

VILLAGE OF FOREST PARK, ILLINOIS

ANNUAL FINANCIAL REPORT

Year Ended April 30, 2008

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

CONTENTS

Independent Auditors' Report.....	1
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis.....	3
BASIC FINANCIAL STATEMENTS:	
Village-Wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	16
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of Statements of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities	19
Statement of Net Assets - Proprietary Funds.....	20
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds.....	22
Statement of Fiduciary Net Assets - Pension Trust Funds	23
Statement of Changes in Fiduciary Net Assets - Pension Trust Funds	24
Notes to the Financial Statements	25
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Funding Progress - Illinois Municipal Retirement Fund.....	63
Schedule of Funding Progress - Pension Funds	64
Schedule of Employer Contributions - Pension Funds.....	65
Budgetary Comparison Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget (GAAP Basis) and Actual - General, VIP Program, And Brown Street Station TIF Funds	66
Notes to Budgetary Comparison Information.....	67

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

CONTENTS

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Major Governmental Fund

General Fund:

Schedule of Revenues - Budget (GAAP Basis) and Actual..... 68

Schedule of Expenditures - Budget (GAAP Basis) and Actual 71

2002 Bond Fund:

Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget (GAAP Basis) and Actual..... 72

Nonmajor Governmental Funds

Combining Balance Sheet..... 73

Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances 76

Special Revenue Funds:

Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget (GAAP Basis) and Actual:

Emergency 911 Fund..... 79

Illinois Municipal Retirement Fund 80

Social Security Fund 81

Motor Fuel Tax Fund 82

Library Bond Fund 83

Nonmajor Proprietary Funds:

Combining Statement of Revenues, Expenses, and
Changes in Net Assets 84

Combining Statement of Cash Flows 85

Fiduciary Fund Types:

Pension Trust Funds:

Combining Statement of Fiduciary Net Assets 86

Combining Statement of Changes in Fiduciary Net Assets 87

Schedule of Expenditures for Tort Immunity Purposes 88

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

CONTENTS

SUPPLEMENTAL DATA (Unaudited)

Schedule of Assessed Valuations, Tax Rates, and Comparative Tax Statistics.....	89
Long-Term Debt Requirements:	
General Obligation Tax Increment Financing Refunding Bond Series 2002.....	90
General Obligation Bond Refunding Series 2003 (Library).....	91
General Obligation Debt Certificates Outstanding	92
Independent Accountants' Report on TIF Compliance.....	95



Crowe Horwath LLP
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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.



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

(Continued)

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.

(Continued)

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

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):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
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

(Continued)

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

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

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.

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

Changes in Governmental Fund Balances

	Major Funds			Non-Major Funds				Total Governmental Funds	As of 4/30/07 Total Governmental Funds
	General Fund	VIP Fund	Brown Street Station TIF	2002 Bond Fund	Special Revenue Funds	Other TIF Funds	Debt Service Funds		
Revenues	\$14,729.1	\$ 1,103.4	\$ 538.5	\$ 68.7	\$1,482.7	\$ 916.7	\$1,288.6	\$ 20,127.7	\$ 19,033.8
Expenditures	<u>17,441.1</u>	<u>1,064.4</u>	<u>0.9</u>	<u>534.0</u>	<u>829.8</u>	<u>683.5</u>	<u>311.3</u>	<u>20,865.0</u>	<u>23,516.0</u>
Excess (deficiency) of revenues over expenditures	(2,712.0)	39.0	537.6	(465.3)	652.9	233.2	977.3	(737.3)	(4,482.2)
Transfer in (out)	<u>1,524.4</u>	-	-	<u>508.2</u>	<u>(489.4)</u>	-	<u>(743.2)</u>	<u>800.0</u>	<u>600.0</u>
Net change in Fund Balances	(1,187.6)	39.0	537.6	42.9	163.5	233.2	234.1	62.7	(3,882.2)
FB at beginning of year	<u>1,917.2</u>	<u>2,044.6</u>	<u>1,775.1</u>	<u>1,856.6</u>	<u>625.5</u>	<u>(80.1)</u>	<u>589.3</u>	<u>8,728.2</u>	<u>12,610.4</u>
FB at end of year	<u>\$ 729.6</u>	<u>\$ 2,083.6</u>	<u>\$ 2,312.7</u>	<u>\$ 1,899.5</u>	<u>\$ 789.0</u>	<u>\$ 153.1</u>	<u>\$ 823.4</u>	<u>\$ 8,790.9</u>	<u>\$ 8,728.2</u>

(Continued)

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

Proprietary Funds

Proprietary funds are business-type activities where customers pay for the services provided. The major proprietary funds are the Water Fund and the Parking Fund. The non-major proprietary funds were all inactive parking funds and were combined with the major parking fund in FY08 so that there are no longer any non-major proprietary funds.

The changes in the net assets of the various proprietary funds are shown below (in thousands):

	2008				2007
	Water Fund	Parking Fund	Other Parking Funds	Total Proprietary Funds	Total Proprietary Funds
Total revenues	\$3,356.4	\$ 764.5	\$ -	\$ 4,120.9	\$ 3,723.4
Total expenses	<u>2,392.9</u>	<u>410.8</u>	<u>-</u>	<u>2,803.7</u>	<u>2,848.1</u>
Net change in net assets	963.5	353.7	-	1,317.2	875.3
Transfers in (out)	<u>(800.0)</u>	<u>1,323.3</u>	<u>(1,323.3)</u>	<u>(800.0)</u>	<u>(600.0)</u>
Net change in Fund Balances	163.5	1,677.0	(1,323.3)	517.2	275.3
Net Assets at beginning of year	3,522.9	2,610.8	1,323.3	7,457.0	7,181.7
Restatement of prior years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets at end of year	<u>\$ 3,686.4</u>	<u>\$ 4,287.8</u>	<u>\$ -</u>	<u>\$ 7,974.2</u>	<u>\$ 7,457.0</u>

Transfers from the Water Fund to the General Fund each year of \$800,000 cover the approximate cost to the Village of unallocated expenses, such as health and liability insurance, pension, Social Security taxes and other employment costs and intangible property rights.

Revenues in the Water and Parking Funds combined increased 10.7 percent. Both charges for water and meter parking were increased during FY08. The total fund balances in the other parking funds were transferred into the major parking fund. Net assets of the proprietary funds increased 6.9 percent over FY07.

(Continued)

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The following chart reflects the condensed Budgetary Comparison Schedule (in thousands):

	2008			2007		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Revenues:						
Taxes	\$11,233.3	\$10,313.3	\$ (920.0)	\$10,466.8	\$ 9,930.7	\$ (536.1)
Licenses and permits	873.2	780.4	(92.8)	924.1	805.3	(118.8)
Fees for services	2,146.8	2,059.3	(87.5)	1,523.2	1,755.9	232.7
Grant revenue	4,073.4	384.3	(3,689.1)	413.0	275.1	(137.9)
Fines	1,293.5	922.8	(370.7)	1,290.0	1,142.3	(147.7)
Other	<u>561.0</u>	<u>269.0</u>	<u>(292.0)</u>	<u>236.4</u>	<u>305.8</u>	<u>69.4</u>
Total Revenues	20,181.2	14,729.1	(5,452.1)	14,853.5	14,215.1	(638.4)
Expenditures:						
General Public Affairs	1,206.4	1,212.8	(6.4)	1,188.0	1,128.5	59.5
Police Department	3,877.2	3,867.2	10.0	3,833.6	3,681.7	151.9
Fire Department	2,725.1	2,637.3	87.8	2,374.7	2,296.5	78.2
Community services	660.3	657.3	3.0	614.7	607.8	6.9
Accounts and finance	4,766.3	4,661.8	104.5	4,238.0	4,396.0	(158.0)
Grants	4,053.4	427.0	3,626.4	419.0	271.7	147.3
Public property	1,950.2	1,965.5	(15.3)	1,830.4	1,621.5	208.9
Streets and public						
improvements	1,574.4	1,570.3	4.1	1,446.4	1,442.7	3.7
Health and safety	<u>479.3</u>	<u>442.0</u>	<u>37.3</u>	<u>486.6</u>	<u>473.1</u>	<u>13.5</u>
Total Expenditures	21,292.6	17,441.2	3,851.4	16,431.4	15,919.5	511.9
Excess (deficiency) of revenues over expenditures	<u>\$(1,111.4)</u>	<u>\$(2,712.1)</u>		<u>\$(1,577.9)</u>	<u>\$(1,704.4)</u>	

Overall, revenues were 3.6 percent higher than last year and 27.0 percent lower than budgeted. Most of the variation is in deferral of expected grant revenue for major construction projects. These projects have been deferred to FY10. Excluding grants, general fund revenues were \$1,762.9 (8.2%) lower than expected. Tax revenue increased in fiscal year 2008 over 2007 by \$382.6 thousand or 3.9 percent higher than last year.

