

**Village of Crestwood, Illinois**  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
APRIL 30, 2012

Prepared By:

**HEARNE & ASSOCIATES, P.C.**  
Certified Public Accountants &  
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# Village of Crestwood, Illinois

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# Village of Crestwood, Illinois

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### **Independent Auditor's Report**

Honorable Mayor and  
Members of the Board of Trustees  
Village of Crestwood, 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 Crestwood, Illinois, as of and for the year ended April 30, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Crestwood, Illinois. Our responsibility is to express opinions on these financial statements based on our audit.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts, and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management; as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Crestwood, Illinois, as of April 30, 2012, 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.

As discussed in Note 1, as of May 1, 2011, the Village adopted the reporting and disclosure requirements of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The Management's Discussion and Analysis and the other required supplementary information listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the basic financial statements of the Village of Crestwood, Illinois. The combining and individual fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Village of Crestwood, Illinois. The combining and individual nonmajor fund

financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The statistical information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion thereon.

As discussed in Note H to the financial statements, the Village of Crestwood, Illinois is a defendant in several lawsuits that were filed during the Village's April 30, 2010 fiscal year end. These lawsuits mainly allege that the Village supplied unsafe water to its residents resulting in personal injury or wrongful death. Also, the Attorney General for the State of Illinois filed a complaint against the Village that alleges that it violated various State Statutes and regulations in its monitoring and reporting of the use and quality of well water. The ultimate outcome of these lawsuits are not known at this time. The Village is unable to assess its financial exposure and no amount has been accrued for possible liabilities in these financial statements.

November 7, 2012  
Mokena, IL

*Hearne & Associates, P.C.*  
Hearne & Associates, P.C.  
Certified Public Accountants

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Management Discussion and Analysis**  
**April 30, 2012**

**Introduction**

As management of the Village of Crestwood (“Village”), we offer readers of the Village’s financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended April 30, 2012. Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current year’s activities, resulting changes and currently known facts, please read it in conjunction with the Village’s financial statements (beginning on page 10).

**Financial Highlights**

The Village’s net assets decreased by \$1.9 million during the fiscal year ended April 30, 2012. During fiscal year 2011, the Village received extraordinary revenue of \$1.6 million. This amount was received from insurance recoveries associated with water litigation expenditures incurred in fiscal year 2011 and prior. This will be discussed in further detail later in this report, however, it should be noted the \$1.9 million decrease in net assets for fiscal 2012 is predominantly attributable to depreciation expense of capital assets owned. Also, the Village continued to incur legal expenses related to the water litigation.

During the year, the Village’s statement of activities indicates expenses were \$1.4 million more than the \$10.1 million generated in tax and other revenues for governmental programs. This compares to last year, however, when expenses were \$1.9 million more than the \$9.5 million generated in tax and other revenues for government purposes before extraordinary revenue (by \$0.3 million more than the \$11.2 million generated in revenues when the insurance reimbursement of \$1.6 million is included).

During the current year, the Village’s statement of activities indicates expenses were \$0.5 million more than the \$2.0 million generated in water and sewer revenues for business-type programs. This remains virtually unchanged from the prior year when expenses exceeded revenue by \$0.5 million with approximately a \$0.2 million increase in revenue.

The actual expenditures for the General Fund exceeded the budgeted amount by \$425,935 (or 6.2% of total revenues). This was primarily due to legal expenses related to the water litigation. See Note H and page 40 of the financial report for further information.

**Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10 and 11) provide information about the Village as a whole and present a longer-term view of the Village’s finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village’s operations in more detail than the government-wide statements by providing information about the Village’s most significant funds. The remaining statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of government.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Management Discussion and Analysis**  
**April 30, 2012**

**Reporting the Village as a Whole**

One of the most important questions asked about the Village's finances is "How has the Village's financial condition changed as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Village's *net assets* and changes in them. You can think of the Village's net assets – the difference between assets and liabilities – as one way to measure the Village's financial health, or *financial position*. Over time, *increases or decreases* in the Village's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Village's property tax base and the condition of the Village's infrastructure, to assess the *overall health* of the Village.

In the Statement of Net Assets and the Statement of Activities, we divide the Village into two activities:

Government activities – Most of the Village's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.

Business-type activities – The Village charges a fee to customers to help it cover the cost of certain services it provides. The Village's water and sewer system is reported here.

**Reporting the Village's Most Significant Funds**

Our analysis of the Village's major funds begins on page 7. The fund financial statements begin on page 12 and provide detailed information about the most significant funds – not the Village as a whole. Some funds are required to be established by State law and by bond covenants. However, the Village Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money like grants received. The Village's two kinds of funds – *government* and *proprietary* – use different accounting approaches.

*Governmental funds* – Most of the Village's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual basis*, 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 the Village's programs. We describe the relationship (or differences) between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in reconciliations on pages 13 and 15 of the report.

*Proprietary funds* – When the Village charges customers for the services it provides – whether to outside customers or to other units of the Village – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Management Discussion and Analysis**  
**April 30, 2012**

**The Village as Trustee**

The Village is responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Village’s fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 19 and 20. We exclude these activities from the Village’s other financial statements because the Village cannot use these assets to finance its operations. The Village is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Financial Analysis of the Village as a Whole**

The Village’s combined net assets decreased \$2.1 million from \$47.1 million to \$45.0 million. In contrast, last year’s net assets decreased \$0.8 million from \$47.9 million to \$47.1 million. Both the governmental and business-type activities had reductions in net assets for the current year. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Village’s governmental and business-type activities.

Table 1  
**CONDENSED STATEMENT OF NET ASSETS**  
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Current & Other Assets	\$ 11.3	\$ 11.2	\$ 0.7	\$ 0.9	\$ 12.0	\$ 12.1
Capital Assets	52.2	50.8	20.0	19.3	72.2	70.1
Deferred Outflows	2.6	3.6	-	-	2.6	3.6
Total Assets	<u>\$ 66.1</u>	<u>\$ 65.6</u>	<u>\$ 20.7</u>	<u>\$ 20.2</u>	<u>\$ 86.8</u>	<u>\$ 85.8</u>
Long-Term Liabilities	\$ 36.9	\$ 38.2	\$ -	\$ -	\$ 36.9	\$ 38.2
Other Liabilities	2.6	2.4	0.2	0.2	2.8	2.6
Total Liabilities	<u>\$ 39.5</u>	<u>\$ 40.6</u>	<u>\$ 0.2</u>	<u>\$ 0.2</u>	<u>\$ 39.7</u>	<u>\$ 40.8</u>
Net Assets						
Investment in Capital Assets, Net of Related Debt	\$ 51.5	\$ 50.1	\$ 20.0	\$ 19.3	\$ 71.5	\$ 69.4
Unrestricted	(24.9)	(25.1)	0.5	0.7	(24.4)	(24.4)
Total Net Assets	<u>\$ 26.6</u>	<u>\$ 25.0</u>	<u>\$ 20.5</u>	<u>\$ 20.0</u>	<u>\$ 47.1</u>	<u>\$ 45.0</u>

Net assets of the Village decreased 4.45 percent from \$47.1 million to \$45.3 million. By far, the largest portion of the Village’s net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – remained at a \$24.4 million deficit at April 30, 2011 and April 30, 2012.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Management Discussion and Analysis**  
**April 30, 2012**

The net assets of governmental activities decreased \$1.6 million during the 2012 fiscal year. Total assets decreased by \$0.5 million and total liabilities increased by \$1.1 million. The increase to liabilities includes a prior period adjustment of \$0.2 million for the Village's Net Pension Obligation. The decrease in net assets is predominantly attributable to a decrease of \$1.5 million in the net capital assets owned by the Village, due to depreciation of the assets in excess of additional capital expenditures, and a decrease of \$0.1 million in long-term debt.

Net assets of the Village's business-type activities decreased from \$20.5 million to \$20 million. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased by \$0.2 million. The decrease in net assets is predominantly attributable to a decrease of \$0.7 million in the capital assets owned by the Village, due to depreciation of the assets in excess of additional capital expenditures, and an increase of \$0.2 million in water revenues due to an increase in water rates and the assessment of a capital improvements fee during the year.

On a cash flow basis, as noted on page 18 of the report, the Village's cash flow from operating activities remains positive with an increase of \$0.1 million. The Village will continue to review water rates to insure positive changes in net assets and to reserve for future capital expenditures. As noted above, during fiscal year 2012, the Village has passed an ordinance assessing a capital improvements fee to its water and sewer customers. This fee is intended to create a reserve for future capital improvements to the water system.

**ACTIVITIES:** The following table reflects the condensed Statement of Activities:

Table 2  
CONDENSED STATEMENT OF ACTIVITIES  
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
<b><u>REVENUES</u></b>						
Program Revenues:						
Charges for Services	\$ 1.7	\$ 1.9	\$ 1.8	\$ 2.0	\$ 3.5	\$ 3.9
Operating Grants	0.1	0.1	-	-	0.1	0.1
General Revenues:						
Property Taxes	2.4	2.7	-	-	2.4	2.7
Sales Tax	3.7	3.8	-	-	3.7	3.8
Other Taxes	1.6	1.5	-	-	1.6	1.5
Extraordinary Items	1.6	-	-	-	1.6	-
Total Revenues	<u>\$ 11.1</u>	<u>\$ 10.0</u>	<u>\$ 1.8</u>	<u>\$ 2.0</u>	<u>\$ 12.9</u>	<u>\$ 12.0</u>

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Management Discussion and Analysis**  
**April 30, 2012**

CONDENSED STATEMENT OF ACTIVITIES (continued)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
<b><u>EXPENSES</u></b>						
General Government	\$ 5.4	\$ 5.5	\$ -	\$ -	\$ 5.4	\$ 5.5
Public Safety	2.2	2.4	-	-	2.2	2.4
Street and Bridge	0.7	0.7	-	-	0.7	0.7
Sanitation	0.6	0.6	-	-	0.6	0.6
Recreation	0.9	0.9	-	-	0.9	0.9
Tax Increment Financing Costs	0.4	0.2	-	-	0.4	0.2
Water and Sewer	-	-	2.3	2.5	2.3	2.5
Interest on Long-Term Debt	1.2	1.1	-	-	1.2	1.1
Total Expenses	<u>\$ 11.4</u>	<u>\$ 11.4</u>	<u>\$ 2.3</u>	<u>\$ 2.5</u>	<u>\$ 13.7</u>	<u>\$ 13.9</u>
Changes in Net Assets	\$ (0.3)	\$ (1.4)	\$ (0.5)	\$ (0.5)	\$ (0.8)	\$ (1.9)
Net Assets, May 1	26.9	26.6	21.0	20.5	47.9	47.1
Prior Period Adjustment	-	(0.2)	-	-	-	(0.2)
Net Assets, April 30	<u>\$ 26.6</u>	<u>\$ 25.0</u>	<u>\$ 20.5</u>	<u>\$ 20.0</u>	<u>\$ 47.1</u>	<u>\$ 45.0</u>

