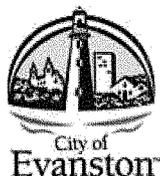


Subject to compliance by the City with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing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



**City of Evanston
Cook County, Illinois**

\$19,240,000 General Obligation Corporate Purpose Bonds, Series 2011A

Dated: Date of Delivery

Due: December 1, as shown on inside cover

The \$19,240,000 General Obligation Corporate Purpose Bonds, Series 2011A (the "Bonds") of the City of Evanston, Cook County, Illinois (the "City"), will bear interest from their dated date at the rates per annum as shown on the inside cover page. Interest on the Bonds (computed on the basis of a 360-day year consisting of twelve 30 day months) will be payable semi-annually on each June 1 and December 1, commencing June 1, 2012. The Bonds will be issued in integral multiples of \$5,000. The Bonds are subject to redemption prior to their maturity as more fully described in this Official Statement. See "THE BONDS – Optional Redemption" herein.

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

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

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

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

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

Delivery: Delivery of the Bonds is expected on August 1, 2011.

The date of this Official Statement is July 20, 2011.

(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.)

MATURITIES, RATES AND YIELDS

\$19,240,000 General Obligation Corporate Purpose Bonds, Series 2011A

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2012	\$ 1,205,000	2.000%	0.300%	299227 2Z0
2013	1,400,000	2.000%	0.450%	299227 3A4
2014	1,420,000	2.000%	1.000%	299227 3B2
2015	710,000	2.000%	1.300%	299227 3C0
2016	720,000	2.000%	1.625%	299227 3D8
2017	735,000	2.000%	2.000%	299227 3E6
2018	750,000	2.500%	2.400%	299227 3F3
2019	770,000	2.500%	2.700%	299227 3G1
2020	790,000	3.000%	2.950%	299227 3H9
2021	810,000	3.000%	3.100%	299227 3J5
2022	835,000	3.125%	3.300%	299227 3K2
2023	865,000	3.250%	3.450%	299227 3L0
2024	895,000	3.500%	3.600%	299227 3M8
2025	930,000	4.000%	3.700%	299227 3N6
2026	965,000	4.000%	3.800%	299227 3P1
2027	1,005,000	4.000%	3.850%	299227 3Q9
2028	1,040,000	4.000%	4.000%	299227 3R7
2029	1,085,000	4.500%	4.050%	299227 3S5
2030	1,130,000	4.500%	4.100%	299227 3T3
2031	1,180,000	4.500%	4.200%	299227 3U0

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.

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

MAYOR

Elizabeth B. Tisdahl

CITY COUNCIL

1 st Ward	Judy Fiske
2 nd Ward	Peter Braithwaite
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
Corporation Counsel	Grant Farrar

PROFESSIONAL SERVICES

Bond Counsel

Chapman and Cutler LLP
Chicago, Illinois

Co-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

\$19,240,000 General Obligation Corporate Purpose Bonds, Series 2011A

INTRODUCTION

This Official Statement sets forth information concerning the offer by the City of Evanston, Cook County, Illinois (the "City"), of the \$19,240,000 General Obligation Corporate Purpose Bonds, Series 2011A (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 adopted on July 11, 2011 (as supplemented by the bond order executed in connection therewith, the "Bond Ordinance").

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

The City, with a population in 2010 of 74,486, is located along Lake Michigan immediately north of Chicago, Illinois. Evanston includes residential neighborhoods and parks and a major revitalized central business area of shops, restaurants, theaters, offices and corporate headquarters, neighborhood shopping areas, hospitals and universities. The City is the home of Northwestern University, with about 10,000 students and 5,000 employees at its Evanston campus. The City's per capita and median family incomes are substantially higher than Cook County and State of Illinois (the "State") levels. See "*DEMOGRAPHIC DATA.*"

PURPOSE OF THE BONDS

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

Capital Projects Borrowing

<u>Project Fund</u>	<u>Amount</u>
Fund 415 (General)	\$ 5,090,000
Fund 510 (Water)	3,340,000
Fund 515 (Sewer)	690,000
Total	<u>9,120,000</u>

Refunded Obligations

<u>Dated</u>	<u>Issue</u>	<u>Maturities Outstanding</u>	<u>Maturities Refunded</u>	<u>Amount Refunded</u>	<u>Call Date</u>
06/01/2003	General Obligation Capital Improvement Bonds, Series 2003B	2012 - 2015	2012 - 2015	\$2,780,000	08/22/2011

SOURCES AND USES OF FUNDS

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

	<u>Capital Projects</u>	<u>Sewerage Debt Service</u>	<u>2003B Refunding</u>	<u>Total</u>
<u>Estimated Sources:</u>				
Par Amount	\$ 9,150,000.00	\$ 8,010,000.00	\$ 2,080,000.00	\$ 19,240,000.00
Net Original Issue Premium	102,822.05	89,352.15	63,284.90	255,459.10
Cash on Hand	--	--	673,209.71	673,209.71
Est. Interest Earnings	9,000.00	2,500.00	--	11,500.00
Total Sources of Funds	<u>9,261,822.05</u>	<u>8,101,852.15</u>	<u>2,816,494.61</u>	<u>20,180,168.81</u>
 <u>Estimated Uses:</u>				
Capital Projects Account	9,152,229.02	--	--	9,152,229.02
Sewerage System DSF	--	8,005,882.76	--	8,005,882.76
2003B Refunding Account	--	--	2,793,209.71	2,793,209.71
Cost of Issuance	32,935.00	28,862.19	5,858.81	67,656.00
Underwriter's Discount	76,658.03	67,107.20	17,426.09	161,191.32
Total Uses of Funds	<u>9,261,822.05</u>	<u>8,101,852.15</u>	<u>2,816,494.61</u>	<u>20,180,168.81</u>

SECURITY FOR THE BONDS

General Obligation of the City

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

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

Alternative Sources of Payment

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

THE BONDS

General

The Bonds will be issuable as fully registered Bonds and will be initially dated the Date of Delivery. The Bonds mature on the dates and in the amounts, and bear interest from the "Dated Date" until paid at the rates as set forth on the inside cover of this Official Statement. The Bonds are issuable in denominations of integral multiples of \$5,000. Interest is payable on June 1 and December 1 of each year. The first interest payment date is June 1, 2012.

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

The Bonds maturing on December 1, 2021, and thereafter are subject to redemption prior to maturity at the option of the City on December 1, 2020 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 Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the City shall covenant pursuant to Resolutions adopted by the Governing Body to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Bonds to provide certain financial information and operating data relating to the City annually to the Municipal Securities Rulemaking Board (the "MSRB"), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Undertaking to be executed and delivered by the City at the time the Bonds are delivered. Such Undertaking will be in substantially the form attached hereto as Appendix C. A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule, and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the bonds and their market price.

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.

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

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

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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

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

Total EAV ("equalized assessed value" as defined herein as "Real Property Taxation") growth in the City has grown from \$1.30 billion in 1999 to \$3.31 billion in 2009, representing more than 154% 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 \$77 million from its inception in 1994.

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

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

Labor Relations

The City's four collective bargaining contracts cover the majority of the City's 793 (full-time equivalent) employees and include Police: Teamsters Local 700 (expires 2/29/2012); Firefighters: Evanston Firefighters Association, Local 742 of the International Association of Firefighters (AFL-CIO-CLC) (expires 12/31/11); Public Works: American Federation of State County and Municipal Employees, Council 31 of the AFL-CIO, Evanston City Employees Union Local 1891 A (expires 12/31/11); Police Sergeants: Evanston Police Sergeants Association, affiliated with the Illinois Fraternal Order of Police Labor Council (expired 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 Median Family <u>Income</u>	2000 Median Family <u>Income</u>	2008 Per Capita <u>Income</u>	2000 Per Capita <u>Income</u>	2008 ⁽¹⁾ Median Home <u>Value</u>	2000 ⁽¹⁾ Median Home <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>	<u>2010</u>
City of Evanston	73,233	74,239	74,486
Cook County	5,105,067	5,376,741	5,194,675
State of Illinois	11,430,602	12,419,293	12,830,632

Source: U.S. Census Bureau

THE ECONOMY

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

One of the telling indicators of economic activity is retail sales as measured by sales tax receipts. The State sales taxes payable to the City have grown at an average compound rate of 1.1 percent over the past decade.

Ten Year History State Sales Tax Receipts

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

Compounded 10-Year Annual Growth Rate: 1.1%

Building Activity – Value of Permits

<u>Calendar Year</u>	Value of All <u>Building Permits</u>
2010	\$ 130,696,500
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
2001	211,589,061

Replacement Taxes

<u>FY Ended</u>	<u>Amount</u>
2011	\$ 1,445,092
2010	1,339,100
2009	1,440,614
2008	1,413,364
2007	1,379,509
2006	1,269,565

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.

Average Unemployment Rates

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
City of Evanston	5.00%	3.50%	3.70%	4.70%	7.30%	7.70%
Cook County	6.50%	4.70%	5.10%	6.50%	10.30%	10.50%
State of Illinois	5.70%	4.50%	5.00%	6.40%	10.10%	10.30%

Source: Illinois Department of Employment Security

FINANCES

Budget Process, Accounting and Financial Control Procedures

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

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

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

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

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designated to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities. A fund is a separate, self-balancing accounting entity and in the City there are three categories of funds: governmental, proprietary and fiduciary. Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital project funds) and the servicing of general long-term debt (debt service funds). The General Fund is used to account for all activities of the City not accounted for in some other fund. For the FY 2010/11 the City projects that 38.2% (\$73.9 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 2010-11 Budget and has previously received the award for over 14 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, 2010, 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 2009/10. Copies of the City's audited financial statements for the fiscal year ended February 28, 2010 (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, 2010, 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. Approximately 90% of General Fund investments (approximately \$8.98 million as of February 29, 2010) 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 \$8.5 million, and the home rule sales tax produced \$5.5 million in FY 2009/10.

Utility Taxes

The City collects utility taxes on natural gas, electricity and telephone charges. Utility taxes generated \$7.9 million in FY 2009/10. This compares to \$8.8 million in FY 2008/09.

FY 2011 Budget

Overview of Budget for Fiscal Year 2011

The total budget of the City for the fiscal year ending December 31, 2011 (a ten month period) is \$193.6 million. The General Fund portion of the total budget for FY 2011 is \$73.9 million.

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 2009/10. This summary does not purport to be complete. Reference should be made to excerpts of the audited financial statements for FY 2009/10 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 28th

Assets:	FY2006	FY2007	FY2008	FY2009	FY2010
Cash and Investments	\$17,924,193	\$16,861,003	\$15,755,277	\$11,615,911	\$8,980,446
Property Taxes Receivable	14,226,522	15,326,039	15,381,869	14,995,648	15,055,056
Due From Other Governments	6,063,406	5,817,766	6,846,587	5,856,040	7,071,845
Due From Other Funds	1,480,988	97,762	623,615	290,877	1,206,245
Utility Tax Receivable	--	--	--	--	--
All Other Assets	1,694,667	2,117,205	1,745,729	2,815,290	2,117,495
Total Assets	41,389,776	40,219,775	40,353,077	35,573,766	34,431,087
Liabilities and Fund Balance:					
Vouchers Payable	2,450,860	2,762,061	1,737,365	2,517,228	1,342,117
Due To Other Funds/Governments	2,936,422	33,187	186,480	133,437	1,806,681
Accrued Payroll	1,268,681	1,504,581	2,016,915	2,366,980	2,738,368
Compensated Absences Payable	338,417	162,370	611,907	80,963	70,289
Deferred Revenue	9,427,384	9,437,191	9,674,201	9,205,702	8,128,230
All Other Liabilities	136,458	127,220	178,694	242,640	157,853
Total Liabilities	16,558,222	14,026,610	14,405,562	14,546,950	14,243,538
Fund Balance:					
Reserved	6,027,420	1,327,291	1,107,516	1,274,562	1,584,855
Unreserved – Designated	320,196	5,426,091	5,426,091	5,426,913	5,426,913
Unreserved – Undesignated	18,483,938	19,439,783	19,413,908	14,325,341	13,175,781
Total Fund Balance	24,831,554	26,193,165	25,947,515	21,026,816	20,187,549
Total Liabilities and Fund Balance	\$41,389,776	\$40,219,775	\$40,353,077	\$35,573,766	\$34,431,087

Sources: City of Evanston, Illinois; CAFR for FY 2005/06 through 2009/10.

