

Village of Crestwood, Illinois
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
APRIL 30, 2013

Prepared By:

HEARNE & ASSOCIATES, P.C.
Certified Public Accountants &
Business Consultants

"Attachment K"

Village of Crestwood, Illinois

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Independent Auditors' 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, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension related schedules and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Crestwood, Illinois' basic financial statements. The combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

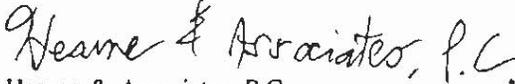
The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical section 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 or provide any assurance thereon.

Emphasis of a Matter - Water Litigation

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. Our opinion is not modified with respect to this matter.

October 22, 2013
Mokena, IL


Heame & Associates, P.C.
Certified Public Accountants

Village of Crestwood, Illinois
Management's Discussion and Analysis
April 30, 2013

The Village of Crestwood's Management Discussion and Analysis (MD&A) is designed to (1) focus on significant accounting issues, (2) provide an overview of the Village's financial activity, (3) identify changes in the Village's financial position and its ability to address the next and subsequent year challenges, (4) identify any material deviations from the budget, and (5) identify individual fund issues or concerns.

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 11).

Financial Highlights

- **Net asset position** The Village's total Net Position at fiscal year-end was \$45.3 million, an increase of \$0.3 million (0.71%) during the current fiscal year. The Net Position for governmental activities at fiscal year-end were \$25.6 million, an increase of \$0.6 million during the current fiscal year. The Net Position for business-type activity was \$19.7 million, a decrease of \$0.3 million during the current fiscal year.
- **General Fund summary** The Village's General Fund reported an increase of \$0.7 million (21.89%) in fund balance for the current fiscal year. In addition, the fund balance for the General Fund at fiscal-year end was \$3.9 million or 56.53% of General Fund expenditures.
- **Budget summary** The Village's General Fund actual revenues were less than budgeted by \$0.2 million while actual expenditures were less than budgeted by \$0.5 million.
- **Debt outstanding** The Village has no direct general obligation debt and, in addition, it has reduced future debt service payments by \$870,749 during the current fiscal year.
- **Fiduciary Fund summary** The Village's Police Pension Fund reported an increase of \$150,586 (96.44%) in fund balance for the current fiscal year. The Fund's actuarial valuation reported a 26.50% funding ratio at April 30, 2011. The most recent actuarial valuation at April 30, 2013 reported a 42.00% funding ratio.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11 and 12) 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 13. 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.

Government -Wide

The government-wide financial statements (pages 11 and 12) are designed to emulate the corporate sector in that all governmental and business-type activities are consolidated into columns that add to a total for the Primary Government. The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to be similar to bottom line results for the Village and its governmental and business-type activities. This statement combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting and economic resources measurement focus.

The Statement of Activities (page 12) is focused on both the gross and net cost of various activities (including governmental and business-type), which are supported by the Village's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various government services and/or subsidy to various business-type activities.

Village of Crestwood, Illinois
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April 30, 2013

The governmental activities reflect the Village's basic services, including general administration, public safety, street and bridge maintenance, sanitation and recreation. Property taxes and shared state tax distributions finance the majority of these services. The business-type activities reflect private sector type operations, where the fee for service typically covers all or most of the cost of operation, including depreciation.

Fund Financial Statements

Traditional users of government financial statements will find the Fund Financial Statements presentation more familiar (pages 13-21 and 41-45). A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fund Financial Statements allow the demonstration of sources and uses and/or budgeting compliance therewith. All of the funds of the Village can be divided into three categories: governmental, proprietary and fiduciary.

- *Governmental funds* – The governmental major fund presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid assets is a clear and appropriate focus of any analysis of government. The focus of the governmental funds is narrower than that of the government-wide financial statements. The Village maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and TIF Tax Allocation Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of Combining and Individual Fund Statements and Schedules beginning on page 47 of this report.
- *Proprietary fund* – The Village maintains one proprietary fund, i.e., the Water and Sewer Fund. This fund is used to report the same functions presented in business-type activities in the government-wide financial statements. The Water and Sewer Fund is considered a major fund of the Village.
- *Fiduciary fund* – The Village maintains one fiduciary fund, (i.e., the Police Pension Fund). While this fund represents trust responsibilities of the government, these assets are restricted in purpose, and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Basic Financial Statements. The Notes to the Financial Statements begin on page 22.

Other Information

In addition to the Basic Financial Statements and accompanying notes, this report also presents certain required supplementary information beginning on page 41. This includes the funding progress for the Police Pension Fund and budgetary information for the Village's major governmental funds. This report also includes combining and individual fund statements and schedules beginning on page 47. This includes information for the non-major governmental funds and the proprietary fund.

Village of Crestwood, Illinois
Management's Discussion and Analysis
April 30, 2013

Financial Analysis of the Village as a Whole

NET POSITION: The following table reflects the condensed Statement of Net Position:

Table 1
 CONDENSED STATEMENT OF NET POSITION
 (in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Current & other assets	\$11.2	\$11.7	\$00.9	\$00.8	\$12.1	\$12.5
Capital assets	50.8	49.6	19.3	19.1	70.1	68.7
Deferred Outflows	3.6	3.5	-	-	3.6	3.5
Total assets	\$65.6	\$64.8	\$20.2	\$19.9	\$85.8	\$84.7
Long-term liabilities	\$38.2	\$37.3	\$0.0	\$0.0	\$38.2	\$37.3
Other liabilities	2.4	1.9	0.2	0.2	2.6	2.1
Total liabilities	\$40.6	\$39.2	\$0.2	\$0.2	\$40.8	\$39.4
Net Position						
Investment in capital assets, net of related debt	\$50.1	\$48.9	\$19.3	\$19.1	\$69.4	\$68.0
Unrestricted	-25.1	-23.3	0.7	0.6	-24.4	-22.7
Total Net Position	\$25.0	\$25.6	\$20.0	\$19.7	\$45.0	\$45.3

For more detailed information see the Statement of Net Position.

Normal Impacts – Net Position

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation :

- ***Net Results of Activities*** – Impacts (increases/decreases) current assets and unrestricted Net Position.
- ***Borrowing for Capital*** – Increases current assets and long-term debt.
- ***Spending Borrowed Proceeds on New Capital*** – Reduces current assets and increases capital assets. Also, an increase in invested capital assets and an increase in related net debt will not change the invested capital assets, net of related debt.
- ***Spending of Non-borrowed Current Assets on New Capital*** – Reduces current assets and increases capital assets. Additionally, it reduces unrestricted Net Position and increases invested in capital assets, net of related debt.
- ***Principal Payment on Debt*** – Reduces current assets and reduces long-term debt. In addition it reduces unrestricted Net Position and increases invested in capital assets, net of related debt.
- ***Reduction of Capital Assets through Depreciation*** – reduces capital assets and invested in capital assets, net of related debt.