Expenditures overall were 9.6 percent higher than last year and included expenditures for some capital purchases. All departments worked hard to spend less than the total appropriated for them.

(Continued)

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

CAPITAL ASSET AND DEBT ADMINISTRATION

**Governmental Activities
Change in Capital Assets
(in thousands)**

	Balance as of April 30, <u>2007</u>	Net Additions/ <u>(Deletions)</u>	Balance as of April 30, <u>2008</u>
Non-Depreciable Assets			
Land	\$4,516.2	\$ -	\$ 4,516.2
Other Capital Assets			
Infrastructure	32,856.1	122.9	32,979.0
Buildings and improvements	2,373.9	348.1	2,722.0
Vehicles/furniture/fixtures	3,836.5	97.6	3,934.1
Accum. Depreciation	<u>(18,073.1)</u>	<u>(1,338.9)</u>	<u>(19,412.0)</u>
Net Capital Assets	<u>\$ 25,509.6</u>	<u>\$ (770.3)</u>	<u>\$ 24,739.3</u>

The net increase in depreciable infrastructure assets results from the streets and alleys reconstruction under the CDBG grant program.

**Business-Type Activities
Change in Capital Assets
(in thousands)**

	Balance as of April 30, <u>2007</u>	Net Additions/ <u>(Deletions)</u>	Balance as of April 30, <u>2008</u>
Non-Depreciable Assets			
Land	\$ 698.3	\$ -	\$ 698.3
Other Capital Assets			
Infrastructure	8,929.5	-	8,929.5
Buildings and improvements	2,034.9	-	2,034.9
Vehicles, Equipment	98.7	202.8	301.5
Accum. Depreciation	<u>(2,645.7)</u>	<u>(216.2)</u>	<u>(2,861.9)</u>
Net Capital Assets	<u>\$ 9,115.7</u>	<u>\$ (13.4)</u>	<u>\$ 9,102.3</u>

Four additional automated pay stations for public lots in the Madison Street business district were purchased and a new, computerized SCADA water system was installed in the Jackson pumping station. There were no vehicle purchases in the proprietary funds in FY08. (Please refer to Note 4 of the Financial Statements.)

(Continued)

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

Debt Administration

At April 30, 2008, the Village had outstanding debt as follow:

		<u>Principal & Interest Due Within One Year</u>
Governmental Activities		
General Obligation TIF Refunding Bonds, 2002	\$ 3,830,000	\$ 531,483
General Obligation Refunding Bonds, 2003	305,000	313,693
General Obligation TIF Refunding Bonds, 2003A	820,000	182,720
General Obligation Alternative Revenue Bond, 2005	8,935,000	710,463
Premium on Bonds	<u>124,892</u>	<u>2,644</u>
Total Bonds	14,014,892	1,741,003
General Obligation Debt Certificate	3,025,826	303,246
Installment Contracts	2,336	2,336
Loans Payable	<u>451,421</u>	<u>148,833</u>
Total Governmental Long-term Debt	<u>\$ 17,494,475</u>	<u>\$ 2,195,418</u>
Business-type Activities		
General Obligation Debt Certificates	\$ 788,679	\$ 78,676
Loan Payable (IEPA)	<u>4,653,225</u>	<u>379,415</u>
Total Business-type Long-term Debt	<u>\$ 5,441,904</u>	<u>\$ 458,091</u>

The governmental general obligation bond payments of \$1,741,003 are due from the Debt Service funds, financed through property tax deposits and the VIP Fund, through ½ percent sales tax. Interest rates on the bonds range from 1.40 to 7.50 percent. The General Obligation Debt Certificate ranges in interest rates from 4.15 to 7.50 percent. The General Fund, Water Fund and Parking Fund share the principle and interest payments for the general obligation debt certificate.

Under Illinois law, the Village's outstanding debt is limited to 8.625 percent of the assessed valuations in our jurisdiction. The Village's debt limit under this law is \$32.98 million compared to legal debt outstanding at April 30, 2008, of \$13.89 million (excludes premium on bonds).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Revenues are expected to increase in FY09 by 7.7%. This includes modest increases in property taxes of 3.2% and 2.9% in sales and income taxes. Because of expected increased charges for electric and gas utilities, we are projecting utility/franchise tax revenue to increase approximately 8.8%. Increased charges for refuse/yard waste/recycling are being phased in over three years to gradually eliminate the subsidy of those services by property taxes. We are also projecting a 48% increase in ticket revenues for two reasons: first, collections in FY08 were down 22% from FY07 and we expect that to rebound, and second from instituting red light camera enforcement at two intersections on Roosevelt Road beginning in October, 2008. In the water fund, Forest Park fees for water have been increased an average of 11% to make up for the 15% increase in City of Chicago water rates that were effective 1/1/07. In the parking fund, fees were increased for both metered parking and permit parking in FY08. Because of increased collections from the Pay 'n Go systems in the downtown lots, overall, revenue in the parking fund is expected to increase 5.3% in FY09.

(Continued)

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

After a net loss this fiscal year in the three major funds of \$(670,400), the Village is increasing projected expenditures by a modest 3.9% over actual FY08 expenditures. The FY09 budget is overall 1.5% higher than the FY08 budget, which was not spent in its entirety. Employment costs which are 57.6% of the total budget are increasing approximately 5.8% in FY09. Salaries are projected to increase 4.3% due mainly to union contractual obligations and the costs of employee benefits such as pensions, health/dental/life insurance, unemployment compensation; workers' compensation insurance premiums alone are expected to increase approximately 10.0%. Included in employment costs is one additional patrol officer assigned to a new crime-free multi-unit housing program to assist property owners who rent.

Remaining costs have been reduced without reducing village services, mostly by postponing capital purchases. We are also projecting that unusual snow removal costs in the winter of 2007-08 will not be necessary next winter, though the cost of salt has risen 300%. The largest percentage increases for non-employment costs are projected for liability insurance (20.7%), electricity (32.0%), and refuse/yard waste/recycling (6.0%) in the general fund; and purchased water (15.6%), electricity (7.0%) and natural gas (9.3%) in the water fund.

Expected revenue from the sale of Altenheim property to the YMCA and associated permit fees from that and the Roos development will keep permit revenues on par with prior years. The debt remaining on the purchase of the property is \$3.8 million. Proceeds from the sale will be used to satisfy the debt and annual savings from debt service payments in the future will free up approximately \$380,000 per year.