The Village's total revenues of \$12.0 million decreased from last year's \$12.9 million. As previously noted, during fiscal year 2011, the Village received extraordinary revenue of \$1.6 million. This amount was received from insurance recoveries associated with water litigation expenditures incurred in fiscal year 2011 and prior. For comparative purposes, if the extraordinary item was excluded, the Village's revenues increase from the \$11.3 million in fiscal year 2011 to \$12.0 million in fiscal year 2012, resulting in an increase of ordinary revenues of 6.19%. Expenses increased by 1.46% from \$13.7 million to \$13.9 million. The factors that led to the current accumulated unrestricted deficit in the above discussion of net assets were also the primary reasons for this year's decrease in net assets. Additionally, there was a prior period adjustment of \$0.2 million to record the Village's Net Pension Obligation (see Note O to the financials for further information). Our analysis below separately considers the operations of governmental and business-type activities.

**Governmental Activities**

Excluding the extraordinary item noted above and in Note F to the financial statements, the Village's revenues increased by 6.2% from \$11.3 million to \$12 million. Sales tax increased from \$3.7 million to \$3.8 million. It should be noted that sales tax is nearing its pre-recession highs of \$4.0 million in fiscal years 2007 and 2008. Real estate taxes increased from \$2.4 million to \$2.7 million, which was the biggest increase of any revenue. This was attributable to increased real estate taxes in the tax increment financing district and new businesses.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Management Discussion and Analysis**  
**April 30, 2012**

The cost of all governmental activities this year stayed the same at \$11.4 million. Some differences within these costs should be noted. First, financing costs for the TIF district and other debt decreased from \$1.6 million to \$1.3 million due to economic conditions which had a favorable impact on its variable rate of interest for the TIF bonds. Second, legal costs decreased by \$0.9 million. The Village expects further reimbursement from insurance companies for these costs. However, the amount of reimbursements cannot be determined at this time. No other area of expenses shows a significant increase or decrease over the prior year.

**Business-Type Activities**

As previously noted, net assets of the water and sewer system decreased by \$0.5 million from 2011 to 2012. This is the result of depreciation expense of capital assets in the amount of \$0.7 million and an increase of \$0.2 million in charges for services. Water rates were increased due to increased water costs from the Village's suppliers (the City of Chicago and the Village of Alsip). Cash flows from operating activities were positive for fiscal year 2012. There were no major capital expenditures to the water system in the current year.

**Budgetary Highlights**

During the fiscal year there was no change in appropriations between the original and final budget.

With respect to the General Fund, for reasons as herein noted, actual expenditures were \$425,935 more than budgeted. Legal costs were \$884,413 more than budgeted. This was offset with reductions in expenditures in all other departments of the Village.

**Capital Assets**

At the end of fiscal year 2012, the Village had \$70.1 million (net of depreciation) invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, road, and water and sewer lines. This amount represents a net decrease (including additions, deductions and current depreciation) of \$2.2 million, or 3.0 percent, over last year. Please refer to Note D of the report for the capital asset activity for the year. The Village has budgeted approximately \$0.5 million for capital expenditures in fiscal year 2012, predominantly for police vehicles, ambulance and improvements to the water and sewer system.

**Debt Administration**

At the end of fiscal year 2012, the Village had \$34.4 million in bonds and loans outstanding. This is the same amount outstanding as of the prior year. Of this amount, \$33.7 million is debt from the tax increment financing (TIF) district, namely the Variable Rate Tax Increment Revenue Bonds, Series 2004. At April 30, 2012 and 2011 the variable rate on the TIF bonds were 0.40 percent and 1.50 percent, respectively. Please refer to Note E of the report for changes in long-term debt this year. The Village has a swap agreement with Fifth Third Bank on \$20 million of the \$33.7 million TIF Bonds. See Note F of the report for an explanation of the swap agreement. The swap interest rate on the \$20 million portion of the bonds was 3.92906 percent at April 30, 2012, which in effect replaces the variable rate. This rate is less than the amount reported at April 30, 2011, of 5.04240 percent.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Management Discussion and Analysis**  
**April 30, 2012**

The Village realizes there are internal and external factors which have an effect on debt payments with respect to the TIF bonds. Internally, the Village continues to explore alternatives that would reduce the variable rate set by the remarketing agent on a weekly basis. Externally, the Village is confident the credit markets will ease resulting in, at a minimum, more of a convergence between the weekly variable rate set by the remarketing agent on the bonds and the variable rate set by the counterparty to the swap agreement.

Note E calculates the legal debt limit of the Village at April 30, 2012, which is \$30.0 million.

**Economic Factors and Next Year's Budget**

As previously noted, the Village was nearing its pre-recession annual sales tax amount of \$4.0 million achieved in fiscal year 2007 and 2008. It is expected that this amount will be surpassed in fiscal year 2013. In late fiscal year 2012 and early fiscal year 2013, new stores opened within the Village, i.e., Carnival Shoes, Ultra Foods and Party City. Additional stores will open shortly, including Chipotle, O'Reilly Auto Parts and Ross Dress for Less. While sales tax receipts from these stores will not be realized until October or November 2012, our goal should be achieved this year with even more sales tax realized in fiscal year 2014.

Interest rates continue to be low for the Village's TIF variable rate bonds. Based on Federal Reserve Board policy, we expect the rates on these bonds will continue to be low. In agreement with Fifth Third Bank, the holder of the Village's line of credit, the Village will retire \$845,000 semiannually beginning December 1, 2012 until maturity on December 1, 2023.

The budget for fiscal year 2013 for all funds projects revenues of \$13.7 million and expenditures/expenses of \$13.4 million. The Village is projecting additional tax revenue for sales and real estate taxes as previously noted. In addition, revenues from the water and sewer fund are projected to be higher due to a full year for the water rate increase and capital improvements fee. Expenditures/expenses are projected to remain flat except for the following areas. First, the TIF Fund will retire \$845,000 in bonds on December 1, 2012. This will be an increase over the prior year when no bonds were redeemed. Second, the water and sewer system will incur the following capital improvements. The pumping station will install three new variable speed pumps along with a scata and control system to improve the delivery of water to all residents and businesses. The project is expected to be completed during the first fiscal quarter of calendar 2013, at an estimated cost of \$300,000. The roof on reservoir #1 will be replaced at an estimated cost of \$400,000. Third, the Village instituted administrative judicial hearings bypassing the Cook County System. It is estimated that this will increase the Village's revenues by \$250,000 over the previous year.

The Village is also still working through numerous lawsuits relating to its water system and is incurring expenses related to this defense. That litigation and the related settlements are more fully discussed in Notes H and I of this report.

**Requests for Information**

The financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village at 13840 South Cicero Avenue, Crestwood, Illinois 60445.

# Basic Financial Statements

Village of Crestwood, Illinois

Statement of Net Assets

April 30, 2012

	Governmental Activities	Business-Type Activities	Total
<b><u>Assets and Deferred Outflows</u></b>			
Cash and Investments	\$ 8,365,844	\$ 551,100	\$ 8,916,944
Restricted Cash and Investments	294,654	-	294,654
Receivables			
Property Taxes	1,317,452	-	1,317,452
Sales Tax	631,537	-	631,537
Income Tax	483,329	-	483,329
Off-Track Betting Tax	22,490	-	22,490
Motor Fuel Tax	43,213	-	43,213
Accounts	-	115,495	115,495
Unbilled Water and Sewer	-	230,384	230,384
Other	21,957	-	21,957
Accrued Interest	62	-	62
Capital Assets	50,768,068	19,334,767	70,102,835
Deferred Outflows	3,622,895	-	3,622,895
Total Assets and Deferred Outflows	\$ 65,571,501	\$ 20,231,746	\$ 85,803,247
<b><u>Liabilities and Net Assets</u></b>			
Accounts Payable	\$ 851,390	\$ 129,470	\$ 980,860
Accrued Salaries	182,865	6,057	188,922
Accrued Interest Payable	10,365	-	10,365
Deposits	1,000	-	1,000
Deferred Revenue			
Property Tax	1,308,334	-	1,308,334
Internal Balances	(97,000)	97,000	-
Due to Other Governments	16,096	-	16,096
Noncurrent Liabilities			
Due Within One Year	1,012,401	-	1,012,401
Derivative Instrument Liability	3,622,895	-	3,622,895
Due in More Than One Year	33,393,222	-	33,393,222
Pension Obligations	245,122	-	245,122
Total Liabilities	\$ 40,546,690	\$ 232,527	\$ 40,779,217
<b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Related Debt	\$ 50,118,942	\$ 19,334,767	\$ 69,453,709
Unrestricted	(25,094,131)	664,452	(24,429,679)
Total Net Assets	\$ 25,024,811	\$ 19,999,219	\$ 45,024,030

See accompanying notes to the financial statements.