Village of Crestwood, Illinois
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Current Year Impacts – Net Position

The Village's combined Net Position increased \$0.3 million from \$45 million to \$45.3 million. Net Position of the Village's governmental activities increased \$0.6 million to \$25.6 million. Net Position of the Village's business-type activities decreased \$0.3 million to \$19.7 million. The Village's unrestricted Net Position for governmental activities, the part of Net Position that can be used to finance daily operations, increased by \$1.8 million. The Village's unrestricted Net Position of the business-type activities, available to finance the continuing operation of the Water and Sewer Fund, decreased by \$0.004 million.

Major capital activity for the year included a street resurfacing program using \$390,949 of Motor Fuel Tax Fund proceeds, construction of a new enclosed salt dome for \$143,302, purchase of a fire department Ford Explorer for \$33,720 and used ambulance for \$6,333 and purchase of a street department International Truck for \$119,952. Also purchased was a radio system for \$58,261 and a replacement of the heating system in the Biela Center for \$7,156. In the Water and Sewer Fund, a new pump system was installed at a cost of \$372,684.

The Village continued to reduce its debt service. During the year, the Village financed the purchase of the above referenced Ford Explorer and International Truck totaling \$148,672. The Village repaid its installment loans to the extent of \$174,421 and tax increment financing bonds to the extent of \$845,000.

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	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
REVENUES	-	-	-	-	-	-
Program revenues:	-	-	-	-	-	-
Charges for services	\$1.9	\$2.0	\$2.0	\$2.5	\$3.9	\$4.5
Operating grants	0.1	0.2	-	-	0.1	0.2
General revenues	-	-	-	-	-	-
Property taxes	2.7	2.6	-	-	2.7	2.6
Sales tax	3.8	4.1	-	-	3.8	4.1
Other taxes	1.5	1.7	-	-	1.5	1.7
Total revenues	\$10.0	\$10.6	\$2.0	\$2.5	\$12.0	\$13.1
EXPENSES	-	-	-	-	-	-
General government	\$5.5	\$3.8	\$0.0	\$0.0	\$5.5	\$3.8
Public safety	2.4	2.6	-	-	2.4	2.6
Street and bridge	0.7	0.6	-	-	0.7	0.6
Sanitation	0.6	0.6	-	-	0.6	0.6
Recreation	0.9	0.9	-	-	0.9	0.9
Tax increment financing costs	0.2	0.5	-	-	0.2	0.5
Repayments to Cook County	-	0.1	-	-	-	0.1
Transfer to Fiduciary Pension Fund	-	0.1	-	-	-	0.1
Water and Sewer	-	-	2.5	2.8	2.5	2.8
Interest on long-term debt	1.1	0.8	0.0	0.0	1.1	0.8
Total expenses	\$11.4	\$10.0	\$2.5	\$2.8	\$13.9	\$12.8

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Changes in Net Position	-1.4	0.6	-0.5	-0.3	-1.9	0.3
Net Position, May 1	26.6	25.0	20.5	20.0	47.1	45.0
Prior Period Adjustment	-0.2				-0.2	
Net Position, April 30	\$25.0	\$25.6	\$20.0	\$19.7	\$45.0	\$45.3

For more detailed information see the Statement of Activities.

Normal Impacts – Net Position

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation :

Revenues

- ***Economic Condition*** – Reflects a declining, stable or growing economic environment and has a substantial impact on property, state sales and state income taxes.
- ***Increase/Decrease in Village Approved Rates*** - While certain tax rates are set by statute, the Village Board has significant authority to impose and periodically increase/decrease rates (property taxes, water, sewer, capital improvements fees, etc.).
- ***Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring)*** – Certain recurring revenues (state shared revenues, etc) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.
- ***Market Impacts on Investment Income*** – The Village's investment portfolio is managed using similar average maturity to most governments. Market conditions may cause investment income to fluctuate.

Expenses

- ***Changes in Programs*** – Within the functional expense categories (General Government, Public Safety, Street and Bridge, Sanitation, Recreation, etc.) individual programs may be added, deleted or expanded to meet changing community needs.
- ***Changes in Authorized Personnel*** – Changes in service demand may cause the Village Board to increase/decrease authorized staffing.
- ***Salary Increases (annual adjustments and Step Increases)*** – The ability to attract and retain human and intellectual resources requires the Village to strive to maintain a competitive salary range Position in the marketplace.
- ***Inflation*** – While overall inflation appears to be reasonably modest, the Village is a major consumer of certain commodities such as supplies, fuels and parts. Some functions may experience unusual commodity-specific increases.

Current Year Impacts – Net Position (Governmental Funds)

For the current fiscal year, revenues from Governmental Activities totaled \$10.6 million compared to \$10.0 million from the prior year. Property taxes declined by \$145,101 due to the impact of economic conditions and tax protests. Sales taxes increased by \$315,824 due to the continued recovery from the recession and new economic development within the last year. State income tax payments increased by \$183,489 again due to the above reasons. Grant income increased in the current fiscal year by \$154,286. The Village received a reimbursement of \$208,519 from the Village of Robbins for previous years shared road and sewer construction costs. Insurance reimbursements increased by \$114,562.

For the current fiscal year, expenditures from Governmental Activities totaled \$10.0 million compared to \$11.4 million from the prior year. The main reason is that legal costs declined by \$1.4 million. Tax increment financing costs increased by \$311,599 due mainly to a renegotiation of the line of credit fee with Fifth Third Bank. Interest costs on the long-term debt declined by \$283,867. This was due to a decline in long-term debt by \$870,749 and a

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lower variable interest rate on the tax increment financing debt. The tax increment financing variable rate was 0.32% at year end. Salaries increased by \$223,310 mainly in the public safety area (police and fire). Finally, the Village transferred an additional \$150,000 to the Police Pension Fund to increase its funded ratio.

Current Year Impacts – Net Position (Proprietary Fund)

For the current fiscal year, revenues from Proprietary Activities totaled \$2.5 million compared to \$2.0 million from the prior year. The increase is due to the assessment of a capital improvements charge to users of the water system and a rate increase of 9.0% in fiscal 2013. The capital improvements charge began in January, 2012.

For the current fiscal year, expenses from Proprietary Activities totaled \$2.8 million compared to \$2.5 million from the prior year. This is due to increased water costs from the Village of Alsip and indirectly the City of Chicago by the same 9.0% increase noted above.

Financial Analysis of the Village's Funds

The Governmental Funds, as presented on pages 13-16, reported a combined total fund balance of \$9.5 million which is a \$0.6 million increase from the prior year balance of \$8.9 million. This increase is mainly attributable to the items mentioned in the previous section on "current year impacts – Net Position (governmental funds)". The total fund balance of \$9.5 million is comprised of the following components:

- ***Restricted Fund Balance*** of \$5.5 million represents the portion of fund balance that is subject to external enforceable legal restrictions: \$5.2 million for repayment of the tax increment financing bonds and \$0.3 million for motor fuel tax projects.
- ***Assigned Fund Balance*** of \$0.1 million represents the portion of fund balance denoted for all remaining fund balance in non-general funds (Recreation Fund) that cannot be categorized above.
- ***Unassigned Fund Balance*** of \$3.9 million that represents available expendable financial resources in the General Fund after funds have been identified in the above categories.