Infrastructure improvements planned from the Village Improvement Projects (VIP) sales tax revenue include matching funds for Harvard and Jackson streets improvements primarily funded with federal grants in FY10 and pothole repairs from last winter. Sales taxes in general are expected to be slightly lower than in FY08. After debt service payments of \$710,500, that would leave approximately \$300,000 for these other uses.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Village's finances. Questions concerning this report or requests for additional financial information should be directed to the Village Clerk, Village of Forest Park, 517 Desplaines Avenue, Forest Park, Illinois, 60130.

VILLAGE OF FOREST PARK, ILLINOIS
Statement of Net Assets
April 30, 2008

STATEMENT 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total Primary Government	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 8,347,321	\$ 2,852,863	\$ 11,200,184	\$ 1,181,564
Investments	-	-	-	-
Receivables:				
Property tax receivable	2,668,759	-	2,668,759	836,789
Due from other governments	1,704,195	-	1,704,195	-
Interest receivable	7,325	-	7,325	-
Accounts receivable	773,498	434,175	1,207,673	-
Prepaid Items	559,118	-	559,118	6,716
Internal balances	(1,197,302)	1,197,302	-	-
Net pension asset	9,267	-	9,267	-
Total current assets	<u>12,872,181</u>	<u>4,484,340</u>	<u>17,356,521</u>	<u>2,025,069</u>
Noncurrent assets:				
Deferred charges	216,989	-	216,989	-
Capital assets not being depreciated	4,516,150	698,257	5,214,407	134
Capital assets being depreciated, net	20,223,065	8,403,940	28,627,005	995,347
Total noncurrent assets	<u>24,956,204</u>	<u>9,102,197</u>	<u>34,058,401</u>	<u>995,481</u>
Total assets	<u>\$ 37,828,385</u>	<u>\$ 13,586,537</u>	<u>\$ 51,414,922</u>	<u>\$ 3,020,550</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities:				
Accounts payable	\$ 617,517	\$ 133,785	\$ 751,302	\$ 7,243
Accrued payroll	34,353	-	34,353	16,452
Other liabilities	21,892	9,065	30,957	-
Deferred revenue	2,971,679	-	2,971,679	829,258
Interest payable	342,467	27,551	370,018	-
Long-term obligations, due within one year:				
Bonds payable	1,155,000	-	1,155,000	-
Installment contracts payable	2,336	-	2,336	-
Debt certificates payable	154,813	40,187	195,000	-
Loans payable	90,622	256,391	347,013	-
Total current liabilities	<u>5,390,679</u>	<u>466,979</u>	<u>5,857,658</u>	<u>852,953</u>
Noncurrent liabilities:				
Long-term obligations, due in more than one year:				
Bonds payable	12,859,892	-	12,859,892	-
Installment contracts payable	-	-	-	-
Debt certificates payable	2,871,013	748,492	3,619,505	-
Loans payable	360,799	4,396,834	4,757,633	-
Total noncurrent liabilities	<u>16,091,704</u>	<u>5,145,326</u>	<u>21,237,030</u>	<u>-</u>
Total liabilities	<u>21,482,383</u>	<u>5,612,305</u>	<u>27,094,688</u>	<u>852,953</u>
Net assets				
Invested in capital assets, net of related debt	7,244,740	3,660,293	10,905,033	995,481
Restricted for:				
Debt service	2,380,506	-	2,380,506	-
Capital projects	2,309,016	-	2,309,016	-
Other purposes	-	-	-	143,596
Unrestricted	4,411,740	4,313,939	8,725,679	1,028,520
Total net assets	<u>16,346,002</u>	<u>7,974,232</u>	<u>24,320,234</u>	<u>2,167,597</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 37,828,385</u>	<u>\$ 13,586,537</u>	<u>\$ 51,414,922</u>	<u>\$ 3,020,550</u>

See accompanying notes to the financial statements.

VILLAGE OF FOREST PARK, ILLINOIS
Statement of Activities
Year ended April 30, 2008

STATEMENT 2

Functions/Programs Primary government	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Component Unit
	Fees, Fines & Charges for Services	Operating grants and contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 6,457,885	\$ 2,124,021	\$ -	\$ (4,333,864)		\$ (4,333,864)
Police protection	4,156,375	320,704	23,187	(3,812,484)		(3,812,484)
Fire protection	2,563,555	15,572	616,250	(1,668,084)		(1,668,084)
Health and safety	449,682	-	-	(449,682)		(449,682)
Community outreach	657,261	465,755	-	(116,506)		(116,506)
Public works	5,352,075	624,564	-	(4,221,773)		(4,221,773)
Interest on debt	595,430	-	-	(595,430)		(595,430)
Total governmental activities	20,232,263	3,550,616	616,250	(15,197,823)		(15,197,823)
Business-type activities:						
Water operations	2,340,181	3,349,734	-	-	\$ 1,009,553	1,009,553
Sewer operations	52,714	-	-	-	(52,714)	(52,714)
Parking lot operations	410,783	764,452	-	-	353,669	353,669
Business-type activities:	2,803,678	4,114,186	-	-	1,310,508	1,310,508
Total primary government	\$ 23,035,941	\$ 7,664,802	\$ 616,250	(15,197,823)	1,310,508	(13,887,315)
Component unit						
Public library	\$ 979,393	\$ 30,847	\$ -			\$ (916,896)
General revenues:						
Taxes:						
Property taxes				6,546,809	-	6,546,809
Replacement tax				205,019	-	205,019
Income tax				1,474,835	-	1,474,835
Sales tax				4,427,555	-	4,427,555
Other taxes				2,037,035	-	2,037,035
Investment earnings				323,432	6,683	330,115
Other general revenues				44,306	-	44,306
Transfers				800,000	(800,000)	-
Total general revenues and transfers				15,858,991	(793,317)	15,065,674
Change in net assets				661,168	517,191	1,178,359
Net assets, beginning of year				15,684,834	7,457,041	23,141,875
Net assets, end of year				\$ 16,346,002	\$ 7,974,232	\$ 24,320,234

See accompanying notes to the financial statements.

VILLAGE OF FOREST PARK, ILLINOIS

GOVERNMENTAL FUNDS
BALANCE SHEET
April 30, 2008

	Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	VIP Program Fund	Brown Street Station TIF Fund	2002 Bond Fund		
ASSETS						
Cash and cash equivalents	\$ -	\$ 2,019,797	\$ 2,314,981	\$ 1,830,661	\$ 2,181,882	\$ 8,347,321
Receivables:						
Property tax receivable	2,167,807	-	-	-	500,952	2,668,759
Due from other governments	1,386,194	241,997	-	-	76,004	1,704,195
Accounts receivable	773,498	-	-	-	-	773,498
Interest receivable	1,912	-	-	3,481	1,932	7,325
Interfund receivable	706,244	-	-	65,363	382,304	1,153,911
Prepaid items	559,118	-	-	-	-	559,118
Total assets	\$ 5,594,773	\$ 2,261,794	\$ 2,314,981	\$ 1,899,505	\$ 3,143,074	\$ 15,214,127
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	\$ 387,548	\$ 25,237	\$ -	\$ -	\$ 204,732	\$ 617,517
Accrued payroll	34,353	-	-	-	-	34,353
Other liabilities	21,892	-	-	-	-	21,892
Deferred revenue	2,812,246	84,839	-	-	500,952	3,398,037
Interfund payable	1,609,079	68,102	2,222	-	671,810	2,351,213
Total liabilities	4,865,118	178,178	2,222	-	1,377,494	6,423,012
Fund balance						
Reserved for:						
Prepaid items	559,118	-	-	-	-	559,118
Separate tax levies	945,660	-	-	-	-	945,660
Debt service	-	-	-	1,899,505	823,468	2,722,973
Capital projects	-	2,083,616	-	-	-	2,083,616
Unreserved, reported in:						
General fund	(775,123)	-	-	-	-	(775,123)
Special revenue funds	-	-	2,312,759	-	942,112	3,254,871
Total fund balance	729,655	2,083,616	2,312,759	1,899,505	1,765,580	8,791,115
TOTAL LIABILITIES AND FUND BALANCE	\$ 5,594,773	\$ 2,261,794	\$ 2,314,981	\$ 1,899,505	\$ 3,143,074	\$ 15,214,127