Village of Crestwood, Illinois

Statement of Activities  
Year Ended April 30, 2012

<b>FUNCTIONS/PROGRAMS</b>	Expenses	Program Revenues			Change in Net Assets		
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business Type Activities	Totals
<b>Governmental Activities:</b>							
General Government	\$ 5,487,684	\$ 1,284,349	\$ 62,197	\$ -	\$ (4,141,138)	\$ -	\$ (4,141,138)
Public Safety	2,415,728	-	-	-	(2,415,728)	-	(2,415,728)
Street and Bridge	699,427	-	-	-	(699,427)	-	(699,427)
Sanitation	620,547	-	-	-	(620,547)	-	(620,547)
Recreation	920,752	588,381	-	-	(332,371)	-	(332,371)
Tax increment financing costs	210,007	-	-	-	(210,007)	-	(210,007)
Interest on long-term debt	1,112,129	-	-	-	(1,112,129)	-	(1,112,129)
Total Government Activities	\$11,466,274	\$ 1,872,730	\$ 62,197	\$ -	\$ (9,531,347)	\$ -	\$ (9,531,347)
<b>Business Type Activities:</b>							
Water and Sewer	2,468,560	1,976,317	-	-	-	(492,243)	(492,243)
Total Primary Government	\$13,934,834	\$ 3,849,047	\$ 62,197	\$ -	\$ (9,531,347)	\$ (492,243)	\$ (10,023,590)
<b>General Revenues</b>							
Taxes							
Property					\$ 2,652,033	\$ -	\$ 2,652,033
Sales					3,823,628	-	3,823,628
Income					890,161	-	890,161
Off-track betting					270,581	-	270,581
Motor fuel tax					349,514	-	349,514
Miscellaneous					130,413	-	130,413
Unrestricted investment income					5,651	-	5,651
Total general revenues					\$ 8,121,981	\$ -	\$ 8,121,981
Change in Net Assets					\$ (1,409,366)	\$ (492,243)	\$ (1,901,609)
Net Assets							
Beginning of the Year					\$ 26,654,286	\$ 20,491,462	\$ 47,145,748
Prior Period Adjustment					(220,109)	-	(220,109)
End of the Year					\$ 25,024,811	\$ 19,999,219	\$ 45,024,030

See accompanying notes to the financial statements.

Village of Crestwood, Illinois

Balance Sheet  
Governmental Funds  
April 30, 2012

Major Governmental Funds

	General	Tax Allocation	Other Governmental	Total
<b><u>Assets</u></b>				
Cash and Investments	\$ 4,975,939	\$ 2,904,466	\$ 485,439	\$ 8,365,844
Restricted Cash and Investments	294,654	-	-	294,654
Receivables				
Property Taxes	782,980	534,472	-	1,317,452
Sales Tax	466,100	165,437	-	631,537
Income Tax	483,329	-	-	483,329
Off-Track Betting Tax	22,490	-	-	22,490
Motor Fuel Tax	-	-	43,213	43,213
Due from Insurance	-	-	-	-
Other	21,957	-	-	21,957
Accrued Interest	-	62	-	62
Due from Other Funds	97,000	2,141,405	45,000	2,283,405
Total Assets	<u>\$ 7,144,449</u>	<u>\$ 5,745,842</u>	<u>\$ 573,652</u>	<u>\$ 13,463,943</u>
<b><u>Liabilities and Fund Balance</u></b>				
Accounts Payable	\$ 806,846	\$ -	\$ 44,544	\$ 851,390
Accrued Salaries	171,227	-	11,638	182,865
Deposits	1,000	-	-	1,000
Deferred Revenue				
Property tax	773,859	534,475	-	1,308,334
Due to other Governments	15,200	-	-	15,200
Due to Other Funds	2,187,301	-	-	2,187,301
Total Liabilities	<u>\$ 3,955,433</u>	<u>\$ 534,475</u>	<u>\$ 56,182</u>	<u>\$ 4,546,090</u>
<b><u>Fund Balance</u></b>				
Restricted				
Tax Increment Financing Loan	\$ -	\$ 5,211,367	\$ -	\$ 5,211,367
Motor Fuel	-	-	449,830	449,830
Assigned				
Recreation	-	-	67,640	67,640
Unassigned	3,189,016	-	-	3,189,016
Total Fund Balance	<u>\$ 3,189,016</u>	<u>\$ 5,211,367</u>	<u>\$ 517,470</u>	<u>\$ 8,917,853</u>
Total Liabilities and Fund Balance	<u>\$ 7,144,449</u>	<u>\$ 5,745,842</u>	<u>\$ 573,652</u>	<u>\$ 13,463,943</u>

See the accompanying notes to the financial statements.

Village of Crestwood, Illinois  
Reconciliation of the Total Fund Balance of Governmental Funds  
to Net Assets of Governmental Activities  
April 30, 2012

Total Fund Balance of Governmental Funds	\$ 8,917,853
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 governmental funds.	50,768,068
Some liabilities reported in the Statement of Activities do not require the use of current financial resources; and therefore, are not reported in governmental funds. These activities consist of:	
Notes Payable	(34,389,122)
Compensated Absences	(16,501)
Pension Obligations	(245,122)
Accrued interest on long-term liabilities is shown as a liability on the statement of net assets.	(10,365)
Net Assets of Governmental Activities	\$ 25,024,811

See the accompanying notes to the financial statements.

Village of Crestwood, Illinois

Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
Year Ended April 30, 2012

Major Governmental Funds

	General	Tax Allocation	Other Governmental	Total
<b><u>Revenues</u></b>				
Taxes				
Property	\$ 1,472,662	\$ 1,134,371	\$ 45,000	\$ 2,652,033
Sales	2,772,044	1,051,584	-	3,823,628
State Income	890,161	-	-	890,161
Off-Track Betting	270,581	-	-	270,581
Motor Fuel	-	-	349,514	349,514
Miscellaneous	130,413	-	-	130,413
Intergovernmental	62,197	-	-	62,197
Licenses and Permits	363,053	-	-	363,053
Fines and Penalties	58,933	-	-	58,933
Charges for Services	-	-	588,381	588,381
Miscellaneous	862,363	-	-	862,363
Interest	3,598	1,824	229	5,651
Total Revenues	<u>\$ 6,886,005</u>	<u>\$ 2,187,779</u>	<u>\$ 983,124</u>	<u>\$ 10,056,908</u>
<b><u>Expenditures</u></b>				
Current				
General Government	\$ 3,777,382	\$ 7,708	\$ -	\$ 3,785,090
Public Safety	2,382,584	-	-	2,382,584
Parks and Recreation	177,208	-	-	177,208
Street and Bridge	563,643	-	107,740	671,383
Garbage Disposal	620,547	-	-	620,547
Recreation	-	-	603,905	603,905
Tax Increment Financing	-	210,007	-	210,007
Debt Service	264,894	1,114,520	-	1,379,414
Capital Outlay				
General Government	75,188	-	-	75,188
Public Safety	138,800	-	-	138,800
Parks and Recreation	60,244	-	-	60,244
Recreation	-	-	28,639	28,639
Street and Bridge	86,995	-	-	86,995
Total Expenditures	<u>\$ 8,147,485</u>	<u>\$ 1,332,235</u>	<u>\$ 740,284</u>	<u>\$ 10,220,004</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	\$ (1,261,480)	\$ 855,544	\$ 242,840	\$ (163,096)
<b><u>Other Financing Sources</u></b>				
Sale of Capital Assets	6,200	-	-	6,200
Bank Loan	171,595	-	-	171,595
Net Change in Fund Balance	<u>\$ (1,083,685)</u>	<u>\$ 855,544</u>	<u>\$ 242,840</u>	<u>\$ 14,699</u>
Fund Balance, Beginning of Year	<u>4,272,701</u>	<u>4,355,823</u>	<u>274,630</u>	<u>8,903,154</u>
Fund Balance, End of Year	<u><u>\$ 3,189,016</u></u>	<u><u>\$ 5,211,367</u></u>	<u><u>\$ 517,470</u></u>	<u><u>\$ 8,917,853</u></u>

See accompanying notes to the financial statements.

Village of Crestwood, Illinois

Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended April 30, 2012

Net Change in Fund Balances of Governmental Activities \$ 14,699

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of net assets, the cost of these assets is capitalized and they are depreciated over their estimated useful lives with depreciation expense reported in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements.	389,866
Depreciation is reported in the government-wide statements	(1,870,277)
In the statement of activities, the loss or gain on the sale of capital assets is recognized. Governmental funds recognize only the proceeds for the sale of these assets.	
Loss on the disposal of capital assets	(8,131)
Proceeds from the sale or disposition of capital assets	(6,200)

The issuance of long-term debt is reported as revenue when received in governmental funds but as an addition of principal outstanding in the statement of activities. (171,594)

The repayment of the principal portion of long-term debt is reported as an expenditure when in governmental funds, but as a reduction of principal outstanding in the statement of activities. 235,580

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental funds.

Accrual of interest is reported as interest expense on the statement of activities	31,704
Change in Pension Obligation	<u>(25,013)</u>

Change in Net Assets of Governmental Activities (Statement of Activities) \$ (1,409,366)

See accompanying notes to the financial statements.

# Proprietary Fund

Village of Crestwood, Illinois

Proprietary Fund  
Statement of Net Assets  
For the Year Ended April 30, 2012

	<u>Business-Type Activities Water &amp; Sewer Fund</u>
<b><u>Assets</u></b>	
Current Assets	
Cash and Investments	\$ 551,100
Receivables	
Accounts	115,495
Unbilled Water and Sewer Charges	<u>230,384</u>
Total Current Assets	\$ 896,979
NonCurrent Assets	
Water and Sewer System	\$ 25,714,450
Equipment	<u>157,748</u>
Subtotal	\$ 25,872,198
Less: Accumulated Depreciation	<u>6,537,431</u>
	<u>19,334,767</u>
 Total Assets	 <u><u>\$ 20,231,746</u></u>
 <b><u>Liabilities and Net Assets</u></b>	
Current Liabilities	
Accounts Payable	\$ 129,470
Accrued Salaries	6,057
Due to General Fund	<u>97,000</u>
 Total Current Liabilities	 <u>\$ 232,527</u>
 <b><u>Net Assets</u></b>	
Invested in Capital Assets	\$ 19,334,767
Unrestricted	<u>664,452</u>
 Total Net Assets	 <u><u>\$ 19,999,219</u></u>

See accompanying notes to the financial statements.

Village of Crestwood, Illinois

Proprietary Fund  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Year Ended April 30, 2012

	<u>Business-Type Activities Water &amp; Sewer Fund</u>
<b><u>Operating Revenues</u></b>	
Charges for Services	
Water and Sewer	\$ 1,903,665
Penalties	33,577
Tap-In and Connection Fees	2,500
Capital Improvements	28,030
Miscellaneous	8,545
Total Revenues	<u>\$ 1,976,317</u>
<b><u>Operating Expenses</u></b>	
Operations	\$ 1,814,070
Depreciation	654,490
Total Operating Expenses	<u>\$ 2,468,560</u>
Change in Net Assets	\$ (492,243)
Net Assets, Beginning of the Year	<u>20,491,462</u>
Net Assets, End of the Year	<u><u>\$ 19,999,219</u></u>

See accompanying notes to the financial statements.