The Village's General Fund reported an increase of \$0.7 million (21.89%) in fund balance for the current fiscal year. In addition, the fund balance for the General Fund at fiscal-year end was \$3.9 million or 56.53% of General Fund expenditures.

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

General Fund actual revenues and expenditures were \$0.2 million lower and \$.5 million lower than the final budgeted amount resulting in a net positive to the budget. This allowed the Village to transfer an additional \$0.15 million to the Police Pension Fund which increased the Fiduciary Fund's funded ratio from 26.5% to 42.0%.

The tax increment financing Tax Allocation Fund had \$2.2 million of revenue and expenditures for the fiscal year. At the end of fiscal year 2012, the General Fund owed the Tax Allocation Fund \$2.1 million. However, this was repaid during the current fiscal year. This resulted in cash and investments in the Tax Allocation Fund increasing from \$2.9 to \$5.3 during the current fiscal year.

The Water and Sewer Fund had a negative change in Net Position of \$0.3. Although the Village had a whole year in collecting the capital improvements charge to users and an increase in water rates, the cost of water from the Village of Alsip also increased.

Capital Assets

At the end of fiscal year 2013, the Village had \$68.7 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 \$1.4 million, or 2.0 percent, over last year. Please refer to Note D of the report for the capital asset activity for the year. The Village

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had budgeted approximately \$0.3 million for capital expenditures in fiscal year 2013, predominantly for police vehicles, ambulance, dump truck, a new enclosed salt dome and a new water pump system.

Debt Administration

At the end of fiscal year 2013, the Village had \$33.5 million in bonds and loans outstanding. This is \$0.9 million less outstanding than the prior year. Of this amount, \$32.9 million is debt from the tax increment financing (TIF) district, namely the Variable Rate Tax Increment Revenue Bonds, Series 2004. The Village repaid \$0.8 million of TIF bonds in fiscal year 2013. At April 30, 2013 and 2012 the variable rates on the TIF bonds were 0.32 and 0.40 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 \$32.9 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 3.87605 percent at April 30, 2013, which in effect replaces the variable rate. This rate is less than the amount reported at April 30, 2012 of 3.92906 percent.

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, 2013 which is \$27.6 million.

Economic Factors and Next Year's Budget

The fiscal year 2014 budget passed by the Village Board indicates total budget revenues and expenditures/expenses of \$14.5 million and \$14.4 million, respectively. Fiscal 2013 budgeted revenues and expenditures/expenses were \$13.9 million and \$13.7, respectively. Of the \$0.6 million increase in revenues, \$0.3 is from the General Fund and \$0.3 million is from the Water and Sewer Fund. The General Fund increase generally is from increasing state shared revenues, grants and building permits. The Water and Sewer Fund increase is from increasing user fees. Of the \$0.7 increase in expenditures/expenses, all is attributable to the governmental funds and is more fully explained below.

The fiscal year 2014 budget shows a \$0.5 million increase in expenditures for the General Fund. This increase is mainly attributable to three areas, (police, fire and insurance). First, the police department added two full-time police officers and one police vehicle per shift to help stabilize the schedule and improve public safety. In this regard, the Village budgeted for one new police car and two new CSO cars. Second, the fire department will add three more firemen per shift beginning in January, 2014. In addition, the fire department will add a full service ambulance (ALS) to its vehicles. The Village estimates it will need to spend \$300,000 in equipment to upgrade its vehicle to ALS. Third, insurance costs continue to rise especially in health insurance.

The budget shows a \$0.6 million increase in expenditures for the Tax Allocation Fund. This increase is mainly due to an increase in refunding the tax increment financing bonds from \$0.8 million in fiscal year 2013 to \$1.7 million in fiscal 2014. In addition, the Village has factored continued low interest rates into the budget for the current year.

The Water and Sewer Fund budgeted expenses will remain relatively unchanged from the prior year; however, there are some changes within the budget. Water costs are projected to increase by \$0.2 million. However, costs associated with repairs and maintenance and capital costs are projected to decrease by \$0.2 million. The Village will have additional capital costs for the new water pump station, but these should be partially covered by utility and state grants. These costs are to install a SCADA System to control the three new variable speed pumps in the new water pump station. This will result in lower utility costs and increased water pressure.

The Village is also reviewing a proposal to update its computer system to newer technology. This will integrate the system for police, fire and village hall and allow for a new telephone system (RFP).

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April 30, 2013

In the Motor Fuel Tax Fund, the Village has accelerated its plans to upgrade streets, sewers and sidewalks on Central Avenue and Park Lane. Originally, the reconstruction was to begin in fiscal 2017. However, in negotiations with Cook County, the mayor was instrumental in accelerating its plans. The cost to the Village will be 50% of the sidewalks.

The Village's current economic development plans are mainly concentrated in two areas, i.e., the development of the east and west sides of Cal-Sag Road for commercial development, and the commercial development at the corner of Midlothian Turnpike and Cicero Avenue. Also, the Village has a five year capital improvement plan to update the parks.

The Village suspended its surplus funds payment to residents for a third straight year after maintaining this program for 16 years. We look forward to reinstating the Surplus Funds program as soon as possible.

The Village is still working through numerous lawsuits related to its water system and is incurring expenses (less insurance reimbursements) related to this defense. That litigation is more fully discussed in Note H 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 60430.

Basic Financial Statements

Village of Crestwood, Illinois

Statement of Net Position
April 30, 2013

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and Investments	\$ 8,965,004	\$ 440,623	\$ 9,405,627
Restricted Cash and Investments	40,118	-	40,118
Prepaid Payroll Tax	921	-	921
Receivables			
Property Taxes	1,272,901	-	1,272,901
State Grants	48,750	-	48,750
Sales Tax	670,556	-	670,556
Income Tax	450,111	-	450,111
Off-Track Betting Tax	21,887	-	21,887
Motor Fuel Tax	18,831	-	18,831
Accounts	-	112,840	112,840
Unbilled Water and Sewer	-	280,666	280,666
Other	11,276	-	11,276
Due from Other Local Governments	208,519	-	208,519
Accrued Interest	6	-	6
Capital Assets	49,612,022	19,050,030	68,662,052
Total Assets	<u>\$ 61,320,902</u>	<u>\$ 19,884,159</u>	<u>\$ 81,205,061</u>
<u>Deferred Outflows</u>			
Accumulated Decrease in Fair Value of Hedging Derivatives	<u>\$ 3,496,811</u>	<u>\$ -</u>	<u>\$ 3,496,811</u>
<u>Liabilities</u>			
Accounts Payable	\$ 503,173	\$ 151,332	\$ 654,505
Accrued Salaries	198,378	10,069	208,447
Accrued Interest Payable	7,257	-	7,257
Deposits	1,000	-	1,000
Internal Balances	(12,000)	12,000	-
Due to Fiduciary Fund	1,710	-	1,710
Due to Other Governments	85,375	-	85,375
Noncurrent Liabilities			
Due Within One Year	1,872,812	-	1,872,812
Due in More Than One Year	31,662,062	-	31,662,062
Pension Obligations	51,890	-	51,890
Total Liabilities	<u>\$ 34,371,657</u>	<u>\$ 173,401</u>	<u>\$ 34,545,058</u>
<u>Deferred Inflows of Resources</u>			
Deferred Revenue			
Property Tax	\$ 1,268,421	\$ -	\$ 1,268,421
State Grants	48,216	-	48,216
Derivative Instrument Liability	3,496,811	-	3,496,811
Total Deferred Inflows of Resources	<u>\$ 4,813,448</u>	<u>\$ -</u>	<u>\$ 4,813,448</u>
<u>Net Position</u>			
Invested in Capital Assets, Net of Related Debt	\$ 48,988,648	\$ 19,050,030	\$ 68,038,678
Unrestricted	(23,356,040)	660,728	(22,695,312)
Total Net Position	<u>\$ 25,632,608</u>	<u>\$ 19,710,758</u>	<u>\$ 45,343,366</u>