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual (Budgetary Basis) ¹
Year Ended February 28, 2010

	Final Budget	Actual	Variance
Revenue			
Taxes	\$40,308,883	\$39,114,664	(\$1,194,219)
Licenses and Permits	8,937,100	7,279,181	(1,657,919)
Intergovernmental	17,192,700	15,566,317	(1,626,383)
Charges for Services	8,793,500	8,680,166	(113,334)
Fines	4,256,500	4,150,610	(105,890)
Investment Income	450,000	17,048	(432,952)
Miscellaneous	3,268,945	3,824,800	555,855
Total Revenues	<u>83,207,628</u>	<u>78,632,786</u>	<u>(4,574,842)</u>
Expenditures			
General Management and Support	15,642,300	14,709,080	933,220
Public Safety	33,076,500	34,200,593	(1,124,093)
Public Works	14,265,300	12,857,584	1,407,716
Health and Human Resources Development	4,084,500	3,940,324	144,176
Recreation and Cultural Opportunities	19,138,800	17,987,443	1,151,357
Housing and Economic Development	3,461,800	3,332,818	128,982
Total Expenditures	<u>89,669,200</u>	<u>87,027,842</u>	<u>2,641,358</u>
Excess / (Deficiency) of Revenues Over Expenditures	<u>(6,461,572)</u>	<u>(8,395,056)</u>	<u>(1,933,484)</u>
Other Financing Sources (Uses)			
Operating transfers in (out)			
Neighborhood Improvement Fund	141,000	141,000	--
Motor Fuel Tax Fund	772,500	772,500	--
Economic Development Fund	690,000	690,000	--
Housing Fund	24,000	24,000	--
Washington National TIF Debt Service Fund	151,872	151,872	--
Howard Hartrey Debt Service	141,588	141,588	--
Southwest TIF I Debt Service Fund	24,120	24,120	--
Debt Service Fund	500,004	500,004	--
Downtown TIF Debt Service Fund	324,996	324,996	--
Parking Fund	777,492	777,492	--
Howard Ridge TIF	120,396	120,396	--
Capital Improvement Fund	100,000	100,000	--
Water Fund	2,693,604	2,693,604	--
	<u>6,461,572</u>	<u>6,461,572</u>	<u>--</u>
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>--</u>	<u>(1,933,484)</u>	<u>(1,933,484)</u>
Fund Balance			
Beginning of Year		<u>29,910,132</u>	
End of Year		<u>\$27,976,648</u>	

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

Sources: City of Evanston, Illinois; CAFR for the year ended February 28, 2010

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

Revenues:	2006	2007	2008	2009	2010
Taxes	\$41,910,555	\$42,264,921	\$42,893,729	\$40,173,003	\$40,231,207
Licenses and Permits	9,164,065	8,060,996	10,275,694	8,820,280	7,279,181
Intergovernmental	15,254,462	16,338,153	17,582,733	16,391,753	15,566,317
Charges for Services	6,904,796	7,167,364	7,732,399	8,399,042	8,680,166
Fines and Forfeits	3,781,020	4,029,228	4,660,258	4,442,282	4,150,610
Investment Income	575,281	777,165	623,865	240,988	17,048
Miscellaneous	4,387,070	4,949,769	2,998,910	3,980,418	3,824,800
Total	<u>81,977,249</u>	<u>83,587,596</u>	<u>86,767,588</u>	<u>82,447,766</u>	<u>79,749,329</u>
Expenditures:					
General Management and Support	13,905,339	12,829,182	15,396,084	12,709,098	14,575,634
Public Safety	29,912,381	30,272,639	32,460,477	38,453,587	34,200,821
Public Works	11,687,269	12,436,547	16,176,198	16,393,126	12,862,044
Health & Human Resource Dev.	4,565,684	5,049,621	4,182,385	3,745,632	3,940,324
Housing & Economic Dev.	2,904,682	3,093,676	3,486,934	3,301,478	3,332,818
Rec. & Cultural Opportunities	16,408,586	16,681,579	18,191,253	18,485,225	17,998,527
Pension – IMRF	4,627,930	5,645,241	--	--	--
Debt Service - Principal	--	--	--	--	83,055
Debt Service - Interest	--	--	--	--	56,945
Total	<u>84,011,871</u>	<u>86,008,485</u>	<u>89,893,331</u>	<u>93,088,146</u>	<u>87,050,168</u>
Transfers In	4,966,843	4,257,500	4,832,493	5,415,600	6,461,572
Transfers Out	(1,258,250)	(475,000)	(1,952,400)	--	--
Issuance of Debt	--	--	--	304,081	--
Fund Balance, Beginning 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>
Fund Balance, End of Year	<u>\$24,831,554</u>	<u>\$26,193,165</u>	<u>\$25,947,515</u>	<u>\$21,026,816</u>	<u>\$20,187,549</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 2005/06 through FY 2009/10.

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	\$52,021,778	\$129,493,139	\$77,471,361	40.17%
Police ¹	68,998,555	166,228,478	97,229,923	41.51%
IMRF ²	<u>50,465,714</u>	<u>79,011,161</u>	<u>28,545,447</u>	<u>63.87%</u>
All Funds Combined	<u>\$171,486,047</u>	<u>\$374,732,778</u>	<u>\$203,246,731</u>	<u>45.76%</u>

(1) Data as of 3/1/2010

(2) Data as of 12/31/2009

Source: City of Evanston, Illinois CAFR for FY 2009/10

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%	\$ 4,520,000
06/01/2003	Bonds, Series 2003B ¹	11,485,000	01/01/2015	3.10% - 3.50%	--
05/01/2004	Bonds, Series 2004	13,355,000	12/01/2023	4.00% - 5.00%	11,855,000
07/15/2004	Ref. Bonds, Series 2004B	11,730,000	12/01/2017	3.75% - 5.25%	5,995,000
07/28/2005	Ref. Bonds, Series 2005	29,270,000	12/01/2025	4.00% - 5.00%	23,780,000
07/19/2006	Bonds, Series 2006	10,290,000	12/01/2026	3.95% - 5.00%	9,805,000
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%	22,830,000
05/07/2008	Ref. Bonds, Series 2008A	3,800,000	12/01/2021	3.00% - 5.00%	3,410,000
05/07/2008	Ref. Bonds, Series 2008B	27,755,000	12/01/2018	3.00% - 5.00%	15,015,000
05/07/2008	Bonds, Series 2008C	12,395,000	12/01/2028	3.00% - 5.00%	11,535,000
12/10/2008	Ref. Bonds, Series 2008D	19,015,000	12/01/2016	3.25% - 5.00%	13,080,000
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>\$ 150,755,000</u>
08/01/2011	Bonds, Series 2011A	19,240,000	12/01/2031	2.00% - 4.50%	19,240,000
	Subtotal				<u>\$ 19,240,000</u>
	TOTAL				<u><u>\$ 169,995,000</u></u>

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¹ Principal Outstanding reflects refunding by the Bonds.

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

FY Ending	Outstanding G.O. Debt		The Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	
12/31/2011	\$ 12,960,000	\$ 6,103,387	--	--	\$ 19,063,387
12/31/2012	14,530,000	5,977,455	\$ 1,205,000	\$ 807,608	22,520,063
12/31/2013	13,155,000	5,429,938	1,400,000	581,606	20,566,544
12/31/2014	13,220,000	4,860,798	1,420,000	553,606	20,054,404
12/31/2015	12,005,000	4,320,071	710,000	525,206	17,560,278
12/31/2016	12,535,000	3,779,231	720,000	511,006	17,545,238
12/31/2017	12,660,000	3,261,121	735,000	496,606	17,152,728
12/31/2018	11,165,000	2,690,673	750,000	481,906	15,087,579
12/31/2019	7,470,000	2,217,794	770,000	463,156	10,920,950
12/31/2020	6,425,000	1,897,904	790,000	443,906	9,556,810
12/31/2021	6,910,000	1,599,422	810,000	420,206	9,739,628
12/31/2022	6,720,000	1,281,338	835,000	395,906	9,232,244
12/31/2023	5,990,000	993,394	865,000	369,813	8,218,206
12/31/2024	3,940,000	738,981	895,000	341,700	5,915,681
12/31/2025	4,130,000	553,875	930,000	310,375	5,924,250
12/31/2026	3,315,000	353,525	965,000	273,175	4,906,700
12/31/2027	2,420,000	194,150	1,005,000	234,575	3,853,725
12/31/2028	1,385,000	79,750	1,040,000	194,375	2,699,125
12/31/2029	480,000	17,400	1,085,000	152,775	1,735,175
12/31/2030	--	--	1,130,000	103,950	1,233,950
12/31/2031	--	--	1,180,000	53,100	1,233,100
Subtotal	<u>151,415,000</u>	<u>46,350,205</u>	<u>19,240,000</u>	<u>7,714,558</u>	<u>224,719,764</u>
Less Payments by 8/1/2011	<u>(660,000)</u>	<u>(3,308,048)</u>	<u>--</u>	<u>--</u>	<u>(3,968,048)</u>
Total	<u>150,755,000</u>	<u>43,042,157</u>	<u>19,240,000</u>	<u>7,714,558</u>	<u>220,751,716</u>

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

Total and Scheduled for Abatement General Obligation Debt Service

FY Ending	Outstanding G.O. Debt		Scheduled for Abatement		Net Debt Service
	Principal	Interest	Principal	Interest	
12/31/2011	\$ 12,960,000	\$ 6,103,387	(6,646,200)	(2,158,550)	\$ 10,258,637
12/31/2012	15,735,000	6,785,063	(7,513,560)	(1,830,846)	13,175,657
12/31/2013	14,555,000	6,011,544	(5,832,100)	(1,450,700)	13,283,744
12/31/2014	14,640,000	5,414,404	(4,951,820)	(1,115,818)	13,986,766
12/31/2015	12,715,000	4,845,278	(4,755,360)	(878,464)	11,926,453
12/31/2016	13,255,000	4,290,238	(3,900,080)	(661,948)	12,983,209
12/31/2017	13,395,000	3,757,728	(4,444,800)	(494,802)	12,213,126
12/31/2018	11,915,000	3,172,579	(3,404,520)	(273,640)	11,409,418
12/31/2019	8,240,000	2,680,950	(210,420)	(121,972)	10,588,558
12/31/2020	7,215,000	2,341,810	(227,500)	(111,901)	9,217,409
12/31/2021	7,720,000	2,019,628	(234,580)	(100,901)	9,404,147
12/31/2022	7,555,000	1,677,244	(247,840)	(89,547)	8,894,857
12/31/2023	6,855,000	1,363,206	(256,100)	(77,568)	7,884,538
12/31/2024	4,835,000	1,080,681	(274,360)	(65,244)	5,576,077
12/31/2025	5,060,000	864,250	(283,800)	(51,901)	5,588,549
12/31/2026	4,280,000	626,700	(263,240)	(37,711)	4,605,749
12/31/2027	3,425,000	428,725	(272,680)	(24,549)	3,556,496
12/31/2028	2,425,000	274,125	(218,300)	(10,915)	2,469,910
12/31/2029	1,565,000	170,175	--	--	1,735,175
12/31/2030	1,130,000	103,950	--	--	1,233,950
12/31/2031	1,180,000	53,100	--	--	1,233,100
Total	<u>170,655,000</u>	<u>54,064,764</u>	<u>(43,937,260)</u>	<u>(9,556,977)</u>	<u>171,225,526</u>

Overlapping Debt

Taxing District	Outstanding Bonds	Applicable to City	
		Percentage	Amount
Cook County	\$ 3,505,435,000	1.86%	\$ 65,201,091
Cook County Forest Preserve District	101,935,000	1.86%	1,895,991
Metropolitan Water Reclamation District	1,945,659,620 ¹	1.90%	36,967,533
Skokie Park District	8,580,000 ²	0.72%	61,776
Community Consolidated School District No. 65	60,579,810 ³	90.19%	54,636,931
Evanston Township High School No. 202	17,006,098 ³	90.19%	15,337,800
Total Overlapping General Obligation Bonded Debt			<u>\$ 174,101,121</u>

(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 June 9, 2011.

Debt Ratios

Metric	Value
True Value (2009)	\$ 9,917,968,107
EAV (2009)	3,305,989,369
Population (2010)	74,486
Direct Debt (Property Tax Supported)	\$ 126,057,740
Direct Debt (Supported by Other Sources)	43,937,260
Total Direct Debt	\$ 169,995,000
Total Overlapping Debt	\$ 174,101,121

Debt Ratio	All General Obligation Debt	General Obligation Debt (Less Self Supporting Debt)
Direct Debt Per True Value	1.71%	1.27%
Direct Debt Per EAV	5.14%	3.81%
Direct Debt Per Capita	\$ 2,282	\$ 1,692
Direct and Overlapping Debt Per True Value	3.47%	3.03%
Direct and Overlapping Debt Per EAV	10.41%	9.08%
Direct and Overlapping Debt Per Capita	\$ 4,620	\$ 4,030

Debt Trends

Year Ending	Governmental Activities	Business-Type Activities	Total General Obligation
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 2011 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 2009 was approximately \$3.3 billion which does not include approximately \$191 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>
2009	\$ 3,305,989,369	12.51%
2008	2,938,397,892	5.99%
2007	2,772,340,028	23.44%
2006	2,245,892,746	0.14%
2005	2,242,753,022	7.02%
2004	2,095,611,570	21.33%
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>2007</u>		<u>2008</u>		<u>2009</u>	
Residential	\$2,149,123,958	77.52%	\$2,324,551,100	79.11%	\$2,564,394,619	77.57%
Farm	16,895	0.00%	16,895	0.00%	15,956	0.00%
Commercial	560,536,782	20.22%	560,106,493	19.06%	615,808,511	18.63%
Industrial	62,154,048	2.24%	53,168,671	1.81%	125,104,411	3.78%
Railroad	508,346	0.02%	554,733	0.02%	665,872	0.02%
Total EAV	\$2,772,340,029	100.00%	\$2,938,397,892	100.00%	\$3,305,989,369	100.00%

(1) Does not include incremental EAV in redevelopment project areas. See "Tax Incremental Financing" below. The incremental 2009 EAV in redevelopment project areas was \$191,970,900.

* 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 2009 the City has designated five TIF areas. The total EAV increment of these areas for this tax year totaled \$191,970,900. The EAV for these areas at the time the areas were so designated (the base or "frozen" value) was \$77,225,187.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Frozen Value	\$ 68,669,219	\$ 68,669,219	\$ 68,669,219	\$ 79,060,859	\$ 77,225,187
Incremental	<u>180,380,994</u>	<u>177,560,327</u>	<u>238,512,923</u>	<u>268,255,958</u>	<u>114,745,713</u>
TOTAL EAV	<u>\$249,050,213</u>	<u>\$246,229,546</u>	<u>\$307,182,142</u>	<u>\$347,316,817</u>	<u>\$191,970,900</u>

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

Special Service Areas

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

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

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City Property Taxes

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

<u>Levy Year</u>	<u>Collection Year</u>	<u>Taxes Extended</u>	<u>Taxes Collected and Distributed</u> ¹	<u>Percent Collected</u>
2009	2010	\$ 39,779,364	\$ 38,018,159	95.57%
2008	2009	38,044,671	36,246,629	95.27%
2007	2008	35,550,694	34,061,461	95.81%
2006	2007	34,399,146	33,249,612	96.66%
2005	2006	33,423,311	32,550,464	97.39%
2004	2005	32,100,657	30,991,234	96.54%
2003	2004	29,813,787	28,565,408	95.81%
2002	2003	27,957,126	27,286,591	97.60%
2001	2002	26,305,327	25,391,349	96.53%
2000	2001	26,217,646	25,319,911	96.58%

(1) Through June 1, 2011.