Village of Crestwood, Illinois

Proprietary Funds  
Statement of Cash Flows  
For the Year Ended April 30, 2012

		<u>Business-type Activities Water &amp; Sewer Fund</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 1,911,657	
Cash Payments to Suppliers and Employees	<u>(1,789,858)</u>	
		\$ 121,799
<u>Cash Flows from Non-Capital Financing Activities</u>		
Advance from General Fund		<u>13,000</u>
Net Increase (Decrease) in Cash		\$ 134,799
Cash, Beginning of Year		<u>416,301</u>
Cash, End of Year		<u><u>\$ 551,100</u></u>
Reconciliation of Operating Income (Loss) to Net Cash provided by (Used in) Operating Activities		
Operating Income (Loss)		\$ (492,243)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities		
Depreciation		654,490
Changes in Assets/Liabilities		
Accounts/Unbilled Receivables		(64,660)
Accounts Payable		<u>24,212</u>
Net Cash provided by Operating Activities		<u><u>\$ 121,799</u></u>

See accompanying notes to the financial statements.

# Fiduciary Fund



Village of Crestwood, Illinois

Fiduciary Fund  
Statement of Changes in Fiduciary Net Assets  
For the Year Ended April 30, 2012

	<u>Business-type Activities Police Pension Fund</u>
Additions	
Property Tax	\$ 35,825
Employee Contributions	14,245
Interest Income	46
	<u>\$ 50,116</u>
Deductions	
Filing and Miscellaneous fees	\$ 700
Pension Benefits	85,658
	<u>\$ 86,358</u>
Net Increase (Decrease)	\$ (36,242)
Net Assets held in Trust for Pension Benefits May 1st, 2011	<u>192,379</u>
April 30, 2012	<u><u>\$ 156,137</u></u>

See accompanying notes to the financial statements.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Basic Financial Statements**  
**April 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Crestwood, Illinois (the Village) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. During the year ended April 30, 2011, the Village adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by providing for the recognition, measurement, and disclosure of derivative instrument transactions. Derivative instruments such as interest rate swaps, swaptions, forward contracts, and future contracts are entered into by governments as investments, hedges of identified financial risks associated with assets or liabilities, or expected transactions (i.e., hedgable items); to lower the cost of borrowings; to effectively fix cash flows or synthetically fix prices; or to offset the changes in fair value of hedgable items. A key provision of GASB Statement No. 53 is that certain derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, are reported at fair value by governments in their financial statements.

The financial reporting impact resulting from the implementation of GASB Statement No. 53 is the recognition within the financial statements of a liability for hedging derivative instrument liabilities whose negative fair value and deferred outflows of resources as of April 30, 2012 totaled \$3,622,895. Refer to Note F for additional disclosures related to this statement.

The following is a summary of the Village's more significant accounting policies:

1. Reporting Entity

The Village is a municipal corporation governed by an elected mayor, six trustees and the clerk. As required by generally accepted accounting principles, these financial statements present the Village (the primary government) and its component units. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was based upon the significance of its operational or financial relationship with the primary government. A blended component unit, although legally separate, is, in substance, part of the Village's operations and so data from this unit is combined with the data of the primary government. A discretely presented component unit, on the other hand, is reported in a separate column on the government-wide financial statements to emphasize it is legally separate from the Village. The Village has one blended component unit (Police Pension Fund) and no discretely presented component units.

The Village's financial statements include the Police Pension Fund as a pension trust fund. The Village's sworn full-time police officers participate in this fund, which is governed by a five-member pension board. Two members appointed by the Mayor, the Village Treasurer and two elected police officers constitute the pension board. The Village and the police pension fund participants are obligated to fund all the pension costs based upon actuarial valuations, including administrative costs. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of the contribution levels. The Police Pension Fund is reported as a pension trust fund because of the Village's fiduciary responsibility.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Basic Financial Statements**  
**April 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Accounting

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

Funds are classified into the following categories: governmental, proprietary and fiduciary.

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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds, the Village has chosen to apply all GASB pronouncements as well as those FASB pronouncements issued on or before November 30, 1989 to account for its enterprise fund.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Village. The Village utilizes pension trust funds which are generally used to account for assets that the Village holds in a fiduciary capacity or on behalf of others as their agent.

3. Government-Wide and Fund Financial Statements

The Village's basic financial statements consist of both the government-wide financial statements, including a Statement of Net Assets and a Statement of Activities, and the fund financial statements which provide a more detailed level of financial information.

The Statement of Net Assets and the Statement of Activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the financial condition of the governmental activities of the Village at year end. The Statement of Net Assets includes all current assets and current liabilities and all capital assets, net of accumulated depreciation, and long-term debt associated with the operation of the Village.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Basic Financial Statements**  
**April 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide (continued)

The Statement of Activities presents a comparison between direct expenditures and program revenues for each program or function of the Village's governmental activities. Direct expenditures are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include both charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Village. The comparison of direct expenditures with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Village.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Tax Increment Financing Fund is used to account for the incremental property tax and sales taxes generated in the Tax Increment Financing District to be used to retire the 135<sup>th</sup> and Cicero Tax Increment Financing Bonds.

The Village reports the following major enterprise fund:

The Water and Sewer Fund is used to account for the activities of the water and sewer operations.

Additionally, the Village reports the following fiduciary fund:

The Pension Fund is used to account for the police pension activity.

4. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the "economic resources measurement focus" and the "accrual basis of accounting", as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Operating revenues/expenses include all revenues/expenses directly related to providing water and sewer services. Incidental revenues/expenses related to these services are reported as non-operating.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Basic Financial Statements**  
**April 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Government 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except as noted hereinafter. Some State of Illinois tax payments to the Village, such as income tax, have been delayed due to a lack of sufficient or timely state revenues. The Village considers this a highly unusual circumstance, and, to not artificially distort revenue patterns, has in these cases recognized revenue beyond the 60 day period. Expenditures generally are when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, sales taxes, income taxes, off-track betting taxes, motor fuel taxes, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports deferred and/or unearned revenue on its financial statements. Deferred/unearned revenue arises when potential revenue does not meet both the "measurable" and "available" or "earned" criteria for recognition in the current period. Deferred/unearned revenues also arise when resources are received by the Village before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Village has a legal claim to the resources, the liability for deferred/unearned revenue is removed and revenue is recognized.

Differences between the government-wide financial statements and the fund financial statements are briefly explained in reconciliations included in the fund financial statements.

5. Cash and Investments

For purposes of the statement of cash flows, the Village's proprietary fund considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents.

Investments with a maturity of one year or less when purchased are stated at cost or amortized cost. Investments with a maturity greater than one year and all investments of the pension trust fund are stated at fair value except for non-negotiable certificates of deposit which are recorded at cost.

Illinois Funds, a money market mutual fund created by the Illinois State Legislature and controlled by the Illinois State Treasurer is reported at a \$1 per share value, which equals the fair value in the pool.

Restricted cash and investments consist of amounts held at Fifth Third Bank, as required, under the bond indenture agreement for the Village's Variable Rate Tax Increment Revenue Bonds, Series 2004.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Basic Financial Statements**  
**April 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Interfund Receivables/Payables

Activity 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” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent 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 government-wide financial statements as “Internal Balances”.

7. Inventories and prepaid items

The Village does not maintain inventories material to the financial statements. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

8. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, storm sewers and similar items on a prospective basis effective April 1, 2005) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$2,500 for equipment, \$10,000 for buildings and improvements and \$50,000 for infrastructure assets and estimated useful lives in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs, including street overlays that do not add to the value or service capacity of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

- Buildings	50 years
- Improvements other than buildings	5-25 years
- Machinery, furniture and equipment	3-20 years
- Vehicles	7-15 years
- Infrastructure	30-40 years

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the government fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial statements. Bond premiums and discounts and gains/losses on refunding, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount and gains/losses on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Basic Financial Statements**  
**April 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations (continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current year. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Fund Balances/Net Assets

Beginning with fiscal year 2012, the Township implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

\*Non-Spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

\*Restricted - amounts that can be spent only for specific purposes because on constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, or laws or regulations or other governments.

\*Committed - amounts that can be used only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, or laws or regulations or other governments.

\*Assigned - amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Under the Village's adopted policy, only the Village may assign amounts for specific purposes.

\*Unassigned - all other spendable amounts; positive amounts that are reported only in the general fund.

When an expenditure is incurred for which both restricted and unrestricted fund balance is available, the Village considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Village considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Village's Board of Trustees has provided otherwise in its commitment or assignment actions.

As part of the Village's agreement with Fifth Third Bank with respect to the 135th and Cicero tax increment financing district, as hereinafter noted, amounts deposited in accounts with the bank are shown on the governmental fund statements and the statement of net assets as restricted cash and investments.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Basic Financial Statements**  
**April 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Interfund Transactions

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

12. Deferred Outflows

Deferred outflows represent the fair value of derivative instruments that are deemed to be effective.

13. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – DEPOSITS AND INVESTMENTS

Cash and investments are separately held by each of the Village’s funds, including the pension trust fund.

Investment policies of the Village and the pension trust fund are limited by Illinois Compiled Statutes. In that regard, deposits/investments are limited to deposits/investments in insured commercial banks, obligations of the U.S. Treasury and U.S. agencies, certificates of deposit issued by commercial banks that are FDIC insured or collateralized, commercial paper that has the highest rating classifications by at least one of the standard rating agencies and has one of the two highest rating classifications by at least two of the standard rating agencies, the Illinois Public Treasurer’s Investment Pool and any money market mutual fund permissible under State law. Repurchase agreements are not permissible under the investment policy.

As of April 30, 2012, the Village had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>
Illinois Funds	\$ 23,861	\$ 23,861	\$ -
U. S. Obligations	691,988	691,988	-

The Village had no investments with maturities greater than one year. The remainder of the Village’s investments is in money market funds and certificates of deposit with financial institutions covered by FDIC.

