financial Information Disclosure and Material 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.

12. 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.

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

CITY OF EVANSTON,
COOK COUNTY, ILLINOIS

By: Elizabeth B. Tisdahl
Its: Mayor
Address: 2100 Ridge Avenue
Evanston, Illinois

Date: August 30, 2010

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 as follows:

Information concerning Village tax revenues of the type described under the headings:

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 tables 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 District 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 District’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 Village.

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

EXHIBIT II
EVENTS WITH RESPECT TO THE BONDS
FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
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 or events affecting the tax-exempt status of the security
7. Modifications to the rights of security holders
8. Bond calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities
11. Rating changes

EXHIBIT III
CUSIP NUMBERS

GENERAL OBLIGATION BONDS, SERIES 2010A

<u>MATURITY</u> <u>(DECEMBER 1)</u>	<u>CUSIP (299227)</u>	<u>MATURITY</u> <u>(DECEMBER 1)</u>	<u>CUSIP (299227)</u>
2011	Z68	2021	2F4
2012	Z76	2022	2G2
2013	Z84	2023	2H0
2014	Z92	2024	2J6
2015	***	2025	2K3
2016	2A5	2026	2L1
2017	2B3	2027	2M9
2018	2C1	2028	2N7
2019	2D9	2029	2P2
2020	2E7		

TAXABLE GENERAL OBLIGATION BONDS, SERIES 2010B

<u>MATURITY</u> <u>(DECEMBER 1)</u>	<u>CUSIP (299227)</u>	<u>MATURITY</u> <u>(DECEMBER 1)</u>	<u>CUSIP (299227)</u>
2011	2Q0	2016	2V9
2012	2R8	2017	2W7
2013	2S6	2018	2X5
2014	2T4	2019	2Y3
2015	2U1		

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