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>2009 Equalized Assessed Values</u>	<u>Percentage of Total City EAV</u>
LR 1603 Orrington	Commercial, bank buildings	\$ 29,018,755	0.88%
Grubb & Ellis	Commercial building	28,036,394	0.85%
Rotary International	Non-profit organization	26,568,015	0.80%
Church St. Plaza	Commercial, retail,	22,101,722	0.67%
Inland	Commercial, retail building	17,221,292	0.52%
Church & Chicago Ltd Partnership	Apartments, and super market	14,565,215	0.44%
North Shore University Health	Commercial buildings	14,242,063	0.43%
NNN Church St. Office Center	Office building	13,542,966	0.41%
Albertson's	Shopping center - Jewel/Osco	12,587,745	0.38%
Omni Orrington Hotel	Hotel	12,137,061	0.37%
		<u>\$ 190,021,228</u>	<u>5.75%</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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Corporate	\$0.7598	\$0.7765	\$0.6253	\$0.5662	\$0.5120
Bond & Interest	0.3975	0.3918	0.3332	0.3508	0.3129
Police Pension	0.1860	0.1885	0.1707	0.2071	0.2077
Fire Pension	0.1420	0.1697	0.1538	0.1707	0.1706
TOTAL	<u><u>\$1.4853</u></u>	<u><u>\$1.5265</u></u>	<u><u>\$1.2830</u></u>	<u><u>\$1.2948</u></u>	<u><u>\$1.2032</u></u>

Tax Rates for Overlapping Taxing Agencies
(Taxes Billed in 2009 – Per \$100 EAV)

<u>Taxing Agency</u>	<u>2009 Rate</u>
City of Evanston	\$ 1.204
Cook County	0.394
Cook County Forest Preserve District	0.049
Suburban TB Sanitarium	--
Consolidated Elections	0.021
Town of Evanston	0.010
General Assistance	0.032
Metropolitan Water Reclamation District	0.261
North Shore Mosquito Abatement District	0.008
Elementary School District No. 65	2.401
Evanston Township High School District No. 202	1.616
Oakton Community College District No. 535	0.140
TOTAL	<u><u>\$ 6.136</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 "Assessor") is responsible for the assessment of all taxable real property within Cook County (the "County"), including such property located within the boundaries of the City, except for certain railroad property, pollution control facilities and low sulfur dioxide emission coal-fueled devices, which are assessed directly by the Illinois Department of Revenue (the "Department of Revenue"). For triennial reassessment purposes, Cook County is divided into three districts: west and south suburbs (the "South Tri"), north and northwest suburbs (the "North Tri"), and the City of Chicago (the "City Tri"). The City is located in the North Tri and was reassessed for the 2010 tax levy year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Tax Levy Year</u>	<u>Second Installment Penalty Date</u>
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
2009	December 13, 2010

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

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

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

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

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

TAX EXEMPTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Not Qualified Tax-Exempt Obligations

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

BOND RATINGS

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

UNDERWRITING

Bids for the Bonds were received at a competitive public sale on July 20, 2011.

Citigroup Global Markets Inc., (the “Underwriter”) has agreed, subject to the conditions of closing set forth in the Notice of Sale, to purchase the Bonds at a purchase price of \$19,334,267.78 (consisting of the par amount of the Bonds, plus a net original issue premium of \$255,459.10, less an underwriter's discount of \$161,191.32), 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 this Official Statement or other offering material relating to the Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in its capacity as Bond Counsel, Chapman and Cutler LLP has, at the request of the City, reviewed the information under the captions

**CITY OF EVANSTON ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDING FEBRUARY 28, 2010
(EXCERPTS)**

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BASIC FINANCIAL STATEMENTS

CITY OF EVANSTON, ILLINOIS

Statement of Net Assets

February 28, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and equivalents	\$ 44,033,376	\$ 20,336,886	\$ 64,370,262
Investments	2,430,292	-	2,430,292
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	44,574,809	-	44,574,809
Accounts	-	4,129,472	4,129,472
Notes	5,383,108	-	5,383,108
Special assessments	1,101,204	-	1,101,204
Accrued interest	35,767	16,212	51,979
Other	2,541,786	62,228	2,604,014
Due from other governments	7,593,633	1,157,451	8,751,084
Internal balances	(1,046,886)	1,046,886	-
Inventories	343,789	851,751	1,195,540
Restricted assets			
Cash and equivalents and investments	-	4,452,374	4,452,374
Other assets	565,325	254,000	819,325
Property held for resale	410,000	-	410,000
Capital assets			
Capital assets not being depreciated	30,828,440	5,581,244	36,409,684
Capital assets (net of accumulated depreciation)	126,762,773	326,216,330	452,979,103
Total Assets	265,557,416	364,104,834	629,662,250

The accompanying notes are an integral part of this statement.

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Vouchers payable	\$ 3,498,176	\$ 651,806	\$ 4,149,982
Accrued payroll	2,738,368	-	2,738,368
Interest payable	1,099,923	286,017	1,385,940
Other payables	161,999	-	161,999
Due to other governments	387	-	387
Due to pension funds	5,434,853	-	5,434,853
Payable from restricted assets			
Vouchers payable	-	1,327,238	1,327,238
Interest payable	-	986,537	986,537
Unearned revenue	25,249,698	12,865	25,262,563
Noncurrent liabilities			
Payable from restricted assets - due			
within one year	-	11,120,590	11,120,590
Due within one year	14,253,593	3,201,375	17,454,968
Due in more than one year	137,966,606	124,802,751	262,769,357
Total Liabilities	190,403,603	142,389,179	332,792,782
Net Assets			
Investment in capital assets, net of related debt	41,109,175	192,920,612	234,029,787
Restricted			
Culture and recreation	1,162,794	-	1,162,794
Capital improvements	-	800,000	800,000
Debt service	22,060,188	1,202,323	23,262,511
Tax Increment Financing	-	1,376,142	1,376,142
Other	422,061	-	422,061
Unrestricted	10,399,595	25,416,578	35,816,173
Total Net Assets	\$ 75,153,813	\$ 221,715,655	\$ 296,869,468

CITY OF EVANSTON, ILLINOIS

Statement of Activities

Year ended February 28, 2010

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General management and support	\$ 19,772,716	\$ 13,087,058	\$ -
Public safety	50,488,218	1,342,818	99,379
Public works	18,509,233	483,329	1,935,756
Health and human resource development	4,760,324	1,495,173	925,610
Recreation and cultural opportunities	20,066,105	4,902,196	-
Housing and economic development	9,120,080	4,624,953	2,937,154
Interest	4,395,683	-	-
Total governmental activities	127,112,359	25,935,527	5,897,899
Business-type activities:			
Water	9,133,593	12,694,477	-
Sewer	8,778,917	13,242,839	-
Motor vehicle parking system	8,840,601	6,771,698	-
Total business-type activities	26,753,111	32,709,014	-
Total	\$ 153,865,470	\$ 58,644,541	\$ 5,897,899

General revenues:

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

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ -	\$ (6,685,658)	\$ -	\$ (6,685,658)
-	(49,046,021)	-	(49,046,021)
3,776,532	(12,313,616)	-	(12,313,616)
-	(2,339,541)	-	(2,339,541)
-	(15,163,909)	-	(15,163,909)
260,635	(1,297,338)	-	(1,297,338)
-	(4,395,683)	-	(4,395,683)
4,037,167	(91,241,766)	-	(91,241,766)
-	-	3,560,884	3,560,884
-	-	4,463,922	4,463,922
-	-	(2,068,903)	(2,068,903)
-	-	5,955,903	5,955,903
\$ 4,037,167	(91,241,766)	5,955,903	(85,285,863)
	58,839,049	-	58,839,049
	7,804,573	-	7,804,573
	1,339,100	-	1,339,100
	14,880,164	-	14,880,164
	5,912,082	-	5,912,082
	7,856,422	-	7,856,422
	1,688,383	-	1,688,383
	721,135	87,020	808,155
	(13,700,289)	13,700,289	-
	85,340,619	13,787,309	99,127,928
	(5,901,147)	19,743,212	13,842,065
	81,054,960	201,972,443	283,027,403
\$	75,153,813	\$ 221,715,655	\$ 296,869,468

CITY OF EVANSTON, ILLINOIS

Governmental Funds

Balance Sheet
February 28, 2010

Assets	General	Capital Improvements	Employer Pension Contribution	Nonmajor Governmental Funds	Total Governmental Funds
Cash and equivalents	\$ 8,980,446	\$ 8,257,572	\$ -	\$ 25,119,177	\$ 42,357,195
Investments	-	-	-	2,430,292	2,430,292
Receivables					
Property taxes (net of allowance)	15,055,056	-	11,234,421	18,285,332	44,574,809
Notes (net of allowance)	-	-	-	5,383,108	5,383,108
Special assessments	-	-	-	1,101,204	1,101,204
Accrued interest	-	14,495	-	21,272	35,767
Other	2,091,194	-	-	424,574	2,515,768
Property held for resale	-	-	-	410,000	410,000
Due from other governments	7,071,845	10,441	142,512	368,835	7,593,633
Due from other funds	1,206,245	125,258	-	2,203,671	3,535,174
Other assets	26,301	-	-	-	26,301
Total Assets	\$ 34,431,087	\$ 8,407,766	\$ 11,376,933	\$ 55,747,465	\$ 109,963,251
Liabilities and Fund Balances					
Liabilities					
Vouchers payable	\$ 1,342,117	\$ 1,107,255	\$ -	\$ 889,957	\$ 3,339,329
Accrued payroll	2,738,368	-	-	-	2,738,368
Compensated absences payable	70,289	-	-	-	70,289
Other	157,853	-	-	4,146	161,999
Due to other governments	-	-	-	387	387
Due to other funds	1,806,681	1,848,186	5,355,333	708,073	9,718,273
Deferred revenues	8,128,230	10,551	6,021,600	10,550,293	24,710,674
Total Liabilities	14,243,538	2,965,992	11,376,933	12,152,856	40,739,319
Fund Balances					
Reserved	1,584,855	-	-	28,543,219	30,128,074
Reserved for HUD Approved Projects	-	-	-	410,000	410,000
Unreserved designated					
General fund	5,426,913	-	-	-	5,426,913
Capital improvement funds	-	5,441,774	-	-	5,441,774
Capital project funds	-	-	-	3,833,828	3,833,828
Special revenue funds	-	-	-	3,483,180	3,483,180
Unreserved undesignated					
Special revenue funds	-	-	-	7,324,382	7,324,382
General fund	13,175,781	-	-	-	13,175,781
Total Fund Balances	20,187,549	5,441,774	-	43,594,609	69,223,932
Total Liabilities and Fund Balances	\$ 34,431,087	\$ 8,407,766	\$ 11,376,933	\$ 55,747,465	
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.					152,227,240
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.					(145,854,050)
OPEB liability payable is not due and payable in the current period and therefore, is not reported in the governmental funds.					(1,016,796)
Interest accrual from last interest payment (December 1, 2009 or January 1, 2010) to February 28, 2010.					(1,099,923)
The net assets of the internal service fund are included in the governmental activities in the statement of net assets.					1,673,410
Net assets of governmental activities					\$ 75,153,813

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, 2010

	General	Capital Improvements	Employer Pension Contribution	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 40,231,207	\$ -	\$ 13,631,971	\$ 30,863,068	\$ 84,726,246
Licenses and permits	7,279,181	-	-	-	7,279,181
Special assessments	-	-	-	240,324	240,324
Intergovernmental	15,566,317	260,635	-	4,868,776	20,695,728
Charges for services	8,680,166	-	-	-	8,680,166
Fines and forfeits	4,150,610	-	-	-	4,150,610
Investment income	17,048	47,597	-	649,909	714,554
Miscellaneous	3,824,800	350,639	-	466,140	4,641,579
Total Revenues	79,749,329	658,871	13,631,971	37,088,217	131,128,388
Expenditures					
Current					
General management and support	14,575,634	87,998	-	1,519,843	16,183,475
Public safety	34,200,821	107,633	13,631,971	1,029,990	48,970,415
Public works	12,862,044	275,977	-	2,923,769	16,061,790
Health and human resource development	3,940,324	-	-	820,000	4,760,324
Recreation and cultural opportunities	17,998,527	101,380	-	-	18,099,907
Housing and economic development	3,332,818	-	-	5,787,262	9,120,080
Debt service					
Principal	83,055	243,764	-	7,196,700	7,523,519
Interest	56,945	-	-	4,895,887	4,952,832
Fiscal agent fees	-	-	-	5,150	5,150
Capital outlay	-	7,344,150	-	616,174	7,960,324
Total Expenditures	87,050,168	8,160,902	13,631,971	24,794,775	133,637,816
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,300,839)	(7,502,031)	-	12,293,442	(2,509,428)
Other Financing Sources (Uses)					
Transfers in	6,461,572	-	-	4,557,358	11,018,930
Transfers out	-	(246,678)	-	(23,077,346)	(23,324,024)
Total Other Financing Sources (Uses)	6,461,572	(246,678)	-	(18,519,988)	(12,305,094)
Net Change in Fund Balances	(839,267)	(7,748,709)	-	(6,226,546)	(14,814,522)
Fund Balances -Beginning of Year	21,026,816	13,190,483	-	49,821,155	84,038,454
Fund Balances - End of Year	\$ 20,187,549	\$ 5,441,774	\$ -	\$ 43,594,609	\$ 69,223,932

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, 2010

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

Net change in fund balances - total governmental funds	\$ (14,814,522)
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.	6,448,213
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.	7,219,074
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.	(905,698)
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.	(375,840)
Change in Interest accrual for the fiscal year ended February 28, 2010.	59,296
Internal service funds are reported separately in the fund financial statements.	<u>(3,531,670)</u>
Change in net assets of governmental activities	<u>\$ (5,901,147)</u>

The accompanying notes are an integral part of this statement.