See accompanying notes to the financial statements.

Village of Crestwood, Illinois

Statement of Activities
Year Ended April 30, 2013

FUNCTIONS/PROGRAMS	Program Revenues			Change in Net Position			
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business Type Activities	Totals
Governmental Activities:							
General Government	\$ 3,823,891	\$ 1,500,746	\$ 216,483	\$ -	\$ (2,106,662)	\$ -	\$ (2,106,662)
Public Safety	2,590,853	-	-	-	(2,590,853)	-	(2,590,853)
Street and Bridge	646,073	-	-	-	(646,073)	-	(646,073)
Sanitation	651,974	-	-	-	(651,974)	-	(651,974)
Recreation	892,622	542,879	-	-	(349,743)	-	(349,743)
Tax increment financing costs	521,606	-	-	-	(521,606)	-	(521,606)
Interest on long-term debt	828,262	-	-	-	(828,262)	-	(828,262)
Total Government Activities	\$ 9,955,281	\$ 2,043,625	\$ 216,483	\$ -	\$ (7,695,173)	\$ -	\$ (7,695,173)
Business Type Activities:							
Water and Sewer	2,780,941	2,492,480	-	-	-	(288,461)	(288,461)
Total Primary Government	\$ 12,736,222	\$ 4,536,105	\$ 216,483	\$ -	\$ (7,695,173)	\$ (288,461)	\$ (7,983,634)
General Revenues							
Taxes							
Property					\$ 2,506,932	\$ -	\$ 2,506,932
Sales					4,139,452	-	4,139,452
Income					1,073,650	-	1,073,650
Off-track betting					236,304	-	236,304
Motor fuel tax					310,644	-	310,644
Miscellaneous					79,054	-	79,054
Unrestricted investment income					4,112	-	4,112
Other Activity							
Gain on Sale of Assets					8,129	-	8,129
Reimbursement from the Village of Robbins					208,519	-	208,519
Real Estate Taxes Repaid to Cook County					(113,833)	-	(113,833)
Transfer to Fiduciary Pension Fund					(150,000)	-	(150,000)
Total general revenues					\$ 8,302,963	\$ -	\$ 8,302,963
Change in Net Position					\$ 607,790	\$ (288,461)	\$ 319,329
Net Position							
Beginning of the Year					25,024,818	19,999,219	45,024,037
End of the Year					\$ 25,632,608	\$ 19,710,758	\$ 45,343,366

See accompanying notes to the financial statements.

Village of Crestwood, Illinois

Balance Sheet
Governmental Funds
April 30, 2013

Major Governmental Funds

	General	Tax Allocation	Other Governmental	Total
<u>Assets</u>				
Cash and Investments	\$ 3,292,545	\$ 5,330,095	\$ 342,362	\$ 8,965,002
Restricted Cash and Investments	40,118	-	-	40,118
Prepaid Payroll Taxes	921	-	-	921
Receivables				
Property Taxes	787,861	485,040	-	1,272,901
Sales Tax	499,543	171,013	-	670,556
Income Tax	450,111	-	-	450,111
Off-Track Betting Tax	21,887	-	-	21,887
State Grants	48,750	-	-	48,750
Motor Fuel Tax	-	-	18,831	18,831
Other	11,276	-	-	11,276
Accrued Interest	-	6	-	6
Due from Other Funds	40,315	-	84,156	124,471
Total Assets	\$ 5,193,327	\$ 5,986,154	\$ 445,349	\$ 11,624,830
<u>Liabilities</u>				
Accounts Payable	\$ 199,874	\$ 293,786	\$ 9,513	\$ 503,173
Accrued Salaries	187,982	-	10,396	198,378
Deposits	1,000	-	-	1,000
Due to Other Funds	85,866	28,315	-	114,181
Total Liabilities	\$ 474,722	\$ 322,101	\$ 19,909	\$ 816,732
<u>Deferred Inflows of Resources</u>				
Deferred Revenue				
Property tax	\$ 783,381	\$ 485,040	\$ -	\$ 1,268,421
Grant Income	48,216	-	-	48,216
Total Deferred Inflows of Resources	\$ 831,597	\$ 485,040	\$ -	\$ 1,316,637
 Total Liabilities and Deferred Inflows	\$ 1,306,319	\$ 807,141	\$ 19,909	\$ 2,133,369
<u>Fund Balance</u>				
Restricted				
Tax Increment Financing Loan	\$ -	\$ 5,179,013	\$ -	\$ 5,179,013
Motor Fuel	-	-	324,594	324,594
Assigned				
Recreation	-	-	100,846	100,846
Unassigned	3,887,008	-	-	3,887,008
Total Fund Balance	\$ 3,887,008	\$ 5,179,013	\$ 425,440	\$ 9,491,461
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 5,193,327	\$ 5,986,154	\$ 445,349	\$ 11,624,830

See the accompanying notes to the financial statements.

Village of Crestwood, Illinois
Reconciliation of the Total Fund Balance of Governmental Funds
to Net Position of Governmental Activities
April 30, 2013

Total Fund Balance of Governmental Funds	\$ 9,491,461
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.</p>	49,612,022
<p>Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>	
Reimbursement Due from the Village of Robbins	208,519
<p>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:</p>	
Notes Payable	(33,518,372)
Real Estate Tax Reimbursements Owed	(85,375)
Compensated Absences	(16,500)
Pension Obligations	(51,890)
<p>Accrued interest on long-term liabilities is shown as a liability on the statement of net position.</p>	<u>(7,257)</u>
Net Position of Governmental Activities	<u>\$ 25,632,608</u>