As of April 30, 2012, the Police Pension Fund had no investments other than money market funds and certificates of deposit with financial institutions covered by FDIC. None of these investments have maturities greater than one year.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Basic Financial Statements**  
**April 30, 2012**

**NOTE B – DEPOSITS AND INVESTMENTS (Continued)**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Village has limited its exposure to interest rate risk by structuring the portfolios to provide liquidity for cash requirements for ongoing operations in money market funds and Illinois Funds. The Police Pension Fund has limited its exposure to interest rate risk by structuring the portfolio to provide liquidity for cash requirements for ongoing operations in money market funds.

Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. The Village limits its exposure to credit risk with investments to Illinois Funds. The Illinois Funds Money Market has earned Standard & Poor's highest rating (AAAm). The Police Pension Fund has no debt security.

Concentration of credit risk is the risk that the Village or Police Pension Fund has a high percentage of its investments invested in one type of investment. Neither the Village nor the pension trust fund has significant investments. The policy is to maintain most funds in FDIC insured money market funds and certificates of deposit maturing in one year or less to ensure that proper liquidity is maintained in order to meet ongoing obligations.

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance, at an amount not less than 102% of the market value of principal and interest accrued. As of April 30, 2012, the deposits of the Village are either insured by the FDIC or fully collateralized.

Custodial credit risk for investments 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 that are in the possession of the outside party. The Village has not maintained a high percentage of its investments in one type of investment. The pension trust fund has no investments with outside parties.

**NOTE C – PROPERTY TAX**

Property taxes for 2011 attach as an enforceable lien on January 1, 2011, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about February 1, 2012 and August 1, 2012, and are payable in two installments, on or about March 1, 2012 and September 1, 2012. Tax increment financing (TIF) property tax receipts are received in two installments similar to levied taxes described above. TIF property taxes are not levied, but are paid by the County from incremental property tax receipts of all taxing bodies within the TIF District. The County collects such taxes and remits them periodically. The 2011 levy is intended to partially fund expenditures for fiscal year 2012 to the extent of collections through April 30, 2012, and 60 days subsequent to that date. The remainder of the 2011 levy is deferred as of April 30, 2012.

The 2012 tax levy, which attached as an enforceable lien on property as of January 1, 2012, has not been recorded as a receivable as of April 30, 2012, as the tax has not yet been levied by the Village and will not be levied until December 2012, and, therefore, the levy is not measureable at April 30, 2012.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Basic Financial Statements**  
**April 30, 2012**

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated				
Land	\$ 7,868,426	\$ -	\$ -	\$ 7,868,426
Capital assets being depreciated				
Infrastructure	39,641,771	-	-	39,641,771
Buildings	13,599,715	-	-	13,599,715
Buildings improvements	366,426	68,025	-	434,451
Equipment, furniture and fixtures	1,152,583	118,046	-	1,270,629
Vehicles	2,362,919	203,795	59,508	2,507,206
	<u>\$ 64,991,840</u>	<u>\$ 389,866</u>	<u>\$ 59,508</u>	<u>\$ 65,322,198</u>
Less accumulated depreciation	<u>12,729,030</u>	<u>1,870,277</u>	<u>45,177</u>	<u>14,554,130</u>
Total Governmental, net	<u><u>\$ 52,262,810</u></u>	<u><u>\$ (1,480,411)</u></u>	<u><u>\$ 14,331</u></u>	<u><u>\$ 50,768,068</u></u>
<b>Business-type Activities</b>				
Water & Sewer System	\$ 25,714,450	\$ -	\$ -	\$ 25,714,450
Equipment	157,748	-	-	157,748
	<u>\$ 25,872,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,872,198</u>
Less accumulated depreciation	<u>5,882,942</u>	<u>654,490</u>	<u>-</u>	<u>6,537,432</u>
Total Business-Type, net	<u><u>\$ 19,989,256</u></u>	<u><u>\$ (654,490)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 19,334,766</u></u>

Depreciation expense was charged to functions as follows:

Governmental Activities:

General Government	\$ 1,499,849
Public Safety	202,745
Street and Bridge	28,044
Recreation	139,639
Total Governmental Activities Depreciation Expense	<u><u>\$ 1,870,277</u></u>

Business-type Activities:

Water and Sewer	<u><u>\$ 654,490</u></u>
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**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Basic Financial Statements**  
**April 30, 2012**

NOTE E – LONG-TERM DEBT

The following is a summary of long-term debt of the Village at April 30, 2012:

*Loans Payable*

On April 20, 2005, the Village obtained an installment loan from First Midwest Bank in the amount of \$368,800 to purchase a fire truck. The loan is to be repaid in 120 monthly installments of \$3,831.21, including interest, at the rate of 4.49% per annum commencing May 20, 2005. The loan, which is secured by the fire truck, has a balance due at April 30, 2012 of \$128,867.44.

On February 26, 2006, the Village obtained an installment loan from First Midwest Bank in the amount of \$700,000 to construct a new police station building. The loan is to be repaid in 120 monthly installments of \$7,119.07, including interest, at the rate of 3.97% per annum commencing April 27, 2006. The loan, which is secured by the building, has a balance due at April 30, 2011 of \$309,024.36.

On February 26, 2007, the Village obtained an installment loan from First Midwest Bank in the amount of \$74,011 to finance a dump truck. The loan is to be repaid in 60 monthly installments of \$1,374.07, including interest, at the rate of 4.33% per annum commencing March 26, 2007. The loan, which is secured by the dump truck, has been paid off during the fiscal year ending April 30, 2012.

On August 25, 2010, the Village obtained an installment loan from First Midwest Bank in the amount of \$42,300 to purchase police vehicles. The loan is to be repaid in 12 monthly installments of \$3,593.95, including interest, at the rate of 4.19%, per annum commencing September 1, 2010. The loan, which is secured by the police vehicles, has been paid off during the fiscal year ending April 30, 2012.

On November 29, 2010, the Village obtained an installment loan from First Midwest Bank in the amount of \$140,236 to purchase an ambulance. The loan is to be repaid in 120 monthly installments of \$1,437.61, including interest, at the rate of 4.19% per annum commencing January 5, 2011. The loan, which is secured by the ambulance, has a balance due at April 30, 2012 of \$125,221.16.

On June 10, 2011, the Village obtained an installment loan from A.J. Smith Federal Savings Bank in the amount of \$84,600 to purchase 4 police vehicles. The loan is to be repaid in 12 monthly installments of \$7,147.48, including interest at the rate of 2.5428% per annum commencing June 10, 2011. The loan, which is secured by the police vehicles, has a balance due at April 30, 2012 of \$7,132.37.

On September 25, 2011 the Village obtained an installment loan from A.J. Smith Federal Savings Bank in the amount of \$86,995 to purchase a dump truck. The loan is to be repaid in 60 monthly installments of \$1,564.93, including interest at the rate of 3.0451% per annum commencing September 25, 2011. The loan, which is secured by the dump trucks, has a balance due at April 30, 2012 of \$78,878.54.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Basic Financial Statements**  
**April 30, 2012**

NOTE E – LONG-TERM DEBT (Continued)

*Tax Increment Financing Bonds*

On April 29, 2004 the Village issued \$34,740,000 in variable rate tax increment financing revenue bonds series 2004 with interest paid in weekly mode. (The Village has retired \$1,000,000 of the original bond issuance - remaining balance of \$33,740,000). The proceeds are being used in the 135th and Cicero Redevelopment Project Area. Bonds payable in the weekly mode are subject to redemption prior to maturity. These bonds, together with interest, are limited obligations of the Village, payable solely and only from the collection of "tax receipts" (i.e. incremental property taxes collected with respect to taxable real property in the redevelopment area and sales tax on transactions at places of business located within the boundaries of the Village), bond proceeds and earnings thereon. The bonds do not constitute an indebtedness of the Village or line of credit thereof within the meaning of any statutory or constitutional provision. As of April 1, 2012, the Village has amended the reimbursement agreement between the Village and Fifth Third Bank. Per this agreement, the Village has agreed to redeem \$845,000 principal semi-annually beginning December 1, 2012 with a final payout of \$15,995,000 at the maturity date of December 1, 2023.

Changes in long-term liabilities: During the year ended April 30, 2012, the following changes occurred in liabilities reported in the statement of net assets:

	5/1/2011 Balances	Additions	Reductions	4/30/2012 Balances	Due Within One year
Governmental activities:					
TIF Bonds	\$ 33,740,000	\$ -	\$ -	\$ 33,740,000	\$ 845,000
Notes payable & compensated absences	729,609	188,095	252,081	665,623	167,401
	<u>\$ 34,469,609</u>	<u>\$ 188,095</u>	<u>\$ 252,081</u>	<u>\$ 34,405,623</u>	<u>\$ 1,012,401</u>

In accordance with the amended agreement for the tax increment financing bonds, the Village has agreed to redeem \$845,000 semi-annually until maturity in 2024. The annual debt service requirements to retire all outstanding

Fiscal Year	Principal	Interest	Interest Rate Swap	Total
2013	\$ 1,012,401	\$ 156,496	\$ 671,100	\$ 1,839,997
2014	1,839,672	143,816	671,100	2,654,588
2015	1,846,218	130,906	671,100	2,648,224
2016	1,800,011	118,696	671,100	2,589,807
2017	1,713,724	109,340	671,100	2,494,164
2018-2022	8,508,597	435,654	1,789,600	10,733,851
2023-2024	17,685,000	101,298	-	17,786,298
	<u>\$ 34,405,623</u>	<u>\$ 1,196,206</u>	<u>\$ 5,145,100</u>	<u>\$ 40,746,929</u>

The interest rate swap column above represents the swap payments on \$20 million of the variable rate tax increment revenue bonds series 2004 as detailed in Note F.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Basic Financial Statements**  
**April 30, 2012**

NOTE E – LONG-TERM DEBT (Continued)

The Village's legal debt margin at April 30, 2012 is as follows:

Equalized assessed valuation (EAV)	\$ 347,894,841
Maximum rate (65 ILCS 5/8-5-1)	<u>8.625 %</u>
Legal debt limit	<u><u>\$ 30,005,930</u></u>

Since the TIF bonds are neither general obligation bonds or the subject of a tax levy they are not included in the legal debt limit calculation.