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CITY OF EVANSTON, ILLINOIS

Proprietary Funds

Statement of Net Assets
February 28, 2010

Assets	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Water	Sewer	Motor Vehicle Parking System	Total	
Current Assets					
Cash and equivalents	\$ 5,216,960	\$ -	\$ 15,119,926	\$ 20,336,886	\$ 1,676,181
Restricted cash and equivalents and investments	1,851,327	2,601,047	-	4,452,374	-
Receivables					
Accounts - billed	1,131,964	228,447	-	1,360,411	-
Accounts - unbilled	798,234	1,970,827	-	2,769,061	-
Accrued interest	16,212	-	-	16,212	-
Other	1,389	1,388	59,451	62,228	26,018
Due from other governments	1,157,451	-	-	1,157,451	-
Due from other funds	-	95,608	1,859,353	1,954,961	-
Inventories	671,374	180,377	-	851,751	343,789
Prepaid Expenses	-	-	-	-	539,024
Total Current Assets	10,844,911	5,077,694	17,038,730	32,961,335	2,585,012
Noncurrent Assets					
Capital Assets					
Capital assets not being depreciated	2,460,964	18,006	3,102,274	5,581,244	-
Capital assets being depreciated	72,116,684	243,148,955	78,946,257	394,211,896	20,161,437
Less accumulated depreciation	(19,396,579)	(34,918,510)	(13,680,477)	(67,995,566)	(14,797,464)
Total Capital Assets	55,181,069	208,248,451	68,368,054	331,797,574	5,363,973
Other Assets					
Notes Receivable	-	-	254,000	254,000	-
Total Noncurrent Assets	55,181,069	208,248,451	68,622,054	332,051,574	5,363,973
Total Assets	66,025,980	213,326,145	85,660,784	365,012,909	7,948,985

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	\$ 474,544	\$ 4,639	\$ 172,623	\$ 651,806	\$ 158,847
Vouchers payable - restricted	53,263	1,272,765	1,210	1,327,238	-
Interest payable	-	-	286,017	286,017	-
Interest payable - restricted	11,878	974,659	-	986,537	-
Revenue bonds payable	458,333	-	-	458,333	-
Revenue bonds payable - restricted	91,667	-	-	91,667	-
Compensated absences payable	229,383	53,752	39,907	323,042	84,911
General obligation bonds payable	-	-	2,420,000	2,420,000	-
General obligation bonds payable - restricted	-	2,710,260	-	2,710,260	-
Claims payable	-	-	-	-	2,233,072
Notes payable - Sewer IEPA Loans - restricted	57,873	8,260,790	-	8,318,663	-
Due to other funds	236,456	100,641	570,978	908,075	298,640
Deferred revenue	12,865	-	-	12,865	539,024
Total Current Liabilities	1,626,262	13,377,506	3,490,735	18,494,503	3,314,494
Long-Term Liabilities					
Notes payable - Sewer IEPA Loans	1,099,578	85,952,303	-	87,051,881	-
General obligation bonds payable	-	10,245,860	24,860,000	35,105,860	-
OPEB liability payable	63,126	16,560	16,698	96,384	20,785
Revenue bonds payable	1,170,000	-	-	1,170,000	-
Unamortized bond discount/premium	13,548	321,774	689,642	1,024,964	-
Compensated absences payable	244,298	63,058	46,306	353,662	-
Claims payable	-	-	-	-	2,940,296
Total Long-Term Liabilities	2,590,550	96,599,555	25,612,646	124,802,751	2,961,081
Total Liabilities	4,216,812	109,977,061	29,103,381	143,297,254	6,275,575
Net Assets					
Invested in capital assets, net of related debt	51,764,736	100,757,464	40,398,412	192,920,612	5,363,973
Restricted for debt service	1,202,323	-	-	1,202,323	-
Restricted for capital improvements	800,000	-	-	800,000	-
Restricted - TIF	-	-	1,376,142	1,376,142	-
Unrestricted	8,042,109	2,591,620	14,782,849	25,416,578	(3,690,563)
Total net assets	\$ 61,809,168	\$ 103,349,084	\$ 56,557,403	\$ 221,715,655	\$ 1,673,410

CITY OF EVANSTON, ILLINOIS

Proprietary Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year ended February 28, 2010

	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Water	Sewer	Motor Vehicle Parking System	Total	
Operating Revenues					
Charges for services	\$ 12,203,588	\$ 13,231,579	\$ 6,723,563	\$ 32,158,730	\$ 5,411,592
Miscellaneous	490,889	11,260	48,135	550,284	53,426
Total Operating Revenues	12,694,477	13,242,839	6,771,698	32,709,014	5,465,018
Operating Expenses Excluding Depreciation					
Administration	785,180	1,613,823	697,403	3,096,406	-
Operations	6,971,580	463,837	3,971,917	11,407,334	7,717,353
Total Operating Expenses Excluding Depreciation	7,756,760	2,077,660	4,669,320	14,503,740	7,717,353
Operating Income (Loss) Before Depreciation	4,937,717	11,165,179	2,102,378	18,205,274	(2,252,335)
Depreciation	1,249,299	3,203,543	1,990,850	6,443,692	1,402,897
Operating Income (Loss)	3,688,418	7,961,636	111,528	11,761,582	(3,655,232)
Nonoperating Revenues (Expenses)					
Investment income	48,126	12,691	26,203	87,020	6,581
Interest expense	(88,176)	(3,554,538)	(2,180,431)	(5,823,145)	-
Bond expenses and amortization of discount	1,129	-	-	1,129	-
Amortization of bond premium	-	56,824	-	56,824	-
Other expenses	(25,133)	-	-	(25,133)	-
Gain (loss) on disposition of assets	(15,354)	-	-	(15,354)	116,981
Total Nonoperating Revenues (Expenses)	(79,408)	(3,485,023)	(2,154,228)	(5,718,659)	123,562
Income (Loss) before transfers and contributions	3,609,010	4,476,613	(2,042,700)	6,042,923	(3,531,670)
Capital Contribution - Governmental Activities	-	626,138	769,057	1,395,195	-
Transfers In (Out)					
Insurance	-	-	-	-	63,297
Fleet	-	-	-	-	(63,297)
Central Business Tax Increment District	-	-	13,176,138	13,176,138	-
Washington National Tax Increment District	-	-	2,600,052	2,600,052	-
General	(2,693,604)	-	(777,492)	(3,471,096)	-
Total Transfers In (Out)	(2,693,604)	-	14,998,698	12,305,094	-
Change in Net Assets	915,406	5,102,751	13,725,055	19,743,212	(3,531,670)
Total Net Assets - Beginning of Year	60,893,762	98,246,333	42,832,348	201,972,443	5,205,080
Total Net Assets - End of Year	\$ 61,809,168	\$103,349,084	\$ 56,557,403	\$ 221,715,655	\$ 1,673,410

The accompanying notes are an integral part of this statement.

CITY OF EVANSTON, ILLINOIS

Proprietary Funds

Statement of Cash Flows
Year ended February 28, 2010

	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Water	Sewer	Motor Vehicle Parking System	Total	
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 11,380,164	13,428,445	\$ 6,757,105	\$ 31,565,714	\$ 5,472,537
Receipts from interfund services provided	132,410	348,705	-	481,115	251,582
Payments to suppliers	(7,517,668)	(821,142)	(4,433,267)	(12,772,077)	(4,040,727)
Payments to employees	(745,754)	(1,590,323)	(677,101)	(3,013,178)	(4,002,380)
Payments for interfund services provided	-	-	(487,656)	(487,656)	-
Net Cash Provided by (Used for) Operating Activities	3,249,152	11,365,685	1,159,081	15,773,918	(2,318,988)
Cash Flows from Noncapital Financing Activities					
Transfers In (Out)					
Insurance	-	-	-	-	63,297
Fleet	-	-	-	-	(63,297)
Central Business Tax Increment District	-	-	13,176,138	13,176,138	-
Washington Tax Increment District	-	-	2,600,052	2,600,052	-
General	(2,693,604)	-	(777,492)	(3,471,096)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(2,693,604)	-	14,998,698	12,305,094	-
Cash Flows from Capital and Related Financing Activities					
Sale of capital assets	-	-	-	-	116,981
Acquisition and construction of capital assets	(3,528,233)	(999,793)	-	(4,528,026)	(537,486)
Principal paid on revenue bonds	(525,000)	-	-	(525,000)	-
Interest paid on revenue bonds	(88,175)	-	-	(88,175)	-
Principal paid on general obligation bonds	-	(2,528,300)	(12,667,361)	(15,195,661)	-
Interest paid on general obligation bonds	-	(905,018)	(2,502,124)	(3,407,142)	-
Principal paid on IEPA loans	-	(7,962,378)	-	(7,962,378)	-
Interest paid on IEPA loans	-	(2,649,520)	-	(2,649,520)	-
Proceeds from IEPA loans	1,157,451	400,248	-	1,557,699	-
Net Cash (Used for) Capital and Related Financing Activities	(2,983,957)	(14,644,761)	(15,169,485)	(32,798,203)	(420,505)
Cash Flows from Investing Activities					
Interest income	47,826	12,691	26,203	86,720	6,581
Net Cash Provided by Investing Activities	47,826	12,691	26,203	86,720	6,581
Net Increase (Decrease) in Cash and Equivalents	(2,380,583)	(3,266,385)	1,014,497	(4,632,471)	(2,732,912)
Cash and Equivalents					
Beginning of year	9,448,870	5,867,432	14,105,429	29,421,731	4,409,093
End of year	\$ 7,068,287	\$ 2,601,047	\$ 15,119,926	\$ 24,789,260	\$ 1,676,181
Reconciliation					
Cash and equivalents					
Current Cash	\$ 5,216,960	\$ -	\$ 15,119,926	\$ 20,336,886	\$ 1,676,181
Restricted Current Cash	1,851,327	2,601,047	-	4,452,374	-
	\$ 7,068,287	\$ 2,601,047	\$ 15,119,926	\$ 24,789,260	\$ 1,676,181

CITY OF EVANSTON, ILLINOIS

Proprietary Funds

Statement of Cash Flows - Continued
 Year ended February 28, 2010

	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Water	Sewer	Motor Vehicle Parking System	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating income (loss)	\$ 3,688,418	\$ 7,961,636	\$ 111,528	\$ 11,761,582	\$ (3,655,232)
Depreciation	1,249,299	3,203,543	1,990,850	6,443,692	1,402,897
Changes in assets and liabilities					
Increase/decrease in A/R miscellaneous	(168,532)	186,994	-	18,462	(283)
Other receivables	(1,158,646)	-	(19,593)	(1,178,239)	7,802
Notes receivables	-	-	5,000	5,000	-
Accounts receivable	-	(1,388)	-	(1,388)	-
Interfund receivable	6,887	-	(438,063)	(431,176)	-
Inventories	(31,690)	7,677	-	(24,013)	(76,217)
Compensated absences	(2,991)	11,544	8,455	17,008	4,522
Accounts payable	-	-	-	-	(77,278)
Interfund payable	125,523	348,705	(49,593)	424,635	251,582
OPEB liability payable	42,417	11,956	11,847	66,220	8,586
Deferred revenue	12,865	-	-	12,865	-
Vouchers payable	(211,681)	(163,105)	(364,957)	(739,743)	(135)
Vouchers payable (restricted)	(299,336)	(155,632)	1,210	(453,758)	-
Interest payable	(3,381)	(46,245)	(97,603)	(147,229)	-
Claims payable	-	-	-	-	(185,232)
Net Cash Provided by (Used for) Operating Activities	\$ 3,249,152	\$ 11,365,685	\$ 1,159,081	\$ 15,773,918	\$ (2,318,988)

Note: Capital contribution to the Proprietary Fund from the governmental activities is considered a non cash activity.

CITY OF EVANSTON, ILLINOIS

Fiduciary Funds

Statement of Net Assets

February 28, 2010

	<u>Pension Trust Funds</u>
Assets	
Cash and short-term investments	<u>\$ 8,599,839</u>
Receivables	
Accrued interest	266,187
Contribution receivable - Due from other funds	<u>5,434,853</u>
Total Receivables	<u>5,701,040</u>
Investments, at fair value	
U.S. Government obligations	44,169,775
Common stock	10,605,889
Mutual funds	<u>46,234,135</u>
Total Investments	<u>101,009,799</u>
Total Assets	<u>115,310,678</u>
Liabilities	
Vouchers payable	<u>20,616</u>
Total Liabilities	<u>20,616</u>
Net assets held in trust	<u><u>\$ 115,290,062</u></u>

The accompanying notes are an integral part of this statement.

CITY OF EVANSTON, ILLINOIS

Fiduciary Funds - Pension Trust Funds

Statement of Changes in Plan Net Assets Year ended February 28, 2010

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 13,631,971
Plan members	2,244,279
Other-Donations, Legal Sett., Surplus Sales	10,599
Total contributions	<u>15,886,849</u>
Investment income	
Net appreciation (depreciation) in fair value of investments	13,734,953
Investment income	<u>2,547,716</u>
Total investment income	16,282,669
Less investment expense	<u>320,823</u>
Net investment income	<u>15,961,846</u>
Total additions	<u>31,848,695</u>
Deductions	
Benefits	13,339,652
Refunds of contributions	24,014
Administrative expense	<u>62,781</u>
Total deductions	<u>13,426,447</u>
Net increase	18,422,248
Net assets held in trust for pension benefits	
Beginning of year	<u>96,867,814</u>
End of year	<u>\$ 115,290,062</u>

The accompanying notes are an integral part of this statement.