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, 2013

Major Governmental Funds

	General	Tax Allocation	Other Governmental	Total
Revenues				
Taxes				
Property	\$ 1,397,384	\$ 1,064,548	\$ 45,000	\$ 2,506,932
Sales	3,057,380	1,082,072	-	4,139,452
State Income	1,073,650	-	-	1,073,650
Off-Track Betting	236,304	-	-	236,304
Video Poker Tax	7,872	-	-	7,872
Motor Fuel	-	-	310,644	310,644
Miscellaneous	71,182	-	-	71,182
Intergovernmental	216,483	-	-	216,483
Licenses and Permits	368,864	-	-	368,864
Fines and Penalties	163,422	-	-	163,422
Charges for Services	-	-	542,879	542,879
Miscellaneous	968,460	-	-	968,460
Interest	1,667	2,350	95	4,112
Total Revenues	<u>\$ 7,562,668</u>	<u>\$ 2,148,970</u>	<u>\$ 898,618</u>	<u>\$ 10,610,256</u>
Expenditures				
Current				
General Government	\$ 2,298,110	\$ 10,408	\$ -	\$ 2,308,518
Public Safety	2,574,315	-	-	2,574,315
Parks and Recreation	194,712	-	-	194,712
Street and Bridge	558,081	-	45,024	603,105
Garbage Disposal	651,975	-	-	651,975
Miscellaneous	28,459	-	-	28,459
Recreation	-	-	554,674	554,674
Tax Increment Financing	-	521,605	-	521,605
Debt Service	201,480	1,649,313	-	1,850,793
Capital Outlay				
General Government	150,458	-	-	150,458
Public Safety	98,314	-	-	98,314
Street and Bridge	119,952	-	390,949	510,901
Total Expenditures	<u>\$ 6,875,856</u>	<u>\$ 2,181,326</u>	<u>\$ 990,647</u>	<u>\$ 10,047,829</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	\$ 686,812	\$ (32,356)	\$ (92,029)	\$ 562,427
Other Financing Sources (Uses)				
Sale of Capital Assets	12,500	-	-	12,500
Bank Loan	148,672	-	-	148,672
Transfers Out	(150,000)	-	-	(150,000)
Net Change in Fund Balance	<u>\$ 697,984</u>	<u>\$ (32,356)</u>	<u>\$ (92,029)</u>	<u>\$ 573,599</u>
Fund Balance, Beginning of Year	3,189,024	5,211,369	517,469	8,917,862
Fund Balance, End of Year	<u>\$ 3,887,008</u>	<u>\$ 5,179,013</u>	<u>\$ 425,440</u>	<u>\$ 9,491,461</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, 2013

Net Change in Fund Balances of Governmental Activities	\$	573,599
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements.		759,674
Depreciation is reported in the government-wide statements		(1,911,347)
<p>In the statement of activities, the loss or gain on the sale of capital assets is recognized.</p>		
<p>Governmental funds recognize only the proceeds for the sale of these assets.</p>		
Gain on the disposal of capital assets		8,125
Proceeds from the sale or disposition of capital assets		(12,500)
<p>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.</p>		
		(148,672)
<p>Repayment of long term debt is treated as an expenditure in the governmental funds, but as a reduction of principal outstanding in the statement of net position.</p>		
		1,019,423
<p>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.</p>		
Accrual of interest is reported as interest expense on the statement of activities		3,112
Real estate taxes owed to Cook County		(85,375)
Change in Pension Obligation		193,232
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.</p>		
Reimbursements due from the Village of Robbins		208,519
Change in Net Position of Governmental Activities (Statement of Activities)	\$	607,790

See accompanying notes to the financial statements.

Proprietary Fund

Village of Crestwood, Illinois

Proprietary Fund
Statement of Net Position
For the Year Ended April 30, 2013

		<u>Business-Type Activities Water & Sewer Fund</u>
<u>Assets</u>		
Current Assets		
Cash and Investments		\$ 440,622
Receivables		
Accounts		112,840
Unbilled Water and Sewer Charges		<u>280,666</u>
Total Current Assets		\$ 834,128
NonCurrent Assets		
Water and Sewer System	\$ 26,087,134	
Equipment	<u>157,748</u>	
Subtotal	\$ 26,244,882	
Less: Accumulated Depreciation	<u>7,194,852</u>	
		<u>19,050,030</u>
Total Assets		<u>\$ 19,884,158</u>
<u>Liabilities and Net Position</u>		
Current Liabilities		
Accounts Payable		\$ 151,332
Accrued Salaries		10,069
Due to General Fund		<u>12,000</u>
Total Current Liabilities		<u>\$ 173,401</u>
<u>Net Position</u>		
Invested in Capital Assets		\$ 19,050,030
Unrestricted		<u>660,727</u>
Total Net Position		<u>\$ 19,710,757</u>

See accompanying notes to the financial statements.

Village of Crestwood, Illinois

Proprietary Fund

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended April 30, 2013

	<u>Business-Type Activities Water & Sewer Fund</u>
<u>Operating Revenues</u>	
Charges for Services	
Water and Sewer	\$ 2,239,864
Penalties	36,730
Tap-In and Connection Fees	7,883
Capital Improvements	144,301
Interest Income	28
Grant Income	44,802
Miscellaneous	18,875
Total Revenues	<u>\$ 2,492,483</u>
<u>Operating Expenses</u>	
Operations	\$ 2,123,520
Depreciation	657,421
Total Operating Expenses	<u>\$ 2,780,941</u>
Change in Net Position	\$ (288,458)
Net Position, Beginning of the Year	<u>19,999,215</u>
Net Position, End of the Year	<u>\$ 19,710,757</u>

See accompanying notes to the financial statements.

Village of Crestwood, Illinois

Proprietary Funds

Statement of Cash Flows

For the Year Ended April 30, 2013

		<u>Business-type Activities Water & Sewer Fund</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 2,444,856	
Cash Payments to Suppliers and Employees	<u>(2,097,646)</u>	
		\$ 347,210
<u>Cash Flows from Non-Capital Financing Activities</u>		
Payments to General Fund		(85,000)
<u>Cash Flows from Non-Capital Financing Activities</u>		
Purchase of Capital Assets		<u>(372,688)</u>
Net Increase (Decrease) in Cash		\$ (110,478)
Cash, Beginning of Year		<u>551,100</u>
Cash, End of Year		<u>\$ 440,622</u>
Reconciliation of Operating Income (Loss) to Net Cash provided by (Used in) Operating Activities		
Operating Income (Loss)		\$ (288,458)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities		
Depreciation		657,421
Changes in Assets/Liabilities		
Accounts/Unbilled Receivables		(47,627)
Accrued Salaries		4,012
Accounts Payable		<u>21,862</u>
Net Cash provided by Operating Activities		<u>\$ 347,210</u>

See accompanying notes to the financial statements.

Fiduciary Fund

Village of Crestwood, Illinois

Fiduciary Fund
Statement of Fiduciary Net Position
For the Year Ended April 30, 2013

	<u>Assets</u>	<u>Business-Type Activities Police Pension Fund</u>
Cash in Bank		\$ 305,013
Due from General Fund		<u>1,710</u>
Total Assets		<u>\$ 306,723</u>
	<u>Liabilities and Net Position</u>	
Liabilities		<u>\$ -</u>
Net Position Held in Trust for Pension Benefits		<u>\$ 306,723</u>

See accompanying notes to the financial statements.

