

VILLAGE OF FOREST PARK, ILLINOIS

ANNUAL FINANCIAL REPORT

Year Ended April 30, 2008

VILLAGE OF FOREST PARK, ILLINOIS
ANNUAL FINANCIAL REPORT
April 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
Board of Commissioners
Village of Forest Park, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Forest Park, Illinois (the Village) as of and for the year ended April 30, 2008, which collectively along with the discretely presented component unit, comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Firefighters' Pension Fund (a fiduciary fund), which represents 36% and 6%, respectively, of the assets and revenues of the governmental activities, or the discretely presented component unit (Village of Forest Park Public Library). The Firefighters' Pension Fund and the component unit financial statements as of and for the year ended April 30, 2008 were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Firefighters' Pension Fund and the discretely presented component unit, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village, as of April 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, schedule of funding progress for pensions, and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining and individual fund financial statements and schedules and supplemental data section for the year ended April 30, 2008, listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplemental data section has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Oak Brook, Illinois
October 21, 2008

VILLAGE OF FOREST PARK, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2008

As management of the Village of Forest Park ("Village"), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended April 30, 2008. The Management's Discussion and Analysis ("MD&A") is designed to focus on the current year's activities, resulting changes in net assets and currently known facts. It should be read in conjunction with the auditor's opinion on page 1 and the Village's financial statements beginning on page 14.

Financial Highlights

Road and alley resurfacing projects continued in FY08, financed mostly by VIP revenue of \$943,000 from Non Home Rule taxes and \$79,000 in interest on the VIP account. Projects completed in FY08 were

- Public sidewalk replacements throughout the village totaling \$70,000;
- Engineering in connection with Harvard (\$61,100) and Jackson (\$65,300) reconstruction projects, which will be completed in FY2010 with the receipt of Federal grants; and
- Lathrop Avenue reconstruction from Madison to Brown Avenue for \$105,500.

Debt service paid from the VIP Fund on the \$9,600,000, Series 2005 bond totaled \$704,100.

In the current fiscal year, the Village began a three-year plan to gradually increase user fees for refuse disposal to cover the actual costs of garbage pickup, yard waste and recycling services. In fiscal year 2007, 52% of the costs of these services were subsidized through property tax levies. The goal is to eliminate the tax subsidy entirely by FY10 by charging the users for the services provided.

Parking permit fees increased in the beginning of fiscal year by 30% - 40%, with a reduced rate quarterly permit option. Parking meter fees and charges for the Pay 'n Go lots in the downtown area also increased resulting in both more efficient collections and additional revenues.

The City of Chicago increased our costs for water by 15% as of January 1, 2008 and additional 15% and 14% increases the next two years. Consequently, the Village increased water rates an average of 11% to cover the additional cost of water and adopted increases for the next two fiscal years. Other water department cost increases are being held to 5% overall.

Revenues in the General Fund (excluding grants) for the second year in a row are lower than projected, 10.9% this year compared to 4.3% lower last year. The areas with the most shortage are property taxes (95.1% received), sales taxes (82.1%), utility taxes (88.5%), licenses and permits (88.5%), traffic fines (71.3% received) and interest revenue (38.6% received). Income tax revenue was 4.6% higher than expected. Total revenues, excluding grants, were \$1,723,000 less than expected.

Expenditure of 2006 Illinois Department of Commerce and Economic Opportunity grant of \$225,000 for communications center improvements was completed. The grant funds purchased new software systems and equipment for more efficient dispatching of patrol units and logging E911 calls. In conjunction with the technology improvements, the communication center was enlarged to allow for better working conditions for the dispatchers.

Overall, General Fund only expenditures, excluding grants, were \$224,800 less than budgeted resulting in a fiscal year loss of \$(1,187,600) in the General Fund alone.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund

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VILLAGE OF FOREST PARK, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2008

financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements, Statements 1 and 2, are designed to provide readers with a broad overview of Village finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. The Village's net assets increased by \$1.8 million in FY05 and \$1.9 million in FY06 and decreased \$1.5 million in FY07.

The statement of activities presents information showing how the Village's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Governmental Activities reflect the Village's basic services, which include administration, public safety, streets and alleys and community outreach. Property taxes, shared state taxes and local utility taxes finance the majority of these services. The Business-Type Activities (also called Proprietary Funds) reflect private sector-type operations, where the fees for services typically cover all or most of the costs of operations, including depreciation. The component unit, which is shown only in the Government-wide financials, is the Forest Park Public Library. Though a separate legal entity, the Library is included because by statute the Village is financially accountable for it.

Fund Financial Statements

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

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

The Village maintains 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for four major governmental funds, the general fund, VIP Program Fund, Brown Street Station TIF and the 2002 Bond Fund and ten other special revenue funds and three debt service funds, which are considered to be non-major funds. Individual fund information for these non-major governmental funds is provided in Exhibits 4 and 5.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The Village maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses proprietary funds to account for its water and sewer operations and parking lot operations. Proprietary funds provide the same type of information as the government-wide financial statements. The proprietary fund financial statements provide separate information for the water fund and the parking fund, both of which are considered to be major funds of the Village.

Fiduciary funds are used to account for resources held for the benefit of others; in this case, Fire and Police retirees. Fiduciary fund activities are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is similar to that used by proprietary funds.