CITY OF EVANSTON, ILLINOIS

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CITY OF EVANSTON, ILLINOIS

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CITY OF EVANSTON, ILLINOIS

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CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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, 2010

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, 2009. 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, 2010

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, 2010

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, 2010

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.

The Employer Pension Contribution Fund accounts for the recognition of applicable tax revenues and employer contributions to the Pension Trust funds.

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, 2010

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, 2010

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

G. Inventories

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, 2010

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:

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

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, 2010

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 (55% 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, 2009 and February 28, 2010 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 City 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 2008 property tax levy that will not be collected within 60 days of the Township's March 31, 2009 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, 2010

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. Property Held for Resale

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

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, and Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Application of these standards in future years may restate portions of these financial statements.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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 \$145,854,050 difference are as follows:

General obligation bonds payable	\$ 111,233,880
Bonds premium liability	4,539,606
Compensated absences payable	11,348,688
Capital lease	708,552
Pension contributions payable	<u>18,023,324</u>
Net adjustments to reduce fund balance - total governmental funds to arrive at net assets - governmental activities.	<u>\$ 145,854,050</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 \$6,448,213 difference are as follows:

Capital outlay	\$ 13,992,849
Depreciation expense	<u>(7,544,636)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 6,448,213</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

**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 \$7,219,074 difference are as follows:

Principal repayments:

General obligation debt	\$ 6,597,256
SSD#5 Bond	295,000
Capital lease	<u>326,818</u>

Net adjustment to increase net changes in fund balances –
total governmental funds to arrive at changes in net assets
of governmental activities \$ 7,219,074

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 (\$905,698) difference are as follows:

Compensated absences	\$ (690,147)
Amortization income	497,853
Pension contributions	<u>(713,404)</u>

Net adjustment to increase net changes in fund balances – total
governmental funds to arrive at changes in net assets of governmental
activities \$ (905,698)

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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 property taxes are budgeted as revenue in the year they are levied. For purposes of preparing the General Fund - Budget and Actual (Budgetary Basis) Schedule of Revenues, Expenditures, and Changes in Fund Balance, GAAP revenues and expenditures have been adjusted to the budgetary basis.

Blended Component Unit

The Township prepares its annual appropriation ordinance, which is synonymous with its budget, using the modified accrual basis of accounting. The appropriation ordinance was adopted June 23, 2008. 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 Endowment, Neighborhood Improvement, Affordable Housing, HOME, Community Development Loan, Employer Pension Contribution

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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.

The following funds had an excess of actual budgetary expenditures over original and final budget for the year ended February 28, 2010:

<u>Fund</u>	<u>Actual</u>	<u>Budget</u>	<u>Excess</u>
Special Service District #5 Debt Service	\$ 440,976	\$ 433,813	\$ 7,163
Howard Hartrey Tax Increment District	736,941	702,830	34,111
Washington National Tax Increment District	757,561	604,322	153,239
Special Service District #4 Fund	512,274	445,000	67,274
Town Fund	396,305	182,012	214,293

B. DEFICIT FUND EQUITY

The Insurance Fund, an internal service fund, had a net deficit of \$4,128,203 as of February 28, 2010. The City plans to use current resources to pay for future liabilities.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

A. Types of Accounts and Securities

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

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

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

B. Pooling of Cash and Investments

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

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS - Continued

C. Types of Investments

As of February 28, 2010, 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	\$ 6,928,021	\$ 6,928,021	\$ -	\$ -
Illinois Funds	14,041,659	14,041,659	-	-
Mutual Funds	2,430,292	-	-	2,430,292
Total Governmental and Enterprise Investment Fund	\$ 23,399,972	\$ 20,969,680	\$ -	\$ 2,430,292

IMET Money Market	\$ 741,020
First Bank Money Market	1,306,433
JP Morgan Money Market	4,633,674
Vanguard Money Market	246,894
Total Money Market / Liquid Assets	\$ 6,928,021

Township Investment Type	Investment Maturities (In Years)			Equities
	Fair Value	Less Than 1 Year	1 - 10 More Years	
Illinois Funds	\$ 1,794,636	\$ 1,794,636	\$ -	\$ -
Total Township Investment	\$ 1,794,636	\$ 1,794,636	\$ -	\$ -

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS - Continued

C. Types of Investments - continued

Fire and Police Pension Investment Type	Investment Maturities (In Years)			Equities
	Fair Value	Less Than 1 Year	1 - 10 More Years	
Money Market / Liquid Assets	\$ 6,089,980	\$ 6,089,980	\$ -	\$ -
Mutual Funds	46,234,135	-	1,594,610	44,639,525
U.S. Treasuries	19,207,535	-	19,207,535	-
Federal Home Loan Bank	4,063,314	41,320	4,021,994	-
Federal Home Loan Mortgage Corp	6,390,009	64,684	6,325,325	-
Fannie Mae	9,187,703	202,250	8,985,453	-
Ginnie Mae	5,321,214	306	5,320,908	-
Common Stock	10,605,889	-	-	10,605,889
Total Fire and Police Investment	\$ 107,099,779	\$ 6,398,540	\$ 45,455,825	\$ 55,245,414

JP Morgan Trust Money Market	\$ 505,000
Smith Barney Money Market	1,017,387
JP Morgan Money Market	643,507
Schwab Money Market	360,870
MB Bank Money Market	3,433,403
IMET Money Market Convenience	129,813
Total Money Market / Liquid Assets	\$ 6,089,980

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, 2010

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 and certificates of deposits. At February 28, 2010, the carrying amount of the City's deposits, including cash on hand of \$12,572, was \$45,877,965. The financial institutions' balances totaled \$47,701,080.

Township

At March 31, 2009, the carrying amount of the Township's deposits was \$180,354. The financial institutions' balances totaled \$185,005.

Fiduciary

Deposits consist of deposits in interest-bearing and noninterest-bearing accounts. At February 28, 2010, the carrying amount of the Pension's deposits was \$2,509,860. The financial institutions' balances totaled \$2,639,294.

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, 2010

NOTE 4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS – Continued

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

Unrestricted cash and equivalents	\$ 64,370,262
Unrestricted investments	2,430,292
Restricted cash and equivalents and investments	<u>4,452,374</u>
Total Cash and Investments – Primary Government	71,252,928
Fiduciary funds cash and equivalents	8,599,839
Fiduciary funds investments	<u>101,009,799</u>
Total Cash and Investments	<u>\$ 180,862,566</u>
Carrying amount of deposits – from Note 4 D	\$ 48,568,179
Investments – from Note 4 C	<u>132,294,387</u>
Total	<u>\$ 180,862,566</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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	Capital Improvements	Employer Pension Contribution	Water	Sewer	Motor Vehicle Parking System	Nonmajor and Other Funds	Total
Receivables:								
Property taxes	\$ 15,362,302	\$ -	\$ 11,466,603	\$ -	\$ -	\$ -	\$ 18,658,502	\$ 45,487,407
Accounts	-	-	-	1,930,198	2,199,274	-	-	4,129,472
Notes	-	-	-	-	-	-	5,473,108	5,473,108
Special assessments	-	-	-	-	-	-	1,101,204	1,101,204
Accrued interest	-	14,495	-	16,212	-	-	21,272	51,979
Other	2,091,194	-	-	1,389	1,388	59,451	450,592	2,604,014
Gross receivables	17,453,496	14,495	11,466,603	1,947,799	2,200,662	59,451	25,704,678	58,847,184
Less: allowance for uncollectibles	307,246	-	232,182	-	-	-	463,170	1,002,598
Net total receivables	<u>\$ 17,146,250</u>	<u>\$ 14,495</u>	<u>\$ 11,234,421</u>	<u>\$ 1,947,799</u>	<u>\$ 2,200,662</u>	<u>\$ 59,451</u>	<u>\$ 25,241,508</u>	<u>\$ 57,844,586</u>

Out of the total Notes Receivable, \$5,394,000 is estimated not to be paid during the next year. Out of the total Special Assessment receivable, \$878,000 is estimated not 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>\$ 6,361,234</u>	<u>\$ 855,236</u>	<u>\$ 1,833,362</u>	<u>\$ 5,383,108</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

NOTE 6. CAPITAL ASSETS

A. Capital Asset Activity

Capital asset activity for the year ended February 28, 2010, 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
Artwork	40,000	75,000	-	115,000
Construction in progress	5,932,768	4,707,106	5,178,950	5,460,924
Total capital assets, not being depreciated	31,225,284	4,782,106	5,178,950	30,828,440
Capital assets, being depreciated:				
Buildings and improvements	80,359,175	5,401,683	-	85,760,858
Office equipment and furniture	10,430,461	831,400	-	11,261,861
Machinery and equipment	21,769,296	1,059,557	691,815	22,137,038
Infrastructure	110,398,887	7,149,710	-	117,548,597
Library collections	11,338,479	376,301	1,499,351	10,215,429
Capitalized leases	1,765,014	-	326,818	1,438,196
Total capital assets being depreciated	236,061,312	14,818,651	2,517,984	248,361,979
Less accumulated depreciation for:				
Buildings and improvements	28,865,354	1,847,953	-	30,713,307
Office equipment and furniture	9,050,364	865,605	-	9,915,969
Machinery and equipment	15,123,429	1,570,353	684,479	16,009,303
Infrastructure	52,644,810	3,853,679	-	56,498,489
Library collections	8,500,486	693,291	1,499,351	7,694,426
Capitalized leases	683,742	116,652	32,682	767,712
Total accumulated depreciation	114,868,185	8,947,533	2,216,512	121,599,206
Total capital net assets being depreciated, net	121,193,127	5,871,118	301,472	126,762,773
Governmental activities capital assets, net	\$152,418,411	\$10,653,224	\$ 5,480,422	\$ 157,591,213

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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	13,049,389	5,047,200	16,173,034	1,923,555
Artwork	251,624	108,128	-	359,752
Total capital assets, not being depreciated	16,598,950	5,155,328	16,173,034	5,581,244
Capital assets, being depreciated:				
Land improvements	3,563,393	-	-	3,563,393
Buildings and improvements	72,508,938	982,621	-	73,491,559
Leasehold improvements	302,752	-	-	302,752
Plant	32,088,841	3,642,300	75,799	35,655,342
Transmission and distribution system	34,402,194	1,481,647	-	35,883,841
Sewer system and underground lines	231,242,411	10,549,078	-	241,791,489
Equipment	2,815,833	-	-	2,815,833
Parking meters	707,688	-	-	707,688
Total capital assets being depreciated	377,632,050	16,655,646	75,799	394,211,897
Less accumulated depreciation for:				
Land improvements	968,818	34,264	-	1,003,082
Buildings and improvements	9,837,270	1,875,390	-	11,712,660
Leasehold improvements	293,761	4,691	-	298,452
Plant	11,446,630	737,171	60,445	12,123,356
Transmission and distribution system	6,232,867	502,726	-	6,735,593
Sewer system and underground lines	30,566,863	3,163,447	-	33,730,310
Equipment	1,832,145	82,086	-	1,914,231
Parking meters	433,965	43,918	-	477,883
Total accumulated depreciation	61,612,319	6,443,693	60,445	67,995,567
Total capital net assets being depreciated, net	316,019,731	10,211,953	15,354	326,216,330
Business-type activities capital assets, net	\$332,618,681	\$15,367,281	\$16,188,388	\$ 331,797,574

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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	\$ 955,297
Public safety	598,486
Public works	4,929,934
Recreation and cultural opportunities	<u>2,463,816</u>
Total depreciation expense – governmental activities	<u>\$ 8,947,533</u>

Business – type activities:

Water	\$ 1,249,299
Sewer	3,203,543
Motor Vehicle Parking	<u>1,990,850</u>
Total depreciation expense – business – type activities	<u>\$ 6,443,692</u>

B. Construction Commitments

The value of construction contracts signed, where the work has not yet been performed at February 28, 2010, is as follows:

Capital Improvement Fund	\$ 409,187
Water Fund	780,434
Sewer Fund	<u>18,316</u>
Total Construction Commitments	<u>\$ 1,207,937</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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, 2010 interfund receivables and payables consist of the following:

Funds	Due from Other Funds	Due to Other Funds
Governmental Funds		
General Fund		
Emergency Telephone System	\$ -	\$ 1,683,821
Economic Development	-	23,340
Fleet Service	291,117	-
Insurance	7,523	-
Community Development Block Grant	13,430	-
Community Development Loan	224	-
Capital Improvements	142,508	-
Motor Vehicle Parking System	570,978	-
Water	139,620	-
Sewer	40,845	-
Neighborhood Improvement Fund	-	20,000
Firefighters Pension	-	31,885
Police Pension	-	47,635
Total General Fund	<u>1,206,245</u>	<u>1,806,681</u>
Capital Improvements		
Community Development Block Grant	50,000	-
Special Assessment CP Fund	75,258	-
Motor Vehicle Parking System	-	1,700,000
Neighborhood Improvement Fund	-	5,678
General Fund	-	142,508
Total Capital Improvements	<u>125,258</u>	<u>1,848,186</u>
Employer Pension Contribution		
Firefighters Pension	-	2,417,282
Police Pension	-	2,938,051
Total Employer Pension Contribution	<u>-</u>	<u>5,355,333</u>
Nonmajor Governmental Funds		
Economic Development		
General Fund	23,340	-
Community Development Loan	160	-
Emergency Telephone System	250,000	-
Total Economic Development	<u>273,500</u>	<u>-</u>
Emergency Telephone System		
General Fund	1,683,821	-
Economic Development	-	250,000
Total Emergency Telephone System	<u>1,683,821</u>	<u>250,000</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