Total Outstanding Debt	\$ 34,405,370
Less: TIF Bonds	<u>(33,740,000)</u>
Net Debt Outstanding	<u><u>\$ 665,370</u></u>

NOTE F – INTEREST RATE SWAP

*Objective of the interest rate swap*: As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in April 2004, the Village entered into an interest rate swap with Fifth Third Bank (counterparty) in connection with its \$34,740,000 variable rate tax increment revenue bonds series 2004. The intention of the swap was to effectively change the Village's variable interest rate on \$20 million of the bonds to a fixed rate of 3.345%. The swap agreement was effective May 12, 2004, until its termination date on May 1, 2009. On May 1, 2009 the swap agreement was extended to December 30, 2018 with a fixed rate of 3.69%.

	<u>Change in Fair Value</u>		<u>Fair Value at April 30, 2012</u>		<u>Notional Amount</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
<b><i>Governmental Activities</i></b>					
Cash Flow Hedges:					
	<i>Deferred</i>		<i>Derivative</i>		
Pay-fixed Rate	<i>Outflow of</i>		<i>Instrument</i>		
Swaps	<i>Resources</i>	<u><u>\$ (1,074,912)</u></u>	<i>Liability</i>	<u><u>\$ (3,622,895)</u></u>	\$ 20,000,000

*Terms*: The bonds mature in 2024, unless optionally redeemed prior to that date, and, as noted above, the swap terminates on December 30, 2018 (market access risk). Under the swap in effect at April 30, 2011, the Village pays Fifth Third Bank a fixed payment of 3.690 percent and receives a variable payment computed as 67 percent of the London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$20 million and the associated variable-rate bond currently has a \$33.740 million principal amount. The bonds' variable-rate coupons are set weekly by the remarketing agent and are equal to the lowest interest rate which, in the judgment of the remarketing agent, would enable each such bond to be remarketed. If the weekly rate is not determined by the remarketing agent, then the rate would be equal to the Bond Market Association Municipal Swap Index (BMA) rate. As of April 30, 2012, rates were as follows:

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Basic Financial Statements**  
**April 30, 2012**

NOTE F – INTEREST RATE SWAP (continued)

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.69000%
Variable payment from counterparty	67% of LIBOR (	<u>0.16094%</u> )
Net interest rate swap payments		3.52906%
Variable-rate bond coupon payments	Noted above	<u>0.40000%</u>
Synthetic interest rate on bonds		<u><u>3.92906%</u></u>

*Fair value* : Because interest rates have declined since execution of the swap, the swap had a negative fair value of \$3,622,895 as of April 30, 2012. The swap's negative fair value has not been countered by a reduction in total interest payments required under the variable-rate bonds, creating a higher synthetic interest rate. Because the Village's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

*Credit risk* : As of April 30, 2012, the Village was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Village would be exposed to credit risk in the amount of the derivative's fair value.

*Interest rate risk* : The Village is exposed to interest rate risk on its interest rate swap. On its pay-fixed, receive variable interest rate swap, as LIBOR or the weekly remarketed (or BMA) swap index decreases, the Village's net payment on the swap increases.

*Basis risk* : The swap exposes the Village to basis risk should the relationship between LIBOR and the weekly remarketed (or BMA) rate converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended swap rate (3.690 percent) and the actual rate as of April 30, 2012 (3.92906 percent). Based on this, the expected cost savings has not been realized. As of April 30, 2012, the remarketed interest rate on the bonds was 0.4 percent, whereas the LIBOR rate was 0.23875 percent.

*Termination risk* : The Village or Fifth Third Bank may terminate the swap if the other party fails to perform under the terms of the contract as noted in the ISDA Master Swap Agreement. If the swap is terminated, the variable rate tax increment revenue bonds series 2004 would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Village would be liable to the counterparty for a payment equal to the swap's fair value.

*Rollover risk*: The Village is exposed to rollover risk since the swap terminates prior to the maturity of the associated debt as noted above. When this swap terminates, the Village will not realize the synthetic rate offered by the swap on the underlying debt issue.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Basic Financial Statements**  
**April 30, 2012**

**NOTE G – RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to the Village's employees. These risks, along with medical claims for employees, are provided for through private insurance coverage. There were no significant changes in insurance coverage from the prior year and settlements did not exceed coverage for the current year. See Note H to the financial statements for further information related to the Water Litigation, settlement paid in the current year and insurance coverage for the Water Litigation. The Village is self-insured for the first \$25,000 of coverage for each occurrence or claim in each of the following areas: property, comprehensive general liability, automobile liability, public officials' miscellaneous liability and employee benefits liability. The self-insured amount is \$50,000 for law enforcement activities. The aggregate loss above is limited to \$175,000 annually.

The Village is self-insured for the first \$25,000 of coverage for each occurrence or claim in each of the following areas: property, comprehensive general liability, automobile liability, public officials' miscellaneous liability and employee benefits liability. The self-insured amount is \$50,000 for law enforcement activities. The aggregate loss above is limited to \$175,000 annually.

**NOTE H – CONTINGENT LIABILITIES**

**A. Water Litigation**

Lawsuits have been filed, commencing in 2009, by approximately 220 individuals claiming unspecified personal injuries caused by exposure to the allegedly unsafe water supplied by the Village and also claiming that they were defrauded into purchasing tainted water. Plaintiffs' theories include unjust enrichment, negligence, strict liability and wrongful death. All cases have been consolidated into *Barrera, et al. v. Village of Crestwood*, 2009 L 7091 and are now pending before Judge Brewer in the Circuit Court of Cook County, Illinois. A request to grant class action status to those claims has been rejected by the Court. The Village has a pending motion for summary judgment based upon the available evidence that would resolve such cases. The court has yet to make a final disposition of that motion.

The Illinois Attorney General filed a complaint against the Village and several current and former Village officials. The complaint alleges that the Village violated various State statutes and regulations in its monitoring and reporting of the use and quality of well water. In addition to injunctive relief, the complaint seeks civil penalties. The ultimate outcome of the litigation is uncertain.

The Village continues to receive reimbursement of 25% of its Water Litigation expenses for such claims relating to personal injury pursuant to an agreement with one of its former insurance carriers.

In light of the foregoing, the Village is unable to assess its financial exposure and no amount has been accrued in these financial statements.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Basic Financial Statements**  
**April 30, 2012**

NOTE H – CONTINGENT LIABILITIES (continued)

B. Other Litigation.

The Village is involved in other litigation arising in the ordinary course of its operations. The Village’s attorney has advised the Village that its ultimate liability, if any, in connection with these other matters would not adversely affect the financial condition of the Village.

The Village has agreed to indemnify Theresa Neubauer, a defendant in a criminal indictment to the extent of \$200,000 for her actions as a Village employee in connection with the Water Litigation. Those sums have been paid in full.

The Village has agreed to indemnify Frank Scaccia, a defendant in a criminal indictment to the extent of \$150,000 for his actions as a Village employee in connection with the Water Litigation. Those sums have been paid in full.

NOTE I – GRANTS

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, especially the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed if the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE J – INDIVIDUAL FUND DISCLOSURES

Interfund transactions at April 30, 2012 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water & Sewer	\$ 97,000
Tax Increment Financing	General	\$ 2,141,405
Recreation	General	\$ 45,000
Police Pension	General	\$ 896

The Village receives monthly sales tax as one amount with no allocation between the amount received for the TIF district and the regular sales tax amount. The sales tax breakdown for the TIF district is supplied to the Village by the Illinois Department of Revenue at a later date. The above amount of \$2,141,405 represents TIF sales tax collected by the General Fund not yet remitted to the Tax Increment Financing Fund.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Basic Financial Statements**  
**April 30, 2012**

**NOTE K – CONDUIT DEBT OBLIGATION**

In December 2010, the Village issued \$24,025,000 Adjustable Rate Demand Revenue Bonds (Trinity Christian College Association, Series 2010). The proceeds from the sale of the bonds were lent by the Village to Trinity Christian College through a promissory note in the above principal amount. The college used the bonds to refund prior debt and finance, refinance or reimburse itself for all or a portion of the costs of the acquisition, construction, renovation, improvement, remodeling and equipping of certain educational facilities. RBS Citizens Bank has issued, on behalf of the owners of the bonds, an irrevocable transferable direct pay letter of credit securing the bonds. Neither the Village, nor the State nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**NOTE L - RETIREMENT FUND COMMITMENTS – POLICE PENSION FUND**

The Village contributes to one defined benefit pension plan, the Police Pension Plan, which is a single-employer pension plan. The benefit levels, employee contributions and employer contributions are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. The police pension plan does not issue a separate report.

Full-time police officers are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by the Illinois Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. At April 30, 2012, the plan membership consisted of two current employees that are non-vested, one retired employee receiving benefits and three surviving spouses receiving benefits.

The following is a summary of the plan as provided by Illinois statute. The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, and 1% of such salary for each additional year of service over 30 years, to a maximum of 75% of such salary. Employees with at least 8 years, but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit.

The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1993 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% simple interest annually thereafter.

Covered employees are required by Illinois statute to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2033, the Village's contributions must accumulate to the point where the past service cost for the plan is fully paid.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Basic Financial Statements**  
**April 30, 2012**

NOTE L - RETIREMENT FUND COMMITMENTS – POLICE PENSION FUND (continued)

At April 30, 2012, the entire portfolio of the Plan was invested in either a money market fund or certificates of deposit with one financial institution totaling \$155,241. Based on this, the investments are recorded at cost.

The information presented was determined as part of the latest actuarial valuation as of April 30, 2012. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the asset valuation method was 3-year smoothed market; the amortization method was level percentage of projected payroll – closed basis; the amortization period was 29 years. The significant actuarial assumptions were an investment rate of return at 7.0% compounded annually, a projected salary increase assumption of 5.5% compounded annually, and post-retirement benefit increases of 3% compounded annually.