VILLAGE OF FOREST PARK, ILLINOIS

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS
April 30, 2008

Total fund balances - governmental funds \$ 8,791,115

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:

Capital assets	44,151,189	
Accumulated depreciation	(19,411,974)	
Net capital assets		24,739,215

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:

Sales taxes receivable	264,991	
Other taxes receivable	161,367	
Total long-term assets		426,358

Net Pension Asset is reported in the statement of net assets but is not a current financial resource and therefore is not reported in governmental funds. 9,267

Costs related to the issuance of long-term debt are recorded as expenditures when incurred in governmental funds, but are capitalized and amortized over the life of the debt issue in the statement of net assets. 216,989

Interest on long-term debt is not accrued in governmental funds, but rather is recognized when due. (342,467)

Some liabilities reported in the statement of activities do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of :

Bonds payable	(14,014,892)	
Installment contracts payable	(2,336)	
Debt certificates payable	(3,025,826)	
Loans payable	(451,421)	
Total long-term liabilities		(17,494,475)

Net assets of governmental activities \$ 16,346,002

VILLAGE OF FOREST PARK, ILLINOIS

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended April 30, 2008

	Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	VIP Program Fund	Brown Street Station TIF Fund	2002 Bond Fund		
Revenues						
Property tax revenue	\$ 3,770,786	\$ -	\$ 476,386	\$ -	\$ 2,299,637	\$ 6,546,809
Personal property replace tax	182,254	-	-	-	22,765	205,019
Sales tax	2,855,904	1,024,456	-	-	332,054	4,212,414
Intergovernmental revenues	436,843	-	-	-	642,534	1,079,377
Auto rental tax	17,530	-	-	-	-	17,530
Income tax	1,474,835	-	-	-	-	1,474,835
Utility taxes	1,575,153	-	-	-	-	1,575,153
Licenses and permits	780,386	-	-	-	-	780,386
Fees for services	2,059,343	-	-	-	-	2,059,343
Grant revenue	384,336	-	-	-	-	384,336
Fines	922,768	-	-	-	342,697	1,265,465
Interest on investments	70,982	78,936	62,149	68,677	42,688	323,432
Other revenue	198,016	-	-	-	5,678	203,694
Total revenues	14,729,136	1,103,392	538,535	68,677	3,688,053	20,127,793
Expenditures						
Current:						
Office of the mayor	5,737,287	-	-	-	258,707	5,995,994
Office of accounts and finance	7,726,037	-	-	3,877	571,067	8,300,981
Office of public property	1,965,521	-	-	-	-	1,965,521
Office of streets and public improvement	1,570,309	360,320	877	-	501,633	2,433,139
Office of health and safety	441,962	-	-	-	-	441,962
Debt service:						
Principal retired	-	320,000	-	340,000	445,000	1,105,000
Interest and charges	-	384,063	-	190,082	48,115	622,260
Total expenditures	17,441,116	1,064,383	877	533,959	1,824,522	20,864,857
Excess (deficiency) of revenues over expenditures	(2,711,980)	39,009	537,658	(465,282)	1,863,531	(737,064)
Other financing sources (uses)						
Transfers in	1,524,387	-	-	508,206	11,561	2,044,154
Transfers out	-	-	-	-	(1,244,154)	(1,244,154)
Total other financing sources (uses)	1,524,387	-	-	508,206	(1,232,593)	800,000
Net change in fund balances	(1,187,593)	39,009	537,658	42,924	630,938	62,936
Fund balances at beginning of year	1,917,248	2,044,607	1,775,101	1,856,581	1,134,642	8,728,179
Fund balances at end of year	\$ 729,655	\$ 2,083,616	\$ 2,312,759	\$ 1,899,505	\$ 1,765,580	\$ 8,791,115

VILLAGE OF FOREST PARK, ILLINOIS
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
 Year Ended April 30, 2008

Net change in total fund balances		\$ 62,936
Amounts reported for governmental activities in the Statement of Activities are different because:		
Some revenues were not collected for several months after the close of the fiscal year and therefore were not considered to be "available" and are not reported as revenue in the governmental funds. The change from fiscal year 2007 to 2008 consists of:		
	Sales taxes received from the state of Illinois	(2,392)
	Other taxes received	(5,112)
	Total change in deferred revenues	(7,504)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported in the governmental funds.		
	Increase in net pension asset	9,267
	Decrease in accrued interest on debt	22,356
	Amortization of deferred bond issuance costs	(13,072)
	Amortization of bond premium	4,474
	Total expenses of non-current resources	23,025
The proceeds from disposal of assets in the governmental funds were reported as other financing sources. However, the original cost of assets disposed of had a net value greater than the disposal proceeds. The difference has been recorded in the statement of activities.		
		(3,173)
Governmental funds report purchases of capital assets as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.		
	Capital expenditures, net of disposals	622,121
	Depreciation, net of disposals	(1,384,588)
	Capital expenditures in excess of depreciation	(762,467)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets.		
	General obligation bonds	1,105,000
	Installment contracts payable	13,654
	Debt certificates payable	142,904
	Loans payable	86,793
	Total retirement of debt	1,348,351
Change in net assets of governmental activities		\$ <u>661,168</u>

VILLAGE OF FOREST PARK, ILLINOIS

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
April 30, 2008

	Major Funds		Other Proprietary Funds	Total Proprietary Funds
	Water Fund	Vehicle Parking Fund		
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 602,843	\$ 2,250,020	\$ -	\$ 2,852,863
Receivables:				
Accounts receivable	431,725	2,450	-	434,175
Interfund receivable	-	1,197,302	-	1,197,302
Total current assets	<u>1,034,568</u>	<u>2,252,470</u>	-	<u>3,287,038</u>
Noncurrent assets:				
Capital assets not being depreciated	-	698,257	-	698,257
Capital assets being depreciated, net	8,079,845	324,095	-	8,403,940
Total noncurrent assets	<u>8,079,845</u>	<u>1,022,352</u>	-	<u>9,102,197</u>
Total assets	<u>\$ 9,114,413</u>	<u>\$ 4,472,124</u>	<u>\$ -</u>	<u>\$ 13,586,537</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities:				
Accounts payable	\$ 133,785	\$ -	\$ -	\$ 133,785
Other liabilities	9,065	-	-	9,065
Debt certificates	31,040	9,147	-	40,187
Loans payable	256,391	-	-	256,391
Interest payable	27,551	-	-	27,551
Total current liabilities	<u>457,832</u>	<u>9,147</u>	-	<u>466,979</u>
Noncurrent liabilities:				
Debt certificates	573,274	175,218	-	748,492
Loans payable	4,396,834	-	-	4,396,834
Total noncurrent liabilities	<u>4,970,108</u>	<u>175,218</u>	-	<u>5,145,326</u>
Total liabilities	<u>5,427,940</u>	<u>184,365</u>	-	<u>5,612,305</u>
Net assets				
Invested in capital assets, net of related debt	2,822,306	837,987	-	3,660,293
Unrestricted	864,167	3,449,772	-	4,313,939
Total net assets	<u>3,686,473</u>	<u>4,287,759</u>	-	<u>7,974,232</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,114,413</u>	<u>\$ 4,472,124</u>	<u>\$ -</u>	<u>\$ 13,586,537</u>

See accompanying notes to the financial statements.