Village of Crestwood, Illinois

Fiduciary Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended April 30, 2013

	<u>Business-type Activities Police Pension Fund</u>
Additions	
Property Tax	\$ 104,511
Employee Contributions	13,984
Interest Income	46
	<u>\$ 118,541</u>
Deductions	
Filing and Miscellaneous fees	\$ 1,863
Distribution to Participant	29,501
Pension Benefits	86,591
	<u>\$ 117,955</u>
Excess of Additions over Deductions	586
Other Financing Sources	
Transfers from General Fund	<u>\$ 150,000</u>
Net Increase (Decrease)	\$ 150,586
Net Position held in Trust for Pension Benefits	
May 1st, 2012	<u>156,137</u>
April 30, 2013	<u>\$ 306,723</u>

See accompanying notes to the financial statements.

VILLAGE OF CRESTWOOD, ILLINOIS
Notes to the Basic Financial Statements
April 30, 2013

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, 2013, the Village adopted GASB Statement No. 63, financial reporting of deferred outflows of resources, deferred inflows of resources, and net position.

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.

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.

VILLAGE OF CRESTWOOD, ILLINOIS
Notes to the Basic Financial Statements
April 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

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 Position and a Statement of Activities, and the fund financial statements which provide a more detailed level of financial information.

The Statement of Net Position 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 Position presents the financial condition of the governmental activities of the Village at year end. The Statement of Net Position 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.

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.

VILLAGE OF CRESTWOOD, ILLINOIS
Notes to the Basic Financial Statements
April 30, 2013

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 135th 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.

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.

VILLAGE OF CRESTWOOD, ILLINOIS
Notes to the Basic Financial Statements
April 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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 inventory 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.

VILLAGE OF CRESTWOOD, ILLINOIS
Notes to the Basic Financial Statements
April 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (i.e. 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.

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.

VILLAGE OF CRESTWOOD, ILLINOIS
Notes to the Basic Financial Statements
April 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Fund Balances/Net Position

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 Position as restricted cash and investments.

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.

VILLAGE OF CRESTWOOD, ILLINOIS
Notes to the Basic Financial Statements
April 30, 2013

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Deferred Outflows

Deferred outflows in the amount of \$3,496,811 represents the decrease in fair value of derivative instruments that are outstanding as of April 30, 2013. This amount is offset on the Statement of Net Position with the Derivative Instrument Liability.

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, 2013, 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	\$ 23,971	\$ 23,971	\$ -
Federated Treasury Obligations	687,385	687,385	-

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, 2013, 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.

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.

VILLAGE OF CRESTWOOD, ILLINOIS
Notes to the Basic Financial Statements
April 30, 2013

NOTE B – DEPOSITS AND INVESTMENTS (continued)

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, 2013, 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 2012 attach as an enforceable lien on January 1, 2012, 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, 2013 and July 1, 2013, and are payable in two installments, on or about March 1, 2013 and August 1, 2013. 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 2012 levy is intended to partially fund expenditures for fiscal year 2013 to the extent of collections through April 30, 2013, and 60 days subsequent to that date. The remainder of the 2012 levy is deferred as of April 30, 2013.

The 2013 tax levy, which attached as an enforceable lien on property as of January 1, 2013, has not been recorded as a receivable as of April 30, 2013, as the tax has not yet been levied by the Village and will not be levied until December 2013, and, therefore, the levy is not measureable at April 30, 2013.

VILLAGE OF CRESTWOOD, ILLINOIS
Notes to the Basic Financial Statements
April 30, 2013

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 7,868,426	\$ -	\$ -	\$ 7,868,426
Capital assets being depreciated				
Infrastructure	39,641,771	390,949	-	40,032,720
Buildings	13,599,715	143,302	-	13,743,017
Buildings improvements	434,450	7,156	-	441,606
Equipment, furniture and fixtures	1,270,629	58,261	-	1,328,890
Vehicles	2,507,206	160,005	61,387	2,605,824
	<u>\$ 65,322,197</u>	<u>\$ 759,673</u>	<u>\$ 61,387</u>	<u>\$ 66,020,483</u>
Less accumulated depreciation	14,554,130	1,911,347	57,016	16,408,461
Total Governmental, net	<u>\$ 50,768,067</u>	<u>\$ (1,151,674)</u>	<u>\$ 4,371</u>	<u>\$ 49,612,022</u>
Business-type Activities				
Water & Sewer System	\$ 25,714,450	\$ 372,684	\$ -	\$ 26,087,134
Equipment	157,749	-	-	157,749
	<u>\$ 25,872,199</u>	<u>\$ 372,684</u>	<u>\$ -</u>	<u>\$ 26,244,883</u>
Less accumulated depreciation	6,537,432	657,421	-	7,194,853
Total Business-Type, net	<u>\$ 19,334,767</u>	<u>\$ (284,737)</u>	<u>\$ -</u>	<u>\$ 19,050,030</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 1,515,372
Public Safety	209,770
Street and Bridge	42,969
Recreation	143,236
Total Governmental Activities Depreciation Expense	<u>\$ 1,911,347</u>
Business-type Activities:	
Water and Sewer	<u>\$ 657,421</u>

VILLAGE OF CRESTWOOD, ILLINOIS
Notes to the Basic Financial Statements
April 30, 2013

NOTE E – LONG-TERM DEBT

The following is a summary of long-term debt of the Village at April 30, 2013:

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, 2013 of \$87,937.93.

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, 2013 of \$234,664.33.

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, 2013 of \$113,054.61.

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 been paid off during the fiscal year April 30, 2013.

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, 2013 of \$ 62,270.83.

On May 4, 2012, the Village obtained an installment loan from First Midwest Bank in the amount of \$119,952 to purchase an international dump truck. The loan is to be repaid in 60 monthly installments of \$2,182.45, including interest, at the rate of 3.49%, per annum commencing May 25, 2012. The loan, which is secured by the dump truck, has a balance due at April 30, 2013 of \$97,491.52.

On April 2, 2013 the Village obtained an installment loan from First Midwest Bank in the amount of \$28,720 to finance a ford explorer truck. The loan is to be repaid in 36 monthly installments of \$827.74, including interest, at the rate of 2.36% per annum commencing May 5, 2013. The loan, which is secured by the truck, has a balance due at April 30, 2013 of \$27,954.39.