The Village's annual pension cost and net pension asset to the Plan for the year ended April 30, 2012 and 2011 were as follows:

	2012	2011
Annual required contribution	\$ 54,494	\$ 50,000
Interest on net pension obligation	15,408	14,000
Adjustment to annual requirement contribution	(9,064)	(10,256)
Annual pension cost	60,838	53,744
Contributions made	35,825	33,635
Increase in net pension obligation	25,013	20,109
Net pension obligation (asset), beginning of year	220,109	200,000
Net pension obligation, end of year	\$ 245,122	\$ 220,109

Three year trend information

Fiscal Year	Annual Required Contribution (ARC)	Actual Contributions	Percentage of ARC Contributed	Net Pension Obligation
4/30/2012	\$ 60,838	\$ 35,825	59	\$ 245,122
4/30/2011	\$ 53,744	\$ 33,635	63	\$ 220,109
4/30/2010	*	\$ 43,669	*	*

\* - Information not available

NOTE M – TAX INCREMENT FINANCING DISTRICT

On May 2, 2002, the Village adopted ordinances establishing the 135th and Cicero Tax Increment Financing Redevelopment Project Area. This area is located within a parcel of property bounded by 135th Street, Cicero Avenue and Cal Sag Road. In April 2004, the Village issued Variable Rate Tax Increment Revenue Bonds, Series 2004 in the aggregate principal amount of \$34,740,000. The bonds were issued pursuant to a trust indenture dated April 1, 2004 between the Village and BNY Midwest Trust Company, as trustee. The current outstanding balance for these bonds is \$33,740,000.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Basic Financial Statements**  
**April 30, 2012**

**NOTE M – TAX INCREMENT FINANCING DISTRICT (continued)**

From the date of issuance of the bonds and through April 28, 2009 (and subsequently extended), the bonds will be payable from funds drawn under an irrevocable direct-pay letter of credit issued by Fifth Third Bank. The letter of credit permits the trustee to draw there-under in accordance with its terms to pay; (i) the principal of the bonds when due at maturity, or upon earlier redemption or acceleration, (ii) the principal portion of the purchase price of bonds tendered for purchase and not remarketed and, (iii) up to 45 days of interest at 10% per annum. The letter of credit is issued to the trustee for the benefit of bondholders and for the account of the Village and is an irrevocable obligation of Fifth Third Bank to pay a total amount not to exceed \$34,168,302, which includes the \$33,740,000 principal and \$428,302 interest for the above stated 45 days.

The bonds are limited obligations of the Village payable solely from revenues and amounts pledged therefore under the indenture, which includes certain tax receipts of the Village constituting sales tax receipts generated from taxable transactions at places of business located within the municipal boundaries of the Village and distributed by the State of Illinois and incremental property taxes with respect to the redevelopment area and which have been pledged to the bank on a subordinate basis. The bonds do not constitute general obligations of the Village and neither the full faith and credit nor the general taxing power of the Village is pledged to the payment of the principal of or interest on the bonds.

The Village is required to disclose "annual financial information" with respect to sales tax collected by the Village and real estate tax collected within the tax increment-financing district. This information is disclosed in the statistical section of the report.

**NOTE N – RELATED PARTY**

The Village has a Stadium License and Service Agreement to lease its baseball stadium to a minor league baseball team (lessee). The brother of the Mayor has a minority ownership interest in the baseball team. The lease is dated July 1, 2007, and is for a ten year term with lease payments based on attendance. However, there is a minimum lease payment of \$90,000 annually. In addition, the baseball team reimburses the Village for all electric costs of the stadium during the season. At April 30, 2012, there was no amount owed by the baseball team to the Village.

**NOTE O - OTHER REQUIRED FUND DISCLOSURES**

Generally accepted accounting principles require disclosures, as part of the financial statements, of certain information concerning individual funds. Specifically, the General Fund had expenditures over budget in the amount of \$425,935 for the fiscal year ended April 30, 2012.

**NOTE P - PRIOR PERIOD ADJUSTMENT**

The Village has recorded a prior period adjustment in the amount of \$220,109. This adjustment is to record the Net Pension Obligation of the Village's Police Pension Fund as of April 30, 2011. This amount was determined per an actuary report submitted to the Village as of April 30, 2012. This adjustment has effected the Village's government-wide governmental activities only.

## Required Supplementary Information

Village of Crestwood  
Police Pension Fund  
Schedule of Funding Progress  
For the Year Ended April 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
04/30/2011	\$ 192,379	\$ 726,914	534,535	26.50%	\$ 121,600	439.60%
04/30/2010	231,139	819,731	588,592	28.20%	121,600	484.04%
04/30/2009	271,392	838,490	567,098	32.37%	123,102	460.67%
04/30/2008	290,144	839,631	549,487	34.56%	95,980	572.50%
04/30/2007	376,847	934,330	557,483	40.33%	120,709	461.84%
04/30/2006	421,142	945,309	524,167	44.55%	62,427	839.65%
04/30/2005	509,546	1,022,046	512,500	49.86%	96,701	529.98%
04/30/2004	571,304	978,342	407,038	58.40%	75,900	536.28%
04/30/2003	641,785	988,738	346,953	64.91%	94,000	369.10%
04/30/2002	702,662	969,049	266,387	72.51%	118,300	225.18%

Note: Information as of April 30, 2012 is not yet available.

Village of Crestwood, Illinois

General Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended April 30, 2012

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Over (Under)</u>
<b><u>Revenues</u></b>	<u>\$ 7,126,200</u>	<u>\$ 6,886,005</u>	<u>\$ (240,195)</u>
<b><u>Expenditures</u></b>			
Current			
General Government			
General and Administrative	\$ 594,800	\$ 568,386	\$ (26,414)
Legal and Litigation	1,084,200	1,968,613	884,413
Audit	25,000	26,840	1,840
Buildings & Grounds	257,400	194,681	(62,719)
Public Transportation	80,000	74,165	(5,835)
Insurance	630,100	585,276	(44,824)
Payroll Tax	222,000	215,819	(6,181)
Other	137,000	143,602	6,602
Total General Government	<u>\$ 3,030,500</u>	<u>\$ 3,777,382</u>	<u>\$ 746,882</u>
Public Safety			
Police	\$ 1,549,000	\$ 1,581,193	\$ 32,193
Fire	847,300	742,873	(104,427)
Health and Safety	48,800	38,055	(10,745)
School Crossing Guards	13,500	7,766	(5,734)
Emergency Services	77,200	12,697	(64,503)
Total Public Safety	<u>\$ 2,535,800</u>	<u>\$ 2,382,584</u>	<u>\$ (153,216)</u>
<b><u>Other</u></b>			
Parks and Recreation	\$ 342,900	\$ 177,208	\$ (165,692)
Streets and Bridge	609,350	563,643	(45,707)
Garbage Disposal	625,000	620,547	(4,453)
Debt Service			
Principal and Interest	289,000	264,894	(24,106)
Capital Outlay			
General Government			
General and Administrative	-	7,163	7,163
Buildings and Grounds	204,000	68,025	(135,975)
Public Safety			
Police	85,000	88,850	3,850
Fire	-	49,950	49,950
Parks and Recreation	-	60,244	60,244
Streets and Bridge	-	86,995	86,995
Total Other	<u>\$ 2,155,250</u>	<u>\$ 1,987,519</u>	<u>\$ (167,731)</u>
Total Expenditures	<u>\$ 7,721,550</u>	<u>\$ 8,147,485</u>	<u>\$ 425,935</u>

See the accompanying notes to the required supplementary information.

Village of Crestwood, Illinois

General Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended April 30, 2012

	Original & Final Budget	Actual	Variance From Final Budget Over (Under)
<b><u>Other Financing Sources (Uses)</u></b>			
Over (Under) Expenditures	\$ (595,350)	\$ (1,261,480)	\$ (666,130)
Sale of Capital Assets	2,500	6,200	3,700
Bank Loan Proceeds	280,000	171,595	(108,405)
Extraordinary Item			
Insurance Reimbursements	1,600,000	-	(1,600,000)
Net Changes in Fund Balance	<u>\$ 1,287,150</u>	<u>\$ (1,083,685)</u>	<u>\$ 2,370,835</u>
Fund Balance, Beginning of the Year		<u>4,272,701</u>	
Fund Balance, End of the Year		<u>\$ 3,189,016</u>	

See the accompanying notes to the required supplementary information.

Village of Crestwood, Illinois

General Fund  
Schedule of Revenues  
Budget and Actual  
For the Year Ended April 30, 2012

	Original & Final Budget	Actual	Variance From Final Budget Over (Under)
<b><u>Taxes</u></b>			
Property Tax	\$ 1,700,000	\$ 1,472,662	\$ (227,338)
Sales Tax	2,870,000	2,772,044	(97,956)
State Income Tax	875,000	890,161	15,161
Off-Track Betting Tax	300,000	270,581	(29,419)
Miscellaneous Taxes			
Replacement Taxes	35,500	29,870	(5,630)
Hotel-Motel Tax	26,000	28,187	2,187
911 Tax	40,000	62,770	22,770
Foreign Fire Insurance Tax	11,500	9,586	(1,914)
	\$ 5,858,000	\$ 5,535,861	\$ (322,139)
<b><u>Intergovernmental</u></b>			
Regional Transportation Authority	\$ 25,000	\$ 16,737	\$ (8,263)
Grants	25,000	45,460	20,460
	\$ 50,000	\$ 62,197	\$ 12,197
<b><u>Licenses and Permits</u></b>			
Vehicle Stickers	\$ 58,000	\$ 55,099	\$ (2,901)
Building Permits & Subcontractor Fee	40,000	74,702	34,702
Business and Liquor Licenses	50,000	27,095	(22,905)
Franchise Fees	152,000	148,806	(3,194)
Miscellaneous	45,600	57,351	11,751
	\$ 345,600	\$ 363,053	\$ 17,453
<b><u>Fines and Penalties</u></b>			
Police Fines	\$ 100,000	\$ 58,933	\$ (41,067)
<b><u>Miscellaneous</u></b>			
Theater Rental Fee	\$ 200,000	\$ 199,087	\$ (913)
Municipal Events	1,000	-	(1,000)
Rental Income	245,000	240,569	(4,431)
Recreational	60,000	54,594	(5,406)
Miscellaneous	261,600	368,113	106,513
	\$ 767,600	\$ 862,363	\$ 94,763
<b><u>Interest</u></b>			
	\$ 5,000	\$ 3,598	\$ (1,402)
Total Revenues	\$ 7,126,200	\$ 6,886,005	\$ (240,195)

See accompanying notes to the required supplementary information.