VILLAGE OF FOREST PARK, ILLINOIS

PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS
 Year Ended April 30, 2008

	Major Funds		Other Proprietary Funds	Total Proprietary Funds
	Water Fund	Vehicle Parking Fund		
Operating revenues				
Charges for services	\$ 3,349,734	\$ 752,062	\$ -	\$ 4,101,796
Total operating revenues	<u>3,349,734</u>	<u>752,062</u>	<u>-</u>	<u>4,101,796</u>
Operating expenses				
Operations	2,054,836	353,642	-	2,408,478
Depreciation	168,643	47,542	-	216,185
Total operating expenses	<u>2,223,479</u>	<u>401,184</u>	<u>-</u>	<u>2,624,663</u>
Operating income (loss)	<u>1,126,255</u>	<u>350,878</u>	<u>-</u>	<u>1,477,133</u>
Nonoperating revenues and (expenses)				
Interest revenue	6,683	12,390	-	19,073
Interest expense	(169,416)	(9,599)	-	(179,015)
Total nonoperating revenues and (expenses)	<u>(162,733)</u>	<u>2,791</u>	<u>-</u>	<u>(159,942)</u>
Income (loss) before transfers	<u>963,522</u>	<u>353,669</u>	<u>-</u>	<u>1,317,191</u>
Transfers				
Transfers in	-	1,323,312	-	1,323,312
Transfers out	(800,000)	-	(1,323,312)	(2,123,312)
Total transfers	<u>(800,000)</u>	<u>1,323,312</u>	<u>(1,323,312)</u>	<u>(800,000)</u>
Change in net assets	<u>163,522</u>	<u>1,676,981</u>	<u>(1,323,312)</u>	<u>517,191</u>
Net assets at beginning of year	<u>3,522,951</u>	<u>2,610,778</u>	<u>1,323,312</u>	<u>7,457,041</u>
Net assets at end of year	<u>\$ 3,686,473</u>	<u>\$ 4,287,759</u>	<u>\$ -</u>	<u>\$ 7,974,232</u>

See accompanying notes to the financial statements.

VILLAGE OF FOREST PARK, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2008

	Major Funds			Total Proprietary Funds
	Water Fund	Vehicle Parking Fund	Other Proprietary Funds	
Cash flows from operating activities:				
Cash received from customers	\$ 3,230,092	\$ 749,612	\$ 1,172	\$ 3,980,876
Cash payments for goods and services	(1,783,617)	(85,465)	-	(1,869,082)
Cash payments to employees for services	(243,080)	(271,896)	-	(514,976)
Net cash provided by operating activities:	<u>1,203,395</u>	<u>392,251</u>	<u>1,172</u>	<u>1,596,818</u>
Cash flows from noncapital financing activities:				
Transfers out	(800,000)	(459,178)	(1,323,312)	(2,582,490)
Transfers in	-	1,323,312	459,178	1,782,490
Interfund lending	-	(1,127,623)	-	(1,127,623)
Interfund borrowing	-	-	67,391	67,391
Net cash used for noncapital financing activities:	<u>(800,000)</u>	<u>(263,489)</u>	<u>(796,743)</u>	<u>(1,860,232)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(129,608)	(73,159)	-	(202,767)
Principal paid on debt	(278,320)	(8,699)	-	(287,019)
Interest paid on debt	(169,416)	(9,599)	-	(179,015)
Net cash used for capital and related financing activities:	<u>(577,344)</u>	<u>(91,457)</u>	<u>-</u>	<u>(668,801)</u>
Cash flows from investing activities:				
Interest received	6,683	12,390	-	19,073
Net cash provided by investing activities:	<u>6,683</u>	<u>12,390</u>	<u>-</u>	<u>19,073</u>
Net increase (decrease) in cash	(167,266)	49,695	(795,571)	(913,142)
Cash and cash equivalents, beginning of year	770,109	2,200,325	795,571	3,766,005
Cash and cash equivalents, end of year	<u>\$ 602,843</u>	<u>\$ 2,250,020</u>	<u>\$ -</u>	<u>\$ 2,852,863</u>
Reconciliation of operating income to				
Net cash provided by operating activities:				
Operating income (loss)	<u>\$ 1,126,255</u>	<u>\$ 350,878</u>	<u>\$ -</u>	<u>\$ 1,477,133</u>
Adjustments to reconcile operating income				
to net cash provided by operating activities:				
Depreciation	168,643	47,542	-	216,185
Decrease (increase) in accounts receivable	(119,642)	(2,450)	1,172	(120,920)
Decrease (increase) in prepaids	15,808	4,799	-	20,607
Increase (decrease) in accounts payable	12,331	(8,518)	-	3,813
Total adjustments	<u>77,140</u>	<u>41,373</u>	<u>1,172</u>	<u>119,685</u>
Net cash provided by operating activities:	<u>\$ 1,203,395</u>	<u>\$ 392,251</u>	<u>\$ 1,172</u>	<u>\$ 1,596,818</u>

See accompanying notes to the financial statements.

STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS

April 30, 2008

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 2,134,271
Investments	30,498,795
Receivables:	
Interest receivable	77,144
Prepaid items	<u>5,806</u>
Total assets	<u>32,716,016</u>
LIABILITIES	
Accounts payable	<u>156,040</u>
Total liabilities	<u>156,040</u>
NET ASSETS	
Plan net assets held in trust for employees' pension benefits	<u>\$ 32,559,976</u>

See accompanying notes the financial statements.

VILLAGE OF FOREST PARK, ILLINOIS
 STATEMENT OF CHANGES IN FIDUCIARY
 NET ASSETS
 PENSION TRUST FUNDS
 Year ended April 30, 2008

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 881,822
Plan members	<u>452,245</u>
Total contributions	<u>1,334,067</u>
Net investment income	<u>1,256,954</u>
Miscellaneous revenue	<u>19,501</u>
Total additions	<u>2,610,522</u>
DEDUCTIONS	
Benefits and refunds	2,220,939
Administrative expenses	<u>53,057</u>
Total deductions	<u>2,273,996</u>
Increase in plan net assets	336,526
Plan net assets at beginning of year	<u>32,223,450</u>
Plan net assets at end of year	<u>\$ 32,559,976</u>

See accompanying notes to the financial statements.

VILLAGE OF FOREST PARK, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Forest Park (Village) was incorporated in 1856 under the provisions of the Illinois Revised Statutes, as amended. The Village operates under a Mayor-Commissioner form of government. Education and social services are provided by separate governing bodies that are beyond the direct or indirect control of the Village's government. The accounting policies of the Village of Forest Park conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies.

Financial Reporting Entity: The Village has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and Statement No. 39, *Determining Whether Certain Organizations are Component Units - An Amendment to Statement No. 14*, under which these basic financial statements include all organizations, activities, functions and component units for which the Village is financially accountable, or that are fiscally dependent upon the Village or that would cause these financial statements to be misleading to exclude. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the Village's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden with the Village.

In conformity with GAAP, the Village's Police and Firefighters' Pension Funds have been included as component units in the Village's basic financial statements. Although they are separate legal entities, these funds exist to provide pension benefits for the Village's police officers and firefighters. Thus, their financial information has been blended within the Village's basic financial statements as fiduciary funds.

The Forest Park Public Library is included in the reporting entity because of its operational and financial relationship with the Village of Forest Park. The Forest Park Public Library meets the criteria for discrete presentation and is shown in the component unit column in the Village-wide financial statements. The Forest Park Public Library is reported in a separate column to emphasize that it is legally separate from the Village of Forest Park. The Forest Park Public Library has issued separate financial statements for the year ended April 30, 2008. Separate financial statements can be obtained by contacting its office at 7555 Jackson Boulevard, Forest Park, Illinois 60130.

Basis of Presentation: The Village's basic financial statements consist of Village-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. The Village-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from activities of the fiscal period.