Notes to the Financial Statements

The notes are an integral part of the basic financial statements. They provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report also includes certain required supplementary information related to budgetary information and the Village's progress in funding its obligation to provide pension benefits to its employees. Detailed non-major fund information can be found immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following chart reflects the condensed Statement of Net Assets (in thousands):

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Assets:						
Current assets	\$12,872.2	\$13,080.4	\$ 4,484.3	\$ 4,228.9	\$17,356.5	\$17,309.3
Deferred charges	217.0	230.1	-	-	217.0	230.1
Capital assets	<u>24,739.2</u>	<u>25,509.5</u>	<u>9,102.2</u>	<u>9,115.6</u>	<u>33,841.4</u>	<u>34,625.2</u>
Total assets	37,828.4	38,820.0	13,586.5	13,344.5	51,414.9	52,164.6
Liabilities:						
Current liabilities	5,390.7	5,641.4	467.0	445.3	5,857.7	6,086.7
Long-term liabilities	<u>16,091.7</u>	<u>17,493.8</u>	<u>5,145.3</u>	<u>5,442.2</u>	<u>21,237.0</u>	<u>22,936.0</u>
Total liabilities	21,482.4	23,135.2	5,612.3	5,887.5	27,094.7	29,022.7
Net Assets:						
Invested in capital assets, net	7,244.7	6,662.2	3,660.3	3,386.7	10,905.0	10,048.9
Restricted	4,689.5	4,351.1	-	-	4,689.5	4,351.1
Unrestricted	<u>4,411.8</u>	<u>4,671.5</u>	<u>4,313.9</u>	<u>4,070.3</u>	<u>8,725.7</u>	<u>8,741.9</u>
Total Net Assets	<u>\$16,346.0</u>	<u>\$15,684.8</u>	<u>\$ 7,974.2</u>	<u>\$ 7,457.0</u>	<u>\$24,320.2</u>	<u>\$23,141.9</u>

Current assets of \$17.2 million are 2.2 times current liabilities of \$7.7 million, compared to 2.8 time last year and 3.6 times the prior year. This ratio shows that our ability to pay our current bills in a timely fashion has

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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deteriorated over last two years. This is due to revenue shortfalls in the General Fund resulting in a net loss for year of over \$1 million. The net assets (assets less liabilities) are represented by capital assets such as buildings and other structures, parking lots, and infrastructure net of any outstanding debt; funds that are restricted for debt service and construction projects; and unrestricted net assets, which can be used to finance day-to-day operations without constraints established by legal requirements. Unrestricted net assets decreased slightly in FY08 from FY07.

The following chart reflects the condensed Statement of Activities (in thousands) compared to last year:

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program Revenues:						
Charges for services	\$3,550.6	\$ 3,358.0	\$4,114.2	\$3,704.1	\$ 7,664.8	\$ 7,062.1
Oper. grants/contr.	867.6	739.9	-	-	867.6	739.9
Capital grants/contr.	616.3	539.6	-	-	616.3	539.6
General Revenues:						
Property taxes	6,546.8	5,813.7	-	-	6,546.8	5,813.7
Other taxes	8,144.4	7,948.4	-	-	8,144.4	7,948.4
Other revenues	<u>367.7</u>	<u>584.9</u>	<u>6.7</u>	<u>19.2</u>	<u>374.4</u>	<u>604.1</u>
Total Revenues	20,093.4	18,984.5	4,120.9	3,723.3	24,214.3	22,707.8
Expenses						
General government	6,457.9	8,991.0	-	-	6,457.9	8,991.0
Police protection	4,156.4	3,968.0	-	-	4,156.4	3,968.0
Fire protection	2,563.6	2,233.7	-	-	2,563.6	2,233.7
Health and safety	449.7	488.4	-	-	449.7	488.4
Community outreach	657.3	607.8	-	-	657.3	607.8
Public works	5,352.1	4,460.0	-	-	5,352.1	4,460.0
Water and sewer	-	-	2,392.9	2,249.5	2,392.9	2,249.5
Parking operations	-	-	410.8	419.0	410.8	419.0
Transfers Out / (In)	(800.0)	(600.0)	800.0	600.0	-	-
Interest on debt	<u>595.4</u>	<u>634.5</u>	<u>-</u>	<u>179.6</u>	<u>595.4</u>	<u>814.1</u>
Total Expenses	<u>19,432.4</u>	<u>20,783.4</u>	<u>3,603.7</u>	<u>3,448.1</u>	<u>23,036.1</u>	<u>24,231.5</u>
Change in Net Assets	<u>\$ 661.0</u>	<u>\$(1,798.9)</u>	<u>\$ 517.2</u>	<u>\$ 275.2</u>	<u>\$ 1,178.2</u>	<u>\$(1,523.7)</u>

The principle sources of revenue for the Governmental Activities are fees for services, property taxes and state taxes. In FY08, 17.7 percent of revenue of \$20.1 million comes from charges for services, the same percentage as the last two years. Property tax revenue increased 12.6 percent from last year after decreasing the prior year and other taxes (mostly the municipal share of State taxes) increased 2.5 percent after decreasing 0.3 percent the previous year. Expenditures decreased by 6.5 percent due to lower expenditures on streets and alleys repairs and improvements.

Virtually all revenue in the Business-type Activities comes from fees for services. There was an 11.1 percent increase in collections in fiscal year 2008 from 2007; due predominantly to increased charges for water to cover higher water costs. Operating expenses in the business-type activities increased 4.5 percent over fiscal year 2007 with the completion of the computerization of the water pump operations.

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Together, police and fire protection represent 29.2 percent of the total cost of operating the Village (including infrastructure improvements). Public works and the water department together account for 33.6 percent, and other governmental expenses are 37.2 percent of total operating expenses, compared to 27.7 percent and 46.7 percent, respectively, last year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

Basic services of the Village are reported in the General Fund, which is the primary major fund in the governmental group. Governmental funds focus on how money flows into and out of the funds and the balances left at year-end are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs.

The changes in the various governmental funds balances are shown (in thousands) on the next page.

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