Village of Crestwood, Illinois

Tax Increment Financing Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended April 30, 2012

<u>Revenues</u>	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Over (Under)</u>
Taxes			
Property	\$ 1,305,000	\$ 1,134,371	\$ (170,629)
Sales	1,000,000	1,051,584	51,584
Interest	<u>1,000</u>	<u>1,824</u>	<u>824</u>
Total Revenues	<u>\$ 2,306,000</u>	<u>\$ 2,187,779</u>	<u>\$ (118,221)</u>
 <u>Expenditures</u>			
Current			
General Government			
General and Administrative	\$ 18,000	\$ 7,708	\$ (10,292)
Tax Increment Financing Costs	330,000	210,007	(119,993)
Debt Service	<u>2,500,000</u>	<u>1,114,520</u>	<u>(1,385,480)</u>
Total Expenditures	<u>\$ 2,848,000</u>	<u>\$ 1,332,235</u>	<u>\$ (1,515,765)</u>
Net Changes in Fund Balance	<u>\$ (542,000)</u>	\$ 855,544	<u>\$ 1,397,544</u>
Fund Balance, Beginning of the Year		<u>4,355,823</u>	
Fund Balance, End of the Year		<u>\$ 5,211,367</u>	

See accompanying notes to the required supplementary information.

**VILLAGE OF CRESTWOOD, ILLINOIS**  
**Notes to the Required Supplementary Information**  
**April 30, 2012**

**NOTE A – BUDGETS**

Annual budgets are adopted for the general fund, all special revenue funds, the capital project fund and the proprietary fund. Budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. Encumbrances represent commitments related to unperformed contracts for goods or services.

All departments of the Village submit requests for appropriations to the Village Manager so that a budget may be prepared. The budget is prepared by fund, department and account, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. All annual appropriations lapse at fiscal year end.

The proposed budget is presented to the governing body for review. The governing body holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. The budget may be amended throughout the year by the governing body.

Expenditures may not legally exceed budgeted appropriations at the fund level. There were no budget amendments adopted during the year ended April 30, 2012.

**NOTE B – EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS**

The General Fund had an excess of actual expenditures over budget in the amount of \$425,935 for the fiscal year ended April 30, 2012.

Combining and Individual Fund  
Statements and Schedules

Village of Crestwood, Illinois

Combining Balance Sheet  
Nonmajor Governmental Funds  
For the Year Ended April 30, 2012

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Recreation</u>	<u>Motor Fuel</u>	
<b><u>Assets</u></b>			
Cash and Investments	\$ 50,706	\$ 434,733	\$ 485,439
Receivables			
Motor Fuel Tax	-	43,213	43,213
Due from Other Funds	45,000	-	45,000
 Total Assets	 \$ 95,706	 \$ 477,946	 \$ 573,652
<b><u>Liabilities and Fund Balance</u></b>			
Accounts Payable	\$ 16,428	\$ 28,116	\$ 44,544
Accrued Salaries	11,638	-	11,638
Total Liabilities	\$ 28,066	\$ 28,116	\$ 56,182
<b><u>Fund Balance</u></b>			
Restricted			
Motor Fuel	\$ -	\$ 449,830	\$ 449,830
Assigned			
Recreation	67,640	-	67,640
Total Fund Balance	\$ 67,640	\$ 449,830	\$ 517,470
 Total Liabilities and Fund Balance	 \$ 95,706	 \$ 477,946	 \$ 573,652

Village of Crestwood, Illinois

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended April 30, 2012

	<u>Special Revenue Funds</u>		Total
	<u>Recreation</u>	<u>Motor Fuel</u>	<u>Nonmajor Governmental Funds</u>
<b><u>Revenues</u></b>			
Taxes			
Property	\$ 45,000	\$ -	\$ 45,000
Motor Fuel	-	349,514	349,514
Charges for Services	588,381	-	588,381
Interest	-	229	229
	<u>        </u>	<u>        </u>	<u>        </u>
Total Revenues	\$ 633,381	\$ 349,743	\$ 983,124
<b><u>Expenditures</u></b>			
Current			
Street & Sidewalk Maintenance	\$ -	\$ 107,740	\$ 107,740
Recreation			
Wellness Center	603,905	-	603,905
Capital Outlay			
Recreation - Wellness Center	28,639	-	28,639
	<u>        </u>	<u>        </u>	<u>        </u>
Total Expenditures	\$ 632,544	\$ 107,740	\$ 740,284
Net Change in Fund Balance	\$ 837	\$ 242,003	\$ 242,840
Fund Balance, Beginning of the Year	\$ 66,803	\$ 207,827	\$ 274,630
Fund Balance, End of the Year	<u>\$ 67,640</u>	<u>\$ 449,830</u>	<u>\$ 517,470</u>

Village of Crestwood, Illinois

Recreation Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended April 30, 2012

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Over (Under)</u>
<b><u>Revenues</u></b>			
Property Tax	\$ 75,000	\$ 45,000	\$ (30,000)
Charges for Services			
Program Revenue and Dues	502,000	531,265	29,265
Facility Rental	52,000	57,106	5,106
Miscellaneous	<u>1,000</u>	<u>10</u>	<u>(990)</u>
Total Revenues	<u>\$ 630,000</u>	<u>\$ 633,381</u>	<u>\$ 3,381</u>
<b><u>Expenditures</u></b>			
Current			
Recreation			
Wellness Center	\$ 675,400	\$ 603,905	\$ (71,495)
Capital Outlay			
Recreation			
Wellness Center	<u>73,000</u>	<u>28,639</u>	<u>(44,361)</u>
Total Expenditures	<u>\$ 748,400</u>	<u>\$ 632,544</u>	<u>\$ (115,856)</u>
Net Change in Fund Balance	<u>\$ (118,400)</u>	\$ 837	<u>\$ 119,237</u>
Fund Balance, Beginning of the Year		<u>66,803</u>	
Fund Balance, End of the Year		<u>\$ 67,640</u>	

Village of Crestwood, Illinois

Motor Fuel Tax Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
For the Year Ended April 30, 2012

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Over (Under)</u>
<b><u>Revenues</u></b>			
Motor Fuel Tax	\$ 350,000	\$ 349,514	\$ (486)
Interest	-	229	229
Total Revenues	<u>\$ 350,000</u>	<u>\$ 349,743</u>	<u>\$ (257)</u>
<b><u>Expenditures</u></b>			
Current			
Street & Sidewalk Maintenance	<u>\$ 265,000</u>	<u>\$ 107,740</u>	<u>\$ (157,260)</u>
Total Expenditures	<u>\$ 265,000</u>	<u>\$ 107,740</u>	<u>\$ (157,260)</u>
Net Change in Fund Balance	<u>\$ 85,000</u>	<u>\$ 242,003</u>	<u>\$ (157,003)</u>
Fund Balance, Beginning of the Year		<u>207,827</u>	
Fund Balance, End of the Year		<u><u>\$ 449,830</u></u>	

## Supplementary Information



HEARNE & ASSOCIATES, P.C.

Certified Public Accountants & Business Consultants

David J. Hearne, Jr., CPA (Ret'd)  
Phillip M. Hearne, CPA  
Rebecca L. Heintz, CPA

Anthony M. Scott, CPA  
John C. Williams, CPA, MST  
Matthew R. Truschka

**REPORT ON COMPLIANCE WITH THE PROVISIONS OF  
SUBSECTION (Q) OF SECTION 11-74.4-3 OF THE ILLINOIS  
TAX INCREMENT ALLOCATION REDEVELOPMENT ACT**

November 7, 2012

Honorable Mayor and  
Board of Trustees  
Village of Crestwood, Illinois

We have audited the basic financial statements of the Village of Crestwood, Illinois as of and for the year ended April 30, 2012, and have issued our report thereon dated November 7, 2012. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on the eligibility for costs incurred incidental to the implementation of the redevelopment plan and redevelopment projects associated with the 135th and Cicero Tax Increment Financing Redevelopment Project and Plan.

Our audit was made 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Village of Crestwood, Illinois' management is responsible for the Village's compliance with laws and regulations. In connection with our audit referred to above, we selected and tested transactions and records to determine the Village's compliance with the State of Illinois Public Act 85-1142, "An Act in Relation to Tax Increment Financing".

The results of our test indicated that for the items tested, the Village of Crestwood, Illinois complied with Subsection (q) of Section 11-74.4-3 of Public Act 85-1142.

Sincerely,

*Hearne & Associates, P.C.*

Hearne & Associates, P.C.  
Certified Public Accountants

Village of Crestwood, Illinois

Schedule of Assessed Valuations, Tax Rates, Tax Extensions,  
Tax Collections and Taxes Receivable  
Tax Levies for 2011, 2010, 2009, 2008 and 2007

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Equalized Assessed Valuations</u>	\$ 347,894,841	\$ 400,893,529	\$ 405,880,964	\$ 430,949,810	\$ 377,777,486
<u>Tax Rates</u>					
General Fund	.4410	.3750	.3600	.3380	.3660
<u>Tax Extensions</u>					
General Fund	\$ 1,534,216	\$ 1,503,351	\$ 1,461,171	\$ 1,456,610	\$ 1,456,610
<u>Taxes Receivable</u>					
General Fund	\$ 782,980	\$ 795,704			
<u>Percentage of Extension Collected</u>	49.0%	47.0%			

## Statistical Section

Village of Crestwood, Illinois  
Annual Financial Information on Tax Receipts  
April 30, 2012

TIF Year	Collection Year Ended 04/30	Total Incremental Property Tax Collected in Redevelopment Project Area	Total Local Sales Tax Collected in Redevelopment Project Area	Total Tax Receipts from Redevelopment Project Area	Sales Tax Collected from Retailers Other Than the Redevelopment Project Area	Total Tax Receipts as Defined by Bond Indenture
1	2004	\$ 181,578	\$ -	\$ 181,578	\$ 3,773,893	\$ 3,955,471
2	2005	141,456	-	141,456	3,827,492	3,968,948
3	2006	101,937	-	101,937	3,816,625	3,918,562
4	2007	-	523,197	523,197	3,698,773	4,221,970
5	2008	722,853	909,976	1,632,829	3,200,554	4,833,383
6	2009	1,637,225	918,409	2,555,634	3,064,617	5,620,251
7	2010	1,689,951	926,566	2,616,517	2,685,552	5,302,069
8	2011	962,063	920,369	1,882,432	2,816,771	4,699,203
9	2012	1,134,371	1,051,584	2,185,955	2,772,044	4,957,999
Totals		<u>\$ 6,571,434</u>	<u>\$ 5,250,101</u>	<u>\$ 11,821,535</u>	<u>\$ 29,656,321</u>	<u>\$ 41,477,856</u>