VILLAGE OF FOREST PARK, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Village-wide Financial Statements – The statement of net assets and the statement of activities display information about the Village as a whole. In the Village-wide statement of net assets, both the governmental and business-type activities columns are presented on a consolidated basis by column. These statements include the financial activities of the primary government, except for fiduciary activities. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (proprietary funds), which rely to a significant extent on fees and charges for support. The Village-wide statement of activities reflects both the direct expenses and net cost of each function of the Village’s governmental activities and business-type activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Village, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the Village.

Fund Financial Statements – The financial transactions of the Village are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and presented as nonmajor funds.

Measurement Focus and Basis of Accounting:

Village-Wide Financial Statements – The Village-wide financial statements, component unit financial statements, and fund financial statements for proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the balance sheet and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounts, revenues are recognized when earned, if measurable, and expenses are recognized as incurred, regardless of the timing of related cash flows.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Village and its component units apply all GASB pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB

(Continued)

VILLAGE OF FOREST PARK, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

The Village has reported three categories of program revenues in the statement of activities: (1) charges for services, (2) program-specific operating grants and contributions, and (3) program-specific capital grants and contributions. Program revenues are derived directly from the program itself or from external sources, such as the State of Illinois; they reduce the net cost of each function to be financed from the Village's general revenues. For identifying the function to which program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is the function to which the revenues are restricted.

Eliminations have been made in the statement of net assets to remove the "grossing up" effect on assets and liabilities within the governmental activities column for amounts reported in the individual funds as interfund receivables and payables and advances. Similarly, transfers between funds have been eliminated in the statement of activities. Amounts reported in the governmental funds as receivable from or payable to fiduciary funds have been reclassified in the statement of net assets as accounts receivable or payable to external parties.

Fund Financial Statements – 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 Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues accrued at the end of the year include charges for services, licenses and permits, fines and forfeitures, intergovernmental revenues, investment earnings, property taxes, sales taxes, and income taxes. All other revenue items are considered to be measurable and available only when cash is received by the government. 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 and claims and judgments, are recorded only when payment is due.

Proprietary funds separate all activity into two categories: operating revenues and expenses and non-operating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods. Non-operating revenues and expenses entail all other activity not included in operating revenues and expenses. Non-operating revenues and expenses include capital and noncapital financing activities and investing activities.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Village's policy to apply restricted resources first, then unrestricted resources as needed.

(Continued)

VILLAGE OF FOREST PARK, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Differences occur from the manner in which the governmental activities and the Village-wide financial statements are prepared because of the inclusion of capital asset and long-term debt activity. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the Village-wide statements and the statements for governmental funds.

The Village reports the following major governmental funds:

General Fund - The General Fund, sometimes referred to by the Village as the General Corporate Fund, is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

VIP Program Fund - The Village Improvement Program (VIP) Program Fund is a special revenue fund of the Village. It is used to account for the 2005 General Obligation Bond issuance and the non-home rule sales tax revenues which fund improvements to the Village's public infrastructure.

Brown Street Station TIF Fund - This TIF fund is a special revenue fund used to accumulate incremental property tax revenues from the area in far north Forest Park. This is a residential area TIF and funds will be used to improve streetscapes and for future development.

2002 Bond Fund - The 2002 Bond Fund, also known as the Forest Park Mall TIF, is a debt service fund used to pay principle and interest on \$5,765,000 general obligation bond. The original TIF was divided in 2001 and currently comprises the Wal-Mart property, including the parking lot. The bond debt service is totally funded by incremental property taxes paid by Wal-Mart.

Proprietary Funds: Proprietary funds are used to account for those Village activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position.

The Village reports the following major proprietary funds:

Water Fund - This fund accounts for the revenues and expenses related to the operation of the Village's water and sewer. Revenues are generated through charges to users based upon water and sewer consumption.

Vehicle Parking Fund - This fund accounts for the revenues and expenses related to the operation of the Village's parking lots. Revenues are generated through charges to users based upon usage of the parking spaces.

(Continued)

VILLAGE OF FOREST PARK, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds: In addition to the general fund type mentioned above, the Village uses the following governmental fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Funds – The Debt Service Funds are used to account for the Village’s accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

Fiduciary Funds: Fiduciary Funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, other governments, or other funds. These include the following fund types: pension trust funds.

Cash, Cash Equivalents, and Investments

Description of Village Policy

Separate checking accounts are maintained to satisfy legal restrictions or as authorized by the Village Board. The Village maintains a cash checking account pool that is available for use by all funds except the pension trust funds. Each fund type’s portion of this pool is included on the combined balance sheet as “cash and cash equivalents.” The deposits and investments of the pension trust funds are held separately from those of other funds.

All investments are reported at fair value, which generally represents quoted market price as of the last business day of the year. Gains or losses on the sale or maturity of investments are recorded as current investment income at the date of sale or maturity. Cash equivalents are stated at cost.

The Village maintains an investment pool that is available for use by all funds except the pension trust funds. Village investments are in either certificates of deposit with local financial institutions or deposits with the Illinois Funds Money Market Fund.

The value of the Illinois Funds Money Market Fund and Illinois Metropolitan Investment Fund equates to the number of shares owned as of April 30, 2008. These deposits are regulated by the Comptroller of the State of Illinois.

Cash Flows: For purposes of the statement of cash flows for the Proprietary Funds, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(Continued)

VILLAGE OF FOREST PARK, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets, which include property, plant equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the Village-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$10,000 and a useful life of more than one year. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. 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.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation on all assets is provided on the straight-line basis as described below.

Public domain infrastructure capital assets including roads, curbs and gutters, drainage systems, and lighting systems are also capitalized. Depreciation of the assets listed below is computed using the straight-line method over the following estimated useful lives:

Buildings	100 Years
Equipment	5-20 Years
Infrastructure - roads	30-40 Years
Infrastructure - water	100 Years
Building improvement	100 Years

Compensated Absences: The Village has no compensated absence program that would require an accrual in the financial statements.

Vacation Policy: Full-time permanent employees of the Village other than firefighters in the Fire Department, police officers in the Police Department, and members of the Local 705 Teamsters Union shall be entitled to paid vacations based on the following years of service:

Less than 1 year	Nothing
After 1 year	10 working days
After 8 years	15 working days
After 15 years	20 working days

For each year of service over 15 years, one additional vacation day up to a maximum of 25 working days.

Vacation time must be taken within one year in which the time is earned and may not be accumulated from year to year.

(Continued)

VILLAGE OF FOREST PARK, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Members of the firefighters and police officers unions and Local 705 Teamsters union are entitled to and receive vacation benefits as stated in the current contracts.

Deferred Revenue: Deferred revenue liabilities are those items satisfying the asset recognition criteria that have not satisfied the revenue recognition criteria of measurable and available for the current period. To meet the available criteria, the revenue must be received within 60 days of the end of year. If received later, the revenue is reflected as a deferred revenue liability in the financial statements. The Village recognizes deferred revenue liabilities for property taxes and amounts due from other governmental agencies. Revenues are measurable and available if received within 60 days of the fiscal year end.

Net Assets and 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 tentative management plans that are subject to change.

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Post-Employment Health Care Benefits: The Village provides health insurance to its retired employees, with over 20 years of service, at their own expense.

Federal Grants: The Village participated in the Community Development Block Grant Program (CDBG). The CDBG Program funded a public construction project. Revenue from this grant is recorded as earned in an amount equal to expenditures incurred.

Interfund Receivables and Payables: Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of interfund loans or "advances to/from other funds" for the non-current portion of interfund loans. All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the Village-wide financial statements as "internal balances." All receivables are shown net of an allowance for uncollectibles.

(Continued)

VILLAGE OF FOREST PARK, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Debt: In the Village-wide financial statements and in the proprietary funds in the fund financial statements, 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 using the straight-line method. 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 are reported as debt service expenditures.