NOTE 7. INTERFUNDS - Continued

A. Interfund Accounts - Continued

Funds	Due from Other Funds	Due to Other Funds
Nonmajor Governmental Funds - Continued		
Community Development Block Grant		
General Fund	\$ -	\$ 13,430
Capital Improvements	-	50,000
Special Assessment CP Fund	-	89,229
Total Community Development Block Grant	-	152,659
Community Development Loan		
General Fund	-	224
Economic Development	-	160
Total Community Development Loan	-	384
Neighborhood Improvement Fund		
General Fund	20,000	-
Capital Improvements	5,678	-
Total Neighborhood Improvement Fund	25,678	-
Howard Hartrey Tax increment District		
Motor Vehicle Parking System		10,144
Debt Service Fund	-	21,315
Total Howard Hartrey Tax increment District	-	31,459
Special Service District No. 4		
Debt Service Fund	-	70,000
Town		
General Assistance	-	3,437
General Assistance		
Town	3,437	-
Washington Natl. Tax Increment District Debt Svc.		
Motor Vehicle Parking System	-	9,008
Debt Service Fund	-	16,091
Total Washington Natl. Tax Increment District Debt Svc.	-	25,099
Debt Service Fund		
Special Service District No. 4	70,000	-
Howard Hartrey Tax Increment District	21,315	-
Washington Natl. Tax Increment District Debt Svc.	16,091	-
Sewer	19,372	-
Motor Vehicle Parking System	-	99,777
Total Debt Service	126,778	99,777
Special Assessment CP Fund		
Community Development Block Grant	89,229	-
Water	1,228	-
Capital Improvements	-	75,258
Total Special Assessment	90,457	75,258
Total Nonmajor Governmental Funds	2,203,671	708,073
Total Governmental Funds	3,535,174	9,718,273

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

NOTE 7. INTERFUNDS - Continued

A. Interfund Accounts - Continued

Funds	Due from Other Funds	Due to Other Funds
Enterprise Funds		
Water		
General Fund	\$ -	\$ 139,620
Special Assessment CP Fund	-	1,228
Sewer	-	95,608
Total Water	<u>-</u>	<u>236,456</u>
Sewer		
General Fund	-	40,845
Debt Service	-	19,372
Water	95,608	-
Motor Vehicle Parking System	-	40,424
Total Sewer	<u>95,608</u>	<u>100,641</u>
Motor Vehicle Parking System		
General Fund	-	570,978
Washington Natl. Tax Increment District Debt Svc.	9,008	-
Howard Hartrey Tax Increment District	10,144	-
Sewer	40,424	-
Capital Improvements	1,700,000	-
Debt Service	99,777	-
Total Motor Vehicle Parking System	<u>1,859,353</u>	<u>570,978</u>
Total Enterprise Funds	<u>1,954,961</u>	<u>908,075</u>
Internal Service Funds		
Fleet Services		
General Fund	-	291,117
Insurance		
General Fund	-	7,523
Total Internal Service Funds	<u>-</u>	<u>298,640</u>
Trust and Agency Funds		
Firefighters Pension		
Employer Pension Contribution	2,417,282	-
General Fund	31,885	-
Total Firefighters Pension	<u>2,449,167</u>	<u>-</u>
Police Pension		
Employer Pension Contribution	2,938,051	-
General Fund	47,635	-
Total Police Pension	<u>2,985,686</u>	<u>-</u>
Total Trust and Agency Funds	<u>5,434,853</u>	<u>-</u>
Total Primary Government	<u>\$ 10,924,988</u>	<u>\$ 10,924,988</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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, 2010 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 Debt Svc.	324,996	-
Washington Natl. Tax Increment District Debt Svc.	151,872	-
Howard Hartrey Tax Increment District	141,588	-
Southwest Tax Increment District	24,120	-
Capital Improvement Fund	100,000	-
General Obligation Debt Service Fund	500,004	-
Water Fund	2,693,604	-
Howard Ridge Tax Increment District	120,396	-
Motor Fuel Tax Fund	772,500	-
Motor Vehicle Parking System	777,492	-
Neighborhood Improvement	141,000	-
Economic Development	690,000	-
Total General Fund	<u>6,461,572</u>	<u>-</u>
Capital Improvements		
Neighborhood Improvement Fund	-	146,678
General Fund	-	100,000
Total Capital Improvement	<u>-</u>	<u>246,678</u>
Nonmajor Governmental Funds		
Neighborhood Improvement Fund		
General Fund	-	141,000
Capital Improvements	146,678	-
Total Neighborhood Improvement Fund	<u>146,678</u>	<u>141,000</u>
Affordable Housing Fund		
General Fund	-	24,000
Economic Development		
General Fund	-	690,000
Town		
General Assistance	-	125,004
General Assistance		
Town	125,004	-
General Obligation Debt Service Fund		
General Fund	-	500,004
Special Assessment	311,604	-
Total General Obligation Debt	<u>311,604</u>	<u>500,004</u>
Central Business Tax Increment District Debt Svc.		
General Fund	-	324,996
Motor Vehicle Parking System	-	13,176,138
Central Business Tax Increment District CIP	3,448,830	-
Total Central Business Tax Increment District Debt Svc.	<u>3,448,830</u>	<u>13,501,134</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

NOTE 7. INTERFUNDS - Continued

B. Interfund Transfers - Continued

Funds	Transfers In	Transfers Out
Nonmajor Governmental Funds - Continued		
Central Business Tax Increment District CIP		
Central Business Tax Increment District Debt Svc.	\$ -	\$ 3,448,830
Southwest Tax Increment District		
General Fund	-	24,120
Howard Hartrey Tax Increment District		
General Fund	-	141,588
Howard Ridge Tax Increment District		
General Fund	-	120,396
Washington Natl. Tax Increment District Debt Svc.		
General Fund	-	151,872
Washington Natl. Tax Increment District CIP	-	525,242
Motor Vehicle Parking System	-	2,600,052
Total Washington National Tax Increment District	-	3,277,166
Washington Natl. Tax Increment District CIP		
Washington Natl. Tax Increment District Debt Svc.	525,242	-
Special Assessment		
General Obligation Debt	-	311,604
Motor Fuel Tax		
General Fund	-	772,500
Total Nonmajor Governmental Funds	4,557,358	23,077,346
Total Governmental Funds	11,018,930	23,324,024
Enterprise Funds		
Water		
General Fund	-	2,693,604
Motor Vehicle Parking System		
General Fund	-	777,492
Central Business Tax Increment District Debt Svc.	13,176,138	-
Washington Natl. Tax Increment District Debt Svc.	2,600,052	-
Total Motor Vehicle Parking System	15,776,190	777,492
Total Enterprise Funds	15,776,190	3,471,096
Internal Service Funds		
Fleet Services		
Insurance	63,297	-
Insurance		
Fleet Services	-	63,297
Total Internal Service Funds	63,297	63,297
Total Primary Government	\$ 26,858,417	\$ 26,858,417

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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

<u>Leasing Co.</u>	<u>Expiration</u>	<u>Number of Machines</u>	<u>Monthly Payment</u>	<u>Annual lease payment</u>	<u>Type of Machines</u>
Great America Leasing	4/25/2010	6	2,541	\$ 5,082	Copiers
Secap Finance	12/31/2014	1	255	3,060	Postage Machine

Minimum annual lease payments are as follows:

Fiscal year ending 2011	\$ 8,142
Fiscal year ending 2012	3,060
Fiscal year ending 2013	3,060
Fiscal year ending 2014	3,060
Fiscal year ending 2015	<u>2,550</u>
	<u>\$ 19,872</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

NOTE 9. LONG-TERM DEBT

A. Changes in Long-Term Debt

	Interest Rate	Final Maturity Date	Balance 3/1/2009	Issued	Payments	Balance 2/28/2010	Due Within One Year
G.O. Debt Governmental Activities							
Series 2002C	5.00%-5.80%	1/1/2022	\$ 6,520,000	\$ -	\$ 1,000,000	\$ 5,520,000	\$ 1,000,000
Series 2003	2.00%-5.00%	1/1/2010	580,000	-	580,000	-	-
Series 2003B	2.00%-5.25%	1/1/2023	3,475,000	-	330,000	3,145,000	365,000
Series 2004	2.00%-5.00%	12/1/2023	12,790,000	-	150,000	12,640,000	785,000
Series 2004B	2.00%-5.25%	12/1/2017	6,425,000	-	1,120,000	5,305,000	1,150,000
Series 2004B (SSA#5)	5.00%-5.80%	1/1/2016	2,450,000	-	295,000	2,155,000	315,000
Series 2005	3.25%-5.00%	12/1/2025	15,785,000	-	585,000	15,200,000	525,000
Series 2006	3.85%-5.00%	12/1/2026	10,050,000	-	120,000	9,930,000	125,000
Series 2006B	4.00%-4.25%	12/1/2023	14,430,000	-	-	14,430,000	-
Series 2007	4.00%-5.00%	12/1/2016	20,935,000	-	1,145,000	19,790,000	1,105,000
Series 2008A	3.00%-5.00%	12/1/2021	3,800,000	-	195,000	3,605,000	195,000
Series 2008C	3.00%-5.00%	12/1/2028	9,965,580	-	341,700	9,623,880	349,740
Series 2008D	3.25%-5.00%	12/1/2016	11,225,000	-	1,335,000	9,890,000	1,390,000
Subtotal Governmental Activity G.O. Debt			<u>118,430,580</u>	<u>-</u>	<u>7,196,700</u>	<u>111,233,880</u>	<u>7,304,740</u>
Capital lease			1,035,370	-	326,818	708,552	344,793
Bonds premium liability			5,037,459	-	497,853	4,539,606	-
OPEB liability			653,155	384,426	-	1,037,581	-
Pension contributions			17,309,920	14,355,974	13,642,570	18,023,324	-
Compensated absences payable- City			10,819,893	5,823,884	5,139,889	11,503,888	4,370,988
Claims payable			5,358,600	1,100,162	1,285,394	5,173,368	2,233,072
Subtotal Other G.A. Liabilities			<u>40,214,397</u>	<u>21,664,446</u>	<u>20,892,524</u>	<u>40,986,319</u>	<u>6,948,853</u>
Total Governmental Activity Debt & Liabilities			<u>\$ 158,644,977</u>	<u>\$ 21,664,446</u>	<u>\$ 28,089,224</u>	<u>\$ 152,220,199</u>	<u>\$ 14,253,593</u>
G.O. Debt Business-type Activities							
Series 2003 Parking System	2.00%-5.00%	1/1/2010	\$ 620,000	\$ -	\$ 620,000	\$ -	\$ -
Series 2005 Sherman Garage	3.25%-5.00%	12/1/2025	10,615,000	-	870,000	9,745,000	890,000
Series 2005 Sewer	3.25%-5.00%	12/1/2025	250,000	-	-	250,000	-
Series 2007 Sewer	4.00%-5.00%	12/1/2016	5,015,000	-	890,000	4,125,000	970,000
Series 2007 Parking	4.00%-5.00%	12/1/2016	1,205,000	-	105,000	1,100,000	110,000
Series 2008B Sherman Garage	3.00%-5.00%	12/1/2018	27,755,000	-	11,320,000	16,435,000	1,420,000
Series 2008C Sewer	3.00%-5.00%	12/1/2028	2,429,420	-	83,300	2,346,120	85,260
Series 2008D Sewer	3.25%-5.00%	12/1/2016	7,790,000	-	1,555,000	6,235,000	1,655,000
Subtotal Business Activity G.O. Debt			<u>55,679,420</u>	<u>-</u>	<u>15,443,300</u>	<u>40,236,120</u>	<u>5,130,260</u>
Water Revenue Bond Series 1999	4.125-4.375%	1/1/2014	1,395,000	-	255,000	1,140,000	265,000
Water Revenue Bond Series 2002	2.00-3.75%	1/1/2012	850,000	-	270,000	580,000	285,000
Subtotal Water Revenue Bonds			<u>2,245,000</u>	<u>-</u>	<u>525,000</u>	<u>1,720,000</u>	<u>550,000</u>
Subtotal IEPA Loans	2.535-3.59%	Various	<u>101,775,223</u>	<u>1,557,699</u>	<u>7,962,378</u>	<u>95,370,544</u>	<u>8,318,663</u>
Unamortized bond Premium and discount			14,677	-	1,130	13,547	-
Bonds premium liability			1,142,295	-	130,878	1,011,417	-
Compensated absences payable- City			659,697	63,887	46,880	676,704	323,042
OPEB Liability			30,165	66,219	-	96,384	-
Subtotal Other Business Activity Liabilities			<u>1,846,834</u>	<u>130,106</u>	<u>178,888</u>	<u>1,798,052</u>	<u>323,042</u>
Total Business Debt & Liabilities			<u>\$ 161,546,477</u>	<u>\$ 1,687,805</u>	<u>\$ 24,109,566</u>	<u>\$ 139,124,716</u>	<u>\$ 14,321,965</u>
Total Governmental & Business Debt & Liabilities			<u>\$ 320,191,454</u>	<u>\$ 23,352,251</u>	<u>\$ 52,198,790</u>	<u>\$ 291,344,915</u>	<u>\$ 28,575,558</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

NOTE 9- LONG-TERM DEBT - Continued

A. Changes in Long-term Debt- Continued

Business type activities - Water Revenue Bonds

Business type activities revenue bonds are payable from revenues derived from Water service fees. The City has pledged future revenues, net of operating expenses, to repay original principal totaling \$5,855,000 in revenue bonds issued in 1999 and 2002. Proceeds from the bonds provided financing for Water CIP projects. The bonds are payable solely from revenues through 2014. Annual payment for principal and interest on the bonds are expected to require \$621,268 of net revenues for Fiscal Year 2010-11. The total principal and interest remaining to be paid on the bonds is \$1,879,988. Principal and interest paid for the current year totaled \$616,556 on customer revenues of \$4,937,717.