VILLAGE OF CRESTWOOD, ILLINOIS
Notes to the Basic Financial Statements
April 30, 2013

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 \$1,845,000 of the original bond issuance - remaining balance of \$32,895,000). 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, 2013, the following changes occurred in liabilities reported in the Statement of Net Position:

	5/1/2012 Balances	Additions	Reductions	4/30/2013 Balances	Due Within One year
Governmental activities:					
TIF Bonds	\$ 33,740,000	\$ -	\$ 845,000	\$ 32,895,000	\$ 1,690,000
Notes payable & compensated absences	665,623	148,672	174,421	639,874	182,812
	<u>\$ 34,405,623</u>	<u>\$ 148,672</u>	<u>\$ 1,019,421</u>	<u>\$ 33,534,874</u>	<u>\$ 1,872,812</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 obligations at April 30, 2013 are estimated as follows:

Fiscal Year	Principal	Interest	Interest Rate Swap	Total
2014	\$ 1,872,812	\$ 122,470	\$ 678,085	\$ 2,673,367
2015	1,879,928	109,871	678,085	2,667,884
2016	1,832,623	97,848	678,085	2,608,556
2017	1,739,469	88,796	678,085	2,506,350
2018	1,705,086	82,192	678,085	2,465,363
2019-2021	5,113,455	210,180	452,058	5,775,693
2022-2024	19,375,000	139,888	-	19,514,888
	<u>\$ 33,518,373</u>	<u>\$ 851,245</u>	<u>\$ 3,842,483</u>	<u>\$ 38,212,101</u>

VILLAGE OF CRESTWOOD, ILLINOIS
Notes to the Basic Financial Statements
April 30, 2013

NOTE E – LONG-TERM DEBT (continued)

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.

The Village's legal debt margin at April 30, 2013 is as follows:

Equalized Assessed Valuation (EAV)	\$ 319,846,635
Maximum rate (65 ILCS 5/8-5-1)	<u>8.625 %</u>
Legal debt limit	<u>\$ 27,586,772</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	\$ 33,534,874
Less: TIF Bonds	<u>(32,895,000)</u>
Net Debt Outstanding	<u>\$ 639,874</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, 2013</u>		<u>Notional Amount</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
<i>Governmental Activities</i>					
Cash Flow Hedges:					
	<i>Deferred</i>		<i>Derivative</i>		
Pay-fixed Rate	<i>Outflow of</i>		<i>Instrument</i>		
Swaps	<i>Resources</i>	<u>\$ 126,084</u>	<i>Liability</i>	<u>\$ (3,496,811)</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 \$33.530 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, 2013, rates were as follows:

VILLAGE OF CRESTWOOD, ILLINOIS
Notes to the Basic Financial Statements
April 30, 2013

NOTE F – INTEREST RATE SWAP (continued)

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.69000%
Variable payment from counterparty	67% of LIBOR (0.13395%)
Net interest rate swap payments		3.55605%
Variable-rate bond coupon payments	Noted above	0.32000%
Synthetic interest rate on bonds		3.87605%

Fair value : Because interest rates have declined since execution of the swap, the swap had a negative fair value of \$3,496,811 as of April 30, 2013. 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, 2013, 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, 2013 (3.87605 percent). Based on this, the expected cost savings has not been realized. As of April 30, 2013, the remarketed interest rate on the bonds was 0.32 percent, whereas the LIBOR rate was 0.16094 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, 2013

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. 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.

Effective October 1, 2013, the Village is no longer self-insured. General Liability Coverage will be \$1 million / \$3 million with no deductible.

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, 2013

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, 2013 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water & Sewer	\$ 12,000
General	Tax Allocation	\$ 28,315
Recreation	General	\$ 84,156
Police Pension	General	\$ 1,710

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 \$28,315 represents Regular sales tax collected by the TIF Fund not yet remitted to the General Fund.

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.

VILLAGE OF CRESTWOOD, ILLINOIS
Notes to the Basic Financial Statements
April 30, 2013

NOTE K – CONDUIT DEBT OBLIGATION (continued)

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

Plan Description

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 (40 ILCS 5/3) and can only be amended by the Illinois General Assembly. The Village accounts for the Plan as a pension trust fund.

The Police Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the least day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3.00% of the original pension and 3.00% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of 1/2 of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., 1/2% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or 1/2 of the change in the Consumer Price Index for the preceding calendar year.

VILLAGE OF CRESTWOOD, ILLINOIS
Notes to the Basic Financial Statements
April 30, 2013

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

Plan Description (continued)

Employees are required by ILCS 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 and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. For the year ended April 30, 2013, the Village's contribution was 265% of covered payroll.

Summary of Significant Accounting Policies

The financial statements are prepared using the accrual method of accounting. Employee and employer contributions are recognized as revenues in the period in which the employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the Plan. All funds are with First Midwest Bank in either money market accounts or certificates of deposit.

Annual Pension Costs

Employer contributions have been based on the following:

Actuarial valuation date	4/30/2013
Actuarial cost method	Entry age
Amortization period	Level percentage of pay, closed
Remaining amortization period	28 years
Asset valuation method	Market
Significant actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increase*	5.00%
*Includes inflation at	3.00%
Cost-of-living adjustments	3.00% per year

VILLAGE OF CRESTWOOD, ILLINOIS
Notes to the Basic Financial Statements
April 30, 2013

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

Net Pension Obligation

The Village's annual pension cost and net pension obligation to the Plan for the year ended April 30, 2013 is as follows:

	2013	2012
Annual required contribution	\$ 54,494	\$ 54,494
Interest on net pension obligation	17,159	15,408
Adjustment to annual requirement contribution	(10,374)	(9,064)
Annual pension cost	\$ 61,279	\$ 60,838
Contributions made	254,511	35,825
Increase in net pension obligation	\$ (193,232)	\$ 25,013
Net pension obligation (asset), beginning of year	245,122	220,109
Net pension obligation, end of year	<u>\$ 51,890</u>	<u>\$ 245,122</u>

Three year trend information

Fiscal Year	Annual Required Contribution (ARC)	Actual Contributions	Percentage of ARC Contributed	Net Pension Obligation
4/30/2013	\$ 61,279	\$ 254,511	415%	\$ 51,890
4/30/2012	\$ 60,838	\$ 35,825	59%	\$ 245,122
4/30/2011	\$ 53,744	\$ 33,635	63%	\$ 220,109

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 \$32,895,000.

VILLAGE OF CRESTWOOD, ILLINOIS
Notes to the Basic Financial Statements
April 30, 2013

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 (during the fiscal year ending April 30, 2013) 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, 2013, there was no amount owed by the baseball team to the Village. Also, at April 30, 2013, with the election of a new mayor, the Related Party Connection no longer exists.

Required Supplementary Information

Village of Crestwood
Police Pension Fund
Schedule of Funding Progress
For the Year Ended April 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
04/30/2013	\$ 306,722	\$ 729,941	\$ 423,219	42.00%	\$ 96,000	440.90%
04/30/2012	NA	NA	NA	NA	NA	NA
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%

Note: Information as of April 30, 2012 is not 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, 2013