Use of Estimates: The preparation of the basic financial statements in conformity with GAAP requires Village's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and/or the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates, but the Village believes that the differences will be insignificant.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Village

At year end, the carrying amount of the Village's (excluding the Police and Firefighters' Pension Funds) deposits were \$11,198,963. In addition, the Village maintained two petty cash accounts with a carrying value of \$1,221. The bank balances were \$11,508,762.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Village's policy requires all fixed income investments to be of investment grade quality or higher at purchase. Also, according to the provisions of the Illinois Compiled Statutes, fixed income purchases shall be limited to obligations issued or guaranteed as to principal and interest by the U.S. government or any agency or instrumentality thereof, or to corporate and municipal issues. All securities shall be of "investment grade" quality (that is, at the time of purchases, rated no lower than "Baa" by Moody's and no lower than "BBB" by Standard & Poor's).

(Continued)

VILLAGE OF FOREST PARK, ILLINOIS
 NOTES TO THE FINANCIAL STATEMENTS
 April 30, 2008

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The Board, at their discretion, may impose a higher standard on an individual investment manager basis as circumstances or investment objectives dictate.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village’s investment policy requires that all amounts in excess of any insurance limits be collateralized by securities eligible for Village investment or any other high-quality, interest-bearing security rated at least AA/Aa by one or more standard rating service to include Standard & Poor’s, Moody’s, or Fitch. The market value of the pledge securities shall equal or exceed the portion of the deposit requiring collateralization. As of April 30, 2008 \$143,921 of the bank balances were either uninsured or under collateralized.

Concentration of Credit Risk – The Village places no limit on the amount it may invest in any one issuer.

The following is a reconciliation between Note 2 and the basic financial statements of the primary government:

<u>Note 2</u>		<u>Financial Statements</u>	
Carrying value of cash and cash equivalents	\$ 11,198,963	Statement 1 (Primary Government)	
Petty cash	<u>1,221</u>	Cash and cash equivalents	<u>\$ 11,200,184</u>
Total notes	<u>\$ 11,200,184</u>	Total financial statements	<u>\$ 11,200,184</u>

Police Pension Fund

At year end, the Police Pension Fund’s carrying amount of cash was \$1,682,358 while the bank balances were also \$1,682,358. The FDIC insures bank balances up to \$100,000. As of April 30, 2008, \$1,682,358 of the bank balance was collateralized with securities of the U.S. government held in the Police Pension Fund’s name by a financial institution acting as the fund’s agent.

The Police Pension Fund is authorized to invest in Illinois Funds Money Market deposits, deeply discounted federal securities (strips, etc.), certificates of deposit, guaranteed investment contracts, and stocks and mutual funds.

The following schedule reports the fair values and maturities (using the segmented time distribution method) for the Police Pension Fund’s investments at April 30, 2008.

(Continued)

VILLAGE OF FOREST PARK, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>Less Than One Year</u>	<u>One to Five Years</u>	<u>Six to Ten Years</u>	<u>Greater Than Ten Years</u>
U.S. Treasury securities	\$ 1,617,993	\$ 553,151	\$1,064,842	\$ -	\$ -
GNMA	5,634,152	-	108	1,006	5,633,038
State of Israel bonds	269,540	-	269,540	-	-
FHLMC	2,495,136	-	-	-	2,495,136
FNMA	1,653,000	-	-	-	1,653,000
Mutual funds	215,507	215,507	-	-	-
Insurance contracts	<u>4,630,194</u>	<u>4,630,194</u>	-	-	-
Total investments	<u>\$ 16,515,522</u>	<u>\$5,398,852</u>	<u>\$1,334,490</u>	<u>\$ 1,006</u>	<u>\$9,781,174</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Police Pension Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Police Pension Fund’s policy requires all fixed income investments to be of investment grade quality or higher at purchase. Also, according to the provisions of the Illinois Compiled Statutes, fixed income purchases shall be limited to obligations issued or guaranteed as to principal and interest by the U.S. government or any agency or instrumentality thereof, or to corporate and municipal issues. All securities shall be of “investment grade” quality (that is, at the time of purchases, rated no lower than “Baa” by Moody’s and no lower than “BBB” by Standard & Poor’s). The Board, at their discretion, may impose a higher standard on an individual investment manager basis as circumstances or investment objectives dictate. One of the U.S. Treasury Department’s objectives for conversatorships is to protect bondholders. As such, declines in fair value below cost for investments in Freddie Mac and Fannie Mae bonds (that is, debt securities) may be treated as temporary. At year end the Pension Fund’s intent is to hold the bonds until they recover.

Credit ratings for the Police Pension Fund’s investments in debt securities at April 30, 2008 (excluding investments in U.S. Treasuries, which are not considered to have credit risk) were as follows:

(Continued)

VILLAGE OF FOREST PARK, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Disclosure Ratings for Debt Securities (S&P/Moody's)
(As a percentage of total fair value for debt securities)

<u>Investment Type</u>	<u>AAA/Aaa</u>
State of Israel Bonds	100%
FHLMC	100%
FNMA	100%
Mutual Funds	100%
Insurance Contracts	100%

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Police Pension Fund's investment policy requires that all amounts in excess of any insurance limits be collateralized by securities eligible for Village investment or any other high-quality, interest-bearing security rated at least AAA/Aaa by one or more standard rating service to include Standard & Poor's, Moody's, or Fitch. The market value of the pledge securities shall equal or exceed the portion of the deposit requiring collateralization. The Police Pension Fund was fully collateralized as of April 30, 2008.

Concentration of Credit Risk – The Village places no limit on the amount the Police Pension Fund may invest in any one issuer. More than 5% of the Police Pension Fund's investments are in GNMA's, FNMA's, FHLMC's, and guaranteed insurance contracts. These investments are 34%, 10%, 16%, and 28%, respectively, of the Village's total Police Pension Fund investments.

Firefighters' Pension Fund

At year end, the Firefighters' Pension Fund's carrying amount of demand deposits and certificates of deposit was \$451,913 and \$5,664,766, respectively, while the bank balances were \$6,123,008. The FDIC insures bank balances up to \$100,000. As of April 30, 2008, \$721,283 of the bank balance was uninsured and uncollateralized. The Firefighters' Pension Fund's investment policy does not require pledging of collateral for all bank balances in excess of federal depository insurance, since flow-through FDIC insurance is available for the fund's deposits with financial institutions.

The Firefighters' Pension Fund is authorized to invest in Illinois Funds Money Market deposits, deeply discounted federal securities (strips, etc.), certificates of deposit, guaranteed investment contracts, and stocks and mutual funds.

(Continued)

VILLAGE OF FOREST PARK, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The following schedule reports the fair values and maturities (using the segmented time distribution method) for the Firefighters' Pension Fund's investments at April 30, 2008.

	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>Less than One Year</u>	<u>One to Five Years</u>	<u>Six to Ten Years</u>
Certificates of deposit	\$ 5,664,766	\$1,966,829	\$3,697,937	\$ -
Insurance Contracts	4,104,172	-	-	-
Equity Mutual Funds	3,750,956	-	-	-
Money market MF	<u>463,379</u>	<u>463,379</u>	-	-
Total investments	<u>\$ 13,983,273</u>	<u>\$10,285,336</u>	<u>\$3,697,937</u>	<u>\$ -</u>

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the Firefighters' Pension Fund's investment policy, the fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity while at the same time matching investment maturities to projected fund liabilities; additionally the fixed income portfolio is structured allowing for duration between three and eight years.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Firefighters' Pension Fund's investment policy establishes criteria for allowable investments; those criteria follow the requirements the Illinois Pension Code. The Firefighters' Pension Fund's investment policy also prescribes "that investments be made in a prudent manner. That is, with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person would use considering the primary objective of preserving one's capital."