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	\$ 1,140,000
10/1/2002	1/1/2012	Various	2,355,000	<u>580,000</u>
Total Business type Activities- Water Revenue Bonds				<u>\$ 1,720,000</u>

Business type activities - IEPA Loans

Business type activities IEPA loans are payable from revenues derived from Sewer and Water service fees. The City has pledged future revenues, net of operating expenses, to repay principal totaling \$161,753,948 in IEPA loans issued in 1993 through 2009. Proceeds from the loans provided financing for the Long Term Sewer and Water Improvement Program. The IEPA loans are payable solely from revenues and are payable through 2029. Annual principal and interest on the loans are expected to require \$10,821,368 of net revenues for the Fiscal year 2010-11. The total principal and interest remaining to be paid on the loans is \$112,210,555. Principal and interest paid for the current year and total customer net revenues were \$10,644,389 and \$11,165,179 respectively.

IEPA loans payable consist of the following:

<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance</u>
Various	Various	Various	\$ 161,753,948	<u>\$ 95,370,544</u>
Total Business type Activities- IEPA Loan Debt				<u>\$ 95,370,544</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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 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, 2010

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 February 28	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 7,304,740	\$ 4,730,853	\$ 5,130,260	\$ 1,917,550
2012	7,801,800	4,479,259	5,223,200	1,676,927
2013	8,259,840	4,242,123	5,955,160	1,427,545
2014	8,636,900	3,976,401	4,163,100	1,134,543
2015	9,942,980	3,640,288	3,192,020	894,096
2016-2020	34,715,020	12,739,941	15,219,980	2,088,750
2021-2025	25,732,820	5,514,150	677,180	273,712
2026-2029	8,839,780	870,560	675,220	86,432
Total	<u>\$ 111,233,880</u>	<u>\$ 40,193,575</u>	<u>\$ 40,236,120</u>	<u>\$ 9,499,555</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

NOTE 9- LONG-TERM DEBT - Continued

C. Special Service District Bonds Payable

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

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

Year Ending February 28	Governmental Activities	
	Principal	Interest
2011	\$ 315,000	\$ 125,976
2012	325,000	107,706
2013	340,000	88,756
2014	380,000	68,876
2015	390,000	46,606
2016	405,000	23,566
Total	<u>\$ 2,155,000</u>	<u>\$ 461,486</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 February 28	Business-type Activities	
	Principal	Interest
2011	\$ 550,000	\$ 71,268
2012	575,000	49,344
2013	290,000	26,032
2014	305,000	13,344
Total	<u>\$ 1,720,000</u>	<u>\$ 159,988</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

NOTE 9- LONG-TERM DEBT - Continued

E. Notes Payable -IEPA Loans

During the fiscal year ended February 28, 2010, the City currently has 27 outstanding loans from the IEPA. The City will repay the loans solely from revenues derived from the sewer and water system; the loans do not constitute a full faith and credit obligation of the City. They will be repaid with equal installments consisting of principal plus simple interest, on unpaid principal balances, over a period of 20 years. Initial principal balances will consist of disbursements and interest accrued during construction. Repayments begin not later than six months after completion of construction.

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

Year Ending February 28	Business-type Activities	
	Principal	Interest
2011	\$ 8,318,663	\$ 2,502,705
2012	8,558,703	2,262,666
2013	8,683,160	2,015,534
2014	8,241,723	1,767,746
2015	7,791,421	1,546,488
2016-2020	31,584,063	4,852,992
2021-2025	16,778,439	1,649,211
2026-2030	5,414,372	242,669
Total	<u>\$ 95,370,544</u>	<u>\$ 16,840,011</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, 2010

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, 2010, the following remaining outstanding balances are considered defeased:

G.O. Series	Original Amount Defeased	Outstanding Defeased Amounts
1995	\$ 1,990,000	\$ 1,990,000
1996	11,385,000	11,385,000
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, 2010, are recorded as a liability in the City's financial statements. Those balances are as follows:

Series	Amounts
2002C	\$ 5,520,000
2003B	3,145,000

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

NOTE 9- LONG-TERM DEBT - Continued

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

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

Contribution requirements are established through Illinois State laws. The City of Evanston implicitly contributes the difference between retiree's contributions and unblended rates. Retirees pay 100% of the blended premiums to cover themselves and their covered dependents ranging from \$334 for single coverage to \$1,782 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 \$334 for single coverage to \$1,782 for family coverage. For fiscal year 2010, the City contributed \$591,336 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	\$ 1,008,962
Interest on net OPEB obligation	32,018
Adjustment to annual required contribution	<u>1,001</u>
Annual OPEB cost	1,041,981
Contributions made	<u>(591,336)</u>
Increase in net OPEB obligation	450,645
Net OPEB obligation - Beginning of Year	<u>683,320</u> *
Net OPEB obligation - End of Year	<u>\$ 1,133,965</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

NOTE 9- LONG-TERM DEBT - Continued

G. 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 2010 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
2/28/2010	1,041,981	56.75%	1,133,965

The funded status of the plan as of March 1st, 2009, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 11,762,298
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 11,762,298</u>
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active plan members)	50,141,622
UAAL as a percentage of covered payroll	23.46%

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, 2010

NOTE 9- LONG-TERM DEBT - Continued

G. 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, 2009 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 8.50 percent initially, reduced by decrements to an ultimate rate of 3.50 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, 2009, was 27 years.

H. 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 2010. At February 28, 2010 \$708,552 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, 2010 are as follows:

<u>Fiscal year ending</u>	<u>Amount</u>
2011	\$ 383,764
2012	<u>383,764</u>
Total minimum lease payments	767,528
Less: amount representing interest	<u>(58,976)</u>
Present value of minimum lease payments	<u><u>\$ 708,552</u></u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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	\$ 49,840,356
Police Pension Fund Restriction for employee pension benefits	<u>65,449,706</u>
Total Fiduciary Funds	<u>\$ 115,290,062</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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 Arts Council	\$ 31,734
Reserved for private elm trees	189,388
Reserved for parkway trees	398,216
Reserved for Butterfield sculpture	31,833
Reserved for scholarship contributions	27,553
Reserved for public library acquisitions	234,796
Reserved for recreation group activities	207,123
Reserved for youth initiative	42,151
Reserved for parks and recreation	156,518
Other reserves	<u>265,543</u>
 Total General Fund	 <u>1,584,855</u>
 Special Revenue Funds	
Reserved for HUD approved Projects	410,000
Reserved for notes receivable	<u>5,383,108</u>
 Total Special Revenue Funds	 <u>5,793,108</u>
 Debt Service Funds	
Reserved for debt service	<u>23,160,111</u>
 Total Reserved Fund Equity - Governmental Funds	 <u>\$ 30,538,074</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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	<u>260,553</u>
Total General Fund	<u>5,426,913</u>
Special Revenue Funds	
Specific capital projects	
Motor Fuel Tax	794,436
Library Endowment	2,678,744
Neighborhood Improvement	<u>10,000</u>
Total Special Revenue Funds	<u>3,483,180</u>
Capital Projects Funds	
Specific capital projects	
Capital Improvements	5,441,774
Special Assessment	<u>3,833,828</u>
Total Capital Projects Funds	<u>9,275,602</u>
Unrestricted Fund Equity - Designated	<u>\$ 18,185,695</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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 2009 was \$385,715 which includes a loss & cost amount of \$7,715.

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, 2010

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 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	4,264,337	1,094,263	5,358,600
New claims and/or estimate revisions	1,286,387	(186,225)	1,100,162
Claims payments	<u>(1,008,644)</u>	<u>(276,750)</u>	<u>(1,285,394)</u>
February 28, 2010	<u>\$ 4,542,080</u>	<u>\$ 631,288</u>	<u>\$ 5,173,368</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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, 2010

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, 2009:

Current assets	\$ 5,744,977
Property, plant, and equipment	12,179,879
Debt issuance costs, net	<u>139,293</u>
Total assets	<u>\$ 18,064,149</u>
Current liabilities	\$ 3,636,265
Long-term debt, net of unamortized discount	5,982,799
Invested in capital assets, net of related debt	5,072,080
Unrestricted net assets	<u>3,373,005</u>
Total liabilities and fund equity	<u>\$ 18,064,149</u>

Summary of Revenues and Expenses for the Year Ended April 30, 2009:

Total revenues	\$ 17,055,520
Total expenses	<u>(16,026,646)</u>
Net (loss)	<u>\$ 1,028,874</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, 2010

NOTE 14. JOINT VENTURES – Continued

B. Evanston Housing Corporation

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

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

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

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

The audited financial statements of Evanston Housing Corporation for the year ended December 31, 2009 are summarized as follows:

Statement of Financial Position as of December 31, 2009:

Cash and cash equivalents	\$ 857,758
Mortgage loans receivable	<u>2,361,879</u>
Total assets	<u>3,219,637</u>
Payables and accrued expenses	155,637
Notes payable	<u>3,064,000</u>
Total liabilities	<u>3,219,637</u>
Net Assets	<u>\$ -</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

NOTE 14. JOINT VENTURES – Continued

B. Evanston Housing Corporation - Continued

Statement of Activities for the Year Ended December 31, 2009:

Total revenues	\$ 128,071
Total operating expenses	<u>(128,071)</u>
Excess of revenues over expense:	<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, 2010	<u>\$ 34,449,599</u>
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CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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 2009 was 8.07% 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, 2009 was \$61,760,476. Of this amount, \$33,485,370 in payroll earnings were reported to and covered by the IMRF system. The Township's total payroll for the year ended December 31, 2008 was \$261,152. Of this amount, \$261,152 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, 2010

NOTE 16. DEFINED BENEFIT PENSION PLANS - Continued

Illinois Municipal Retirement Fund - Continued

C. Annual Pension Cost

For December 31, 2009, the City's annual pension cost of \$2,702,269 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2007 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 10.0% 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 for 2009 pension cost were based on the 2002-2004 experience study. However the 2009 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, 2009 was 23 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>
12/31/09	\$ 2,702,269	100%	\$ -
12/31/08	2,574,448	100%	-
12/31/07	2,749,378	100%	-

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

NOTE 16. DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund - Continued

C. Annual Pension Cost - Continued

For December 31, 2008, the Township's annual pension cost of \$13,371 was equal to the Township'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 used for the 2008 actuarial valuation were based on the 2005-2007 experience study.

Three-Year Trend Information for IMRF - Township

Actuarial Valuation <u>Date</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/08	\$ 13,371	100%	\$ -
12/31/07	20,253	100%	-
12/31/06	20,372	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 28, 2009 was \$12,633,000 and \$9,242,000 respectively and for February 28, 2010, it was \$13,117,000 and \$9,133,000 respectively.

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

NOTE 16. DEFINED BENEFIT PENSION PLANS – Continued

Police and Firefighters' Pension Plans - Continued

D. Plan Descriptions - Continued

Participation in the plans at February 28, 2010 was:

	<u>Police</u>	<u>Firefighters'</u>
Retirees, disabled participants, and beneficiaries of deceased retirees currently receiving benefits	163	129
Active plan members	<u>164</u>	<u>106</u>
Total	<u>327</u>	<u>235</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 Pension Fund</u>	<u>Firefighters' Pension Fund</u>
Actuarial assumptions:		
Investment rate of return	7.00%	7.00%
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, 2010

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 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, 2010

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, 2010 are as follows:

	<u>Police</u>	<u>Firefighters'</u>
Annual required contribution	\$ 7,787,369	\$ 6,358,267
Interest on net pension obligation	760,911	494,058
Adjustment to annual required contribution	<u>(633,379)</u>	<u>(411,252)</u>
Annual pension cost	7,914,901	6,441,073
Contributions made	<u>(7,573,794)</u>	<u>(6,068,776)</u>
Increase (decrease) in net pension obligation	341,107	372,297
Net pension obligation at March 1, 2009	<u>10,495,325</u>	<u>6,814,595</u>
Net pension obligation at March 1, 2010	<u>\$ 10,836,432</u>	<u>\$ 7,186,892</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, 2010

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. Five-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	2/28/10	\$ 7,914,901	104.71 %	\$ 10,836,432
	2/28/09	7,233,096	115.50	10,495,325
	2/29/08	6,789,705	91.52	11,100,974
	2/28/07	4,728,814	99.62	8,639,014
	2/28/06	4,388,343	106.25	8,237,212
Firefighters'	2/28/10	6,441,073	102.37	7,186,892
	2/28/09	5,928,290	115.77	6,814,595
	2/29/08	5,575,720	98.27	7,341,644
	2/28/07	4,234,574	93.89	5,927,461
	2/28/06	3,973,339	104.44	5,383,088

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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	\$ 3,771,985	\$ 4,827,854	\$ 8,599,839
Receivables			
Accrued interest	38,824	227,363	266,187
Due from other funds	2,449,167	2,985,686	5,434,853
Total Receivables	2,487,991	3,213,049	5,701,040
Investments, at fair value			
U.S. Government obligations	9,704,478	34,465,297	44,169,775
Common stock	10,605,889	-	10,605,889
Mutual funds	23,276,456	22,957,679	46,234,135
Total Investments	43,586,823	57,422,976	101,009,799
Total Assets	49,846,799	65,463,879	115,310,678
Liabilities			
Vouchers payable	6,443	14,173	20,616
Total Liabilities	6,443	14,173	20,616
Net assets held in trust for pension benefits	\$ 49,840,356	\$ 65,449,706	\$ 115,290,062