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Over (Under)</u>
<u>Revenues</u>	\$ 7,798,000	\$ 7,562,668	\$ (235,332)
<u>Expenditures</u>			
Current			
General Government			
General and Administrative	\$ 599,125	\$ 576,856	\$ (22,269)
Legal and Litigation	1,044,200	492,948	(551,252)
Audit	25,000	29,570	4,570
Buildings & Grounds	118,400	189,594	71,194
Public Transportation	86,050	76,888	(9,162)
Insurance	555,000	566,351	11,351
Payroll Tax	220,000	237,869	17,869
Other	146,000	128,034	(17,966)
Total General Government	<u>\$ 2,793,775</u>	<u>\$ 2,298,110</u>	<u>\$ (495,665)</u>
Public Safety			
Police	\$ 1,634,750	\$ 1,621,929	\$ (12,821)
Fire	796,800	878,852	82,052
Health and Safety	53,800	48,278	(5,522)
School Crossing Guards	13,500	13,401	(99)
Emergency Services	42,200	11,855	(30,345)
Total Public Safety	<u>\$ 2,541,050</u>	<u>\$ 2,574,315</u>	<u>\$ 33,265</u>
Parks and Recreation	\$ 231,400	\$ 194,712	\$ (36,688)
Streets and Bridge	622,600	558,081	(64,519)
Garbage Disposal	640,000	651,975	11,975
Miscellaneous	-	28,459	28,459
Debt Service			
Principal and Interest	201,500	201,480	(20)
Capital Outlay			
General Government			
Buildings and Grounds	145,000	150,458	5,458
Public Safety			
Police	20,000	-	(20,000)
Fire	34,000	98,314	64,314
Street and Bridge	120,000	119,952	(48)
Total Other	<u>\$ 2,014,500</u>	<u>\$ 2,003,431</u>	<u>\$ (11,069)</u>
Total Expenditures	<u>\$ 7,349,325</u>	<u>\$ 6,875,856</u>	<u>\$ (473,469)</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, 2013

	Original & Final Budget	Actual	Variance From Final Budget Over (Under)
<u>Other Financing Sources (Uses)</u>			
Over (Under) Expenditures	\$ 448,675	\$ 686,812	\$ 238,137
Sale of Capital Assets	8,000	12,500	4,500
Bank Loan Proceeds	145,000	148,672	3,672
Transfers Out	-	(150,000)	(150,000)
Net Changes in Fund Balance	<u>\$ 601,675</u>	<u>\$ 697,984</u>	<u>\$ 96,309</u>
Fund Balance, Beginning of the Year		<u>3,189,024</u>	
Fund Balance, End of the Year		<u>\$ 3,887,008</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, 2013

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Over (Under)</u>
<u>Taxes</u>			
Property Tax	\$ 1,680,000	\$ 1,397,384	\$ (282,616)
Sales Tax	3,200,000	3,057,380	(142,620)
State Income Tax	900,000	1,073,650	173,650
Off-Track Betting Tax	260,000	236,304	(23,696)
Video Poker Tax	-	7,872	7,872
Miscellaneous Taxes			
Replacement Taxes	35,000	35,950	950
Hotel-Motel Tax	28,000	24,614	(3,386)
911 Tax	5,000	-	(5,000)
Foreign Fire Insurance Tax	10,000	10,618	618
	<u>\$ 6,118,000</u>	<u>\$ 5,843,772</u>	<u>\$ (274,228)</u>
<u>Intergovernmental</u>			
Regional Transportation Authority	\$ 25,000	\$ 18,553	\$ (6,447)
Grants	210,000	197,930	(12,070)
	<u>\$ 235,000</u>	<u>\$ 216,483</u>	<u>\$ (18,517)</u>
<u>Licenses and Permits</u>			
Vehicle Stickers	\$ 58,000	\$ 48,012	\$ (9,988)
Building Permits & Subcontractor Fee	60,000	76,132	16,132
Business and Liquor Licenses	30,000	32,395	2,395
Franchise Fees	155,000	152,203	(2,797)
Miscellaneous	58,000	60,122	2,122
	<u>\$ 361,000</u>	<u>\$ 368,864</u>	<u>\$ 7,864</u>
<u>Fines and Penalties</u>			
Police Fines	\$ 150,000	\$ 163,422	\$ 13,422
<u>Miscellaneous</u>			
Theater Rental Fee	\$ 200,000	\$ 181,810	\$ (18,190)
Municipal Events	1,000	-	(1,000)
Rental Income	245,000	239,537	(5,463)
Recreational	60,000	50,446	(9,554)
Miscellaneous	423,000	496,667	73,667
	<u>\$ 929,000</u>	<u>\$ 968,460</u>	<u>\$ 39,460</u>
<u>Interest</u>			
	<u>\$ 5,000</u>	<u>\$ 1,667</u>	<u>\$ (3,333)</u>
Total Revenues	<u>\$ 7,798,000</u>	<u>\$ 7,562,668</u>	<u>\$ (235,332)</u>

See accompanying notes to the required supplementary information.

Village of Crestwood, Illinois
Notes to the Required Supplementary Information
April 30, 2013

NOTE A – BUDGETS

Annual budgets are adopted for all governmental, proprietary and fiduciary funds. 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 and appropriation are presented to the governing body for review. The governing body holds public hearings and may add to, subtract from or change the budget and appropriation amounts, but may not change the form of the budget. The budget may be amended throughout the year by the

Expenditures may not legally exceed budgeted appropriations at the fund level. There were no budget or appropriation amendments adopted during the year ended April 30, 2013.

Combining and Individual Fund
Statements and Schedules

Village of Crestwood, Illinois

Combining Balance Sheet
Nonmajor Governmental Funds
For the Year Ended April 30, 2013

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Recreation	Motor Fuel	
<u>Assets</u>			
Cash and Investments	\$ 36,150	\$ 306,212	\$ 342,362
Receivables			
Motor Fuel Tax	-	18,831	18,831
Due from Other Funds	84,156	-	84,156
Total Assets	\$ 120,306	\$ 325,043	\$ 445,349
<u>Liabilities and Fund Balance</u>			
Accounts Payable	\$ 9,064	\$ 449	\$ 9,513
Accrued Salaries	10,396	-	10,396
Total Liabilities	\$ 19,460	\$ 449	\$ 19,909
<u>Fund Balance</u>			
Restricted			
Motor Fuel	\$ -	\$ 324,594	\$ 324,594
Assigned			
Recreation	100,846	-	100,846
Total Fund Balance	\$ 100,846	\$ 324,594	\$ 425,440
Total Liabilities and Fund Balance	\$ 120,306	\$ 325,043	\$ 445,349

Village of Crestwood, Illinois

Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended April 30, 2013

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Recreation</u>	<u>Motor Fuel</u>	
<u>Revenues</u>			
Taxes			
Property	\$ 45,000	\$ -	\$ 45,000
Motor Fuel	-	310,644	310,644
Charges for Services	542,879	-	542,879
Interest	-	95	95
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 587,879	\$ 310,739	\$ 898,618
<u>Expenditures</u>			
Current			
Street & Sidewalk Maintenance	\$ -	\$ 45,024	\$ 45,024
Recreation			
Wellness Center	554,674	-	554,674
Capital Outlay			
Street & Sidewalks	-	390,949	390,949
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 554,674	\$ 435,973	\$ 990,647
Net Change in Fund Balance	\$ 33,205	\$ (125,234)	\$ (92,029)
Fund Balance, Beginning of the Year	<u>67,641</u>	<u>449,828</u>	<u>517,469</u>
Fund Balance, End of the Year	<u>\$ 100,846</u>	<u>\$ 324,594</u>	<u>\$ 425,440</u>

Village of Crestwood, Illinois