Custodial Credit Risk - In the case of deposits, this is the risk that in the event of a bank failure, the Firefighters' Pension Fund's deposits may not be returned to it. At April 30, 2008, \$721,283 of the bank balance of the deposits was uninsured and uncollateralized. The Firefighters' Pension Fund's investment policy does not require pledging of collateral for all bank balances in excess of federal depository insurance, since flow-through FDIC insurance is available for the fund's deposits with financial institutions.

Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the Firefighters' Pension Fund's investment in a single issuer. The Fund does not have a formal written policy with regards to concentration of credit risk for investments. At April 30, 2008, the Pension Fund has over 5% of plan net assets invested in Discover Bank Greenwood Delaware certificates of deposit in the amount of \$1,950,750. The Fund's investment policy has a stated target that 55 to 75 percent of its portfolio be in fixed income securities, 35 to 45 percent target in equities with the remaining 2 to 10 percent cash and equivalents.

(Continued)

VILLAGE OF FOREST PARK, ILLINOIS
 NOTES TO THE FINANCIAL STATEMENTS
 April 30, 2008

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The following is a reconciliation between the Note 2 and the basic financial statements of the fiduciary funds:

<u>Note 2</u>	<u>Financial Statements</u>	
Carrying value of cash and cash equivalents (police \$1,682,358, fire \$451,913)	Statement 10 Cash and cash equivalents	\$ 2,134,271
\$ 2,134,271		
Carrying value of investments (police \$16,515,522, fire \$13,983,273)	Investments	<u>30,498,795</u>
<u>30,498,795</u>		
Total notes	Total financial statements	<u>\$ 32,633,066</u>
<u>\$ 32,633,066</u>		

NOTE 3 - PROPERTY TAX REVENUE RECOGNITION

Property taxes for 2007 are attached as an enforceable lien on January 1, 2007 on property values assessed as of the same date. Taxes are levied by December of the subsequent year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about February 1 and August 1 and are payable in two installments on or about March 1 and September 1. The County collects such taxes and remits them to the Village periodically. The Village receives the majority of its real estate taxes in March and October. The property tax revenue in the financial statements represents approximately one-half of the 2006 and one-half of the 2007 property tax levies.

Property taxes for the current 2007 tax levy are received in two installments in March 2008 and October 2008.

Property taxes receivable, constituting primarily the second installment due in October 2008, is recorded as deferred revenue since the available criteria (60 days) is not satisfied under GASB Statement No. 33.

In the final tax extension, the County Clerk provides for an allowance for loss and cost of 3.0% for all tax levying funds except debt service, which has a 5.0% factor. All uncollected taxes over six years old are written off. An allowance for uncollectible taxes is established for all uncollected taxes over two years old. The receivable for uncollected taxes from the current levy is offset by a liability for deferred revenue property taxes.

The Public Library (Library) receives its own distribution of real estate taxes directly from the Cook County Collector to the Library's own money market account.

VILLAGE OF FOREST PARK, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 4 - CAPITAL ASSETS

A summary of changes in the Village's capital assets for the period from May 1, 2007 through April 30, 2008 follows:

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,516,150	\$ -	\$ -	\$ 4,516,150
Capital assets being depreciated:				
Infrastructure	32,856,097	122,942	-	32,979,039
Building and improvements	2,373,905	348,050	-	2,721,955
Fixtures and equipment	3,836,492	151,129	53,576	3,934,045
Subtotal	<u>39,066,494</u>	<u>622,121</u>	<u>53,576</u>	<u>39,635,039</u>
Accumulated depreciation				
Infrastructure	(15,596,041)	(1,065,103)	-	(16,661,144)
Building and improvements	(537,378)	(28,636)	-	(566,014)
Fixtures and equipment	(1,939,690)	(290,849)	(45,723)	(2,184,816)
Total accumulated depreciation	<u>(18,073,109)</u>	<u>(1,384,588)</u>	<u>(45,723)</u>	<u>(19,411,974)</u>
Total capital assets being depreciated, net	<u>20,993,385</u>	<u>(762,467)</u>	<u>7,853</u>	<u>20,223,065</u>
Governmental activities, net	<u>\$ 25,509,535</u>	<u>\$ (762,467)</u>	<u>\$ 7,853</u>	<u>\$ 24,739,215</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 698,257	\$ -	\$ -	\$ 698,257
Capital assets being depreciated:				
Building and improvements	2,034,854	-	-	2,034,854
Equipment	98,734	202,767	-	301,501
Infrastructure	8,929,458	-	-	8,929,458
Subtotal	<u>11,063,046</u>	<u>202,767</u>	<u>-</u>	<u>11,265,813</u>
Accumulated depreciation				
Building and improvements	(1,331,857)	(41,074)	-	(1,372,931)
Equipment	(24,344)	(43,111)	-	(67,455)
Infrastructure	(1,289,487)	(132,000)	-	(1,421,487)
Total accumulated depreciation	<u>(2,645,688)</u>	<u>(216,185)</u>	<u>-</u>	<u>(2,861,873)</u>
Total capital assets being depreciated, net	<u>8,417,358</u>	<u>(13,418)</u>	<u>-</u>	<u>8,403,940</u>
Business-type activities, net	<u>\$ 9,115,615</u>	<u>\$ (13,418)</u>	<u>\$ -</u>	<u>\$ 9,102,197</u>

(Continued)

VILLAGE OF FOREST PARK, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2008

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense of \$1,384,588 and \$216,185 for the Village's governmental and business-type activities, respectively, was charged to the following functions:

<u>Governmental Activities</u>	<u>Amount</u>	<u>Business-Type Activities</u>	<u>Amount</u>
General government	\$ 122,064	Water	\$ 168,643
Health and public safety	7,720	Parking lots	47,542
Public works	1,135,015	Total depreciation expense	<u>\$ 216,185</u>
Police protection	119,789		
Total depreciation expense	<u>\$ 1,384,588</u>		

NOTE 5 - LONG-TERM DEBT

General Long-Term Debt

The following is a summary of changes in long-term obligation transactions of the Village for the year ended April 30, 2008:

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>End</u> <u>of Year</u>	<u>Principal Due</u> <u>Within</u> <u>One Year</u>
GOVERNMENTAL ACTIVITIES					
Bonds:					
G.O. TIF Refunding Bonds, 2002	\$ 4,170,000	\$ -	\$ 340,000	\$ 3,830,000	\$ 355,000
G.O. Refunding Bonds, 2003	600,000	-	295,000	305,000	305,000
G.O. TIF Alternative Revenue, 2003A	970,000	-	150,000	820,000	155,000
G.O. Alternative Revenue Series 2005	9,255,000	-	320,000	8,935,000	340,000
Premium on Bonds	129,366	-	4,474	124,892	-
Total Bonds	<u>15,124,366</u>	<u>-</u>	<u>1,109,474</u>	<u>14,014,892</u>	<u>1,155,000</u>
G.O. Debt Certificates	3,168,730	-	142,904	3,025,826	154,813
Installment Contracts	15,990	-	13,654	2,336	2,336
Loans Payable	538,214	-	86,793	451,421	90,622
Total Governmental Long-Term Debt	<u>\$ 18,847,300</u>	<u>\$ -</u>	<u>\$ 1,352,825</u>	<u>\$ 17,494,475</u>	<u>\$ 1,402,771</u>
BUSINESS-TYPE ACTIVITIES					
G.O. Debt Certificates	\$ 826,270	\$ -	\$ 37,591	\$ 788,679	\$ 40,187
Loan Payable	4,902,904	-	249,679	4,653,225	256,391
Total Business-type Long-Term Debt	<u>\$ 5,729,174</u>	<u>\$ -</u>	<u>\$ 287,270</u>	<u>\$ 5,441,904</u>	<u>\$ 296,578</u>

(Continued)