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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	\$ 6,065,142	\$ 7,566,829	\$ 13,631,971
Plan members	882,206	1,362,073	2,244,279
Other-Donations, Legal Sett., Surplus Sales	3,634	6,965	10,599
Total Contributions	<u>6,950,982</u>	<u>8,935,867</u>	<u>15,886,849</u>
Investment income			
Net appreciation (depreciation) in fair value of investments	5,670,721	8,064,232	13,734,953
Interest	<u>888,863</u>	<u>1,658,853</u>	<u>2,547,716</u>
Total investment income	6,559,584	9,723,085	16,282,669
Less investment expense	<u>170,846</u>	<u>149,977</u>	<u>320,823</u>
Net investment income	<u>6,388,738</u>	<u>9,573,108</u>	<u>15,961,846</u>
Total Additions	<u>13,339,720</u>	<u>18,508,975</u>	<u>31,848,695</u>
Deductions			
Benefits	5,718,183	7,621,469	13,339,652
Refunds of contributions	-	24,014	24,014
Administrative expense	<u>30,726</u>	<u>32,055</u>	<u>62,781</u>
Total Deductions	<u>5,748,909</u>	<u>7,677,538</u>	<u>13,426,447</u>
Net increase	7,590,811	10,831,437	18,422,248
Net assets held in trust for pension benefits			
Beginning of year	<u>42,249,545</u>	<u>54,618,269</u>	<u>96,867,814</u>
End of year	<u>\$ 49,840,356</u>	<u>\$ 65,449,706</u>	<u>\$ 115,290,062</u>

CITY OF EVANSTON, ILLINOIS

Notes to the Financial Statements

For the Fiscal Year Ending February 28, 2010

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, 2010	March 1, 2010
Actuarial cost method	Entry-Age Normal	Entry-Age Normal
Amortization method	Level percent Closed	Level percent Closed
Remaining amortization period	23 Years , 4 months	23 Years, 4 months
Actuarial valuation method	4-year smoothed mkt.	4-year smoothed mkt.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EVANSTON, ILLINOIS

Firefighters' Pension Fund, Police Pension Fund, and Illinois Municipal Retirement Fund

Schedules of Funding Progress and Post Employment Benefits

Required Supplementary Information

February 28, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
Firefighters' Pension						
3/1/2010	\$ 52,021,778	\$ 129,493,139	\$ 77,471,361	40.17%	\$ 9,133,000	848.26%
3/1/2009	49,410,755	119,852,896	70,442,141	41.23%	9,242,000	762.20%
3/1/2008	47,006,917	111,696,236	64,689,319	42.08%	8,999,000	718.85%
3/1/2007	43,742,297	106,361,853	62,619,556	41.13%	8,402,000	745.29%
3/1/2006	40,653,428	84,413,071	43,759,643	48.16%	8,150,000	536.93%
3/1/2005	38,327,422	78,759,019	40,431,597	48.66%	7,684,000	526.18%
3/1/2004	37,420,932	75,342,794	37,921,862	49.67%	7,376,000	514.13%
Police Pension						
3/1/2010	\$ 68,998,555	\$ 166,228,478	\$ 97,229,923	41.51%	\$ 13,117,000	741.25%
3/1/2009	66,514,296	154,971,310	88,457,014	42.92%	12,632,549	700.23%
3/1/2008	64,355,651	145,458,945	81,103,294	44.24%	12,142,000	667.96%
3/1/2007	61,795,438	139,371,086	77,575,648	44.34%	11,522,000	673.28%
3/1/2006	58,400,853	112,448,880	54,048,027	51.94%	11,195,000	482.79%
3/1/2005	55,269,914	106,426,694	51,156,780	51.93%	10,642,000	480.71%
3/1/2004	54,469,873	101,824,016	47,354,143	53.49%	10,217,000	463.48%
Illinois Municipal Retirement Fund (City)						
12/31/2009	\$ 50,465,714	\$ 79,011,161	\$ 28,545,447	63.87%	\$ 33,485,370	85.25%
12/31/2008	44,075,583	72,888,719	28,813,136	60.47%	34,189,216	84.28%
12/31/2007	88,101,956	84,705,898	(3,396,058)	104.01%	34,496,585	-
12/31/2006	87,758,900	82,928,874	(4,830,026)	105.82%	32,625,369	-
12/31/2005	82,368,849	79,384,403	(2,984,446)	103.76%	31,403,514	-
12/31/2004	77,206,655	74,129,924	(3,076,731)	104.15%	29,568,219	-
12/31/2003	76,984,367	70,647,540	(6,336,827)	108.97%	29,240,514	-
Illinois Municipal Retirement Fund (Township)						
12/31/2008	\$ 405,691	\$ 317,964	\$ (87,727)	127.59%	\$ 261,152	-
12/31/2007	612,352	360,059	(252,293)	170.07%	338,122	-
12/31/2006	514,875	321,366	(193,509)	160.21%	344,707	-
12/31/2005	413,112	253,244	(159,868)	163.13%	314,044	-
12/31/2004	612,303	450,398	(161,905)	135.95%	325,805	-
12/31/2003	585,069	429,243	(155,826)	136.30%	345,639	-
12/31/2002	810,301	512,878	(297,423)	157.99%	338,707	-
Post Employment Benefits other than Pension						
3/1/2009	\$ -	\$ 11,762,298	\$ 11,762,298	-	\$ 50,141,622	23.46%
3/1/2008	-	7,634,991	7,634,991	-	50,230,393	15.20%
3/1/2007	-	7,254,074	7,254,074	-	48,531,780	14.95%

Note: See notes to Required Supplementary Information and Auditors' Report.

CITY OF EVANSTON, ILLINOIS

Firefighters and Police Pension Funds

Schedules of Employer Contribution
 Required Supplementary Information
 February 28, 2010

Tax Levy Year	Firefighters' Pension Fund			Police Pension Fund		
	Annual Required Contribution	City's Contribution	Percentage Contributed	Annual Required Contribution	City's Contribution	Percentage Contributed
2009	\$ 5,828,112	N/A	N/A	\$ 7,081,620	N/A	N/A
2008	5,486,699	\$ 5,217,187	95.09%	6,659,960	\$ 6,345,667	95.28%
2007	4,174,271	6,139,178	147.07%	4,636,539	7,717,650	166.45%
2006	3,921,530	3,867,153	98.61%	4,301,359	4,217,457	98.05%
2005	3,317,158	3,459,626	104.29%	4,071,765	4,295,601	105.50%
2004	3,041,911	3,398,340	111.72%	4,274,043	4,271,102	99.93%
2003	2,685,046	2,690,742	100.21%	3,505,934	3,522,862	100.48%
2002	2,355,236	2,374,744	100.83%	3,224,902	3,252,113	100.84%
2001	2,209,466	2,324,407	105.20%	2,990,038	3,038,432	101.62%

Note: See notes to Required Supplementary Information and Auditors' Report.

CITY OF EVANSTON, ILLINOIS

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis)

Required Supplementary Information

Year ended February 28, 2010

	Original & Final Budget	Actual	Variance
Revenues			
Taxes	\$ 40,308,883	\$ 39,114,664	\$ (1,194,219)
Licenses and permits	8,937,100	7,279,181	(1,657,919)
Intergovernmental	17,192,700	15,566,317	(1,626,383)
Charges for services	8,793,500	8,680,166	(113,334)
Fines	4,256,500	4,150,610	(105,890)
Investment income	450,000	17,048	(432,952)
Miscellaneous	3,268,945	3,824,800	555,855
Total Revenues	<u>83,207,628</u>	<u>78,632,786</u>	<u>(4,574,842)</u>
Expenditures			
General management and support	15,642,300	14,709,080	933,220
Public safety	33,076,500	34,200,593	(1,124,093)
Public works	14,265,300	12,857,584	1,407,716
Health and human resource development	4,084,500	3,940,324	144,176
Recreation and cultural opportunities	19,138,800	17,987,443	1,151,357
Housing and economic development	3,461,800	3,332,818	128,982
Total Expenditures	<u>89,669,200</u>	<u>87,027,842</u>	<u>2,641,358</u>
(Deficiency) of Revenues (under) Expenditures	<u>(6,461,572)</u>	<u>(8,395,056)</u>	<u>(1,933,484)</u>
Other Financing Sources (Uses)			
Operating transfers in (out)			
Neighborhood Improvement Fund	141,000	141,000	-
Motor Fuel Tax Fund	772,500	772,500	-
Economic Development Fund	690,000	690,000	-
Housing Fund	24,000	24,000	-
Washington National TIF Debt Service Fund	151,872	151,872	-
Howard Hartrey Debt Service	141,588	141,588	-
Southwest TIF I Debt Service Fund	24,120	24,120	-
Debt Service Fund	500,004	500,004	-
Downtown TIF Debt Service Fund	324,996	324,996	-
Parking Fund	777,492	777,492	-
Howard Ridge TIF	120,396	120,396	-
Capital Improvement Fund	100,000	100,000	-
Water Fund	2,693,604	2,693,604	-
	<u>6,461,572</u>	<u>6,461,572</u>	<u>-</u>
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>(1,933,484)</u>	<u>\$ (1,933,484)</u>
Fund Balance			
Beginning of year		<u>29,910,132</u>	
End of year		<u>\$ 27,976,648</u>	

Note: See notes to Required Supplementary Information and Auditors' Report.

CITY OF EVANSTON, ILLINOIS

Notes to the Required Supplementary Information

NOTE 1. DIGEST OF CHANGES - IMRF

The actuarial assumptions used to determine the actuarial accrued liability for 2010 are based on the 2002-2004 Experience Study.

The principal changes were:

- The 1994 Group Annuity Mortality implemented
- For regular members, fewer normal and early retirements are expected to occur.

NOTE 2. CONVERSION FROM GAAP BASIS TO BUDGETARY BASIS

Adjustments necessary to convert City revenues and expenditures for the year ended February 28, 2010 on the GAAP basis to the budgetary basis are presented below:

	<u>General Fund</u>
Revenues	
GAAP basis revenues as reported in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 79,749,329
Increase (decrease) due to budgeting property taxes as revenue in the year of levy	<u>(1,116,543)</u>
Budgetary Basis Revenues	<u>\$ 78,632,786</u>
Expenditures	
GAAP basis expenditures as reported in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 87,050,168
Increase (decrease) due to Encumbrances - March 1, 2009	(22,326)
Encumbrances - February 28, 2010	<u>-</u>
Budgetary Basis Expenditures	<u>\$ 87,027,842</u>

Note: See Auditors' Report.

FORM 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 Corporate Purpose Bonds, Series 2011A (the "Bonds"), to the amount of \$19,240,000, dated the date hereof, denomination \$5,000 or authorized integral multiple thereof, due and payable serially on December 1 of the years and in the amounts and bearing interest at the rates percent per annum as follows:

YEAR	AMOUNT (\$)	RATE (%)	YEAR	AMOUNT (\$)	RATE (%)
2012	1,205,000	2.000	2022	835,000	3.125
2013	1,400,000	2.000	2023	865,000	3.250
2014	1,420,000	2.000	2024	895,000	3.500
2015	710,000	2.000	2025	930,000	4.000
2016	720,000	2.000	2026	965,000	4.000
2017	735,000	2.000	2027	1,005,000	4.000
2018	750,000	2.500	2028	1,040,000	4.000
2019	770,000	2.500	2029	1,085,000	4.500
2020	790,000	3.000	2030	1,130,000	4.500
2021	810,000	3.000	2031	1,180,000	4.500

Each of the Bonds bears interest from the later of its dated date as stated above or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of each such Bond, respectively, is paid or duly provided for, such interest (computed upon the basis of a 360-day year of twelve 30-day months) being payable on June 1 and December 1 of each year, commencing on June 1, 2012.

Those of the Bonds due on or after December 1, 2021, 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, 2020, or on any date thereafter, at the redemption price of par plus accrued interest to the redemption date, as provided in the Proceedings.

The Bonds have been issued for the purposes of (i) providing financing for certain public improvement projects within the City, (ii) making a deposit into certain debt service funds of the City's Sewerage System for purposes of certain outstanding obligations on their respective

scheduled payment dates, (iii) refunding certain outstanding obligation of the City for savings and (iv) paying for costs of issuance associated with the Bonds.

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

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

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

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

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

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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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 City of Evanston, Cook County, Illinois (the “*City*”) in connection with the issuance of \$19,240,000 General Obligation Corporate Purpose Bonds, Series 2011A (the “*Bonds*”). The Bonds are being issued pursuant to an Ordinance, as adopted by the City Council on July 11, 2011, as supplemented by a Bond Order providing for sale of the Bonds, signed by designated officers of the City on July 20, 2011 (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.

MSRB means the Municipal Securities Rulemaking Board.

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

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

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

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

State means the State of Illinois.

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

3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Bonds as set forth in *Exhibit III*. The Final Official Statement relating to the Bonds is dated July 20, 2011 (the "*Final Official Statement*"). The City will include the CUSIP Number in all disclosure described in Sections 4 and 5 of this Agreement.

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

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

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement

provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. REPORTABLE EVENTS DISCLOSURE. Subject to Section 8 of this Agreement, the City hereby covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Ordinance.

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

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

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

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

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

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

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Reportable Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the City shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

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

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

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

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

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

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

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

CITY OF EVANSTON, COOK COUNTY, ILLINOIS

By: _____

Its: Mayor

Address: 2100 Ridge Avenue
Evanston, Illinois 60201

Date: August 1, 2011

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

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

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

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

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

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

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

EXHIBIT II

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

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

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

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

EXHIBIT III

CUSIP NUMBERS

BASE NUMBER IS 299227

YEAR	SUFFIX
2012	2Z0
2013	3A4
2014	3B2
2015	3C0
2016	3D8
2017	3E6
2018	3F3
2019	3G1
2020	3H9
2021	3J5
2022	3K2
2023	3L0
2024	3M8
2025	3N6
2026	3P1
2027	3Q9
2028	3R7
2029	3S5
2030	3T3
2031	3U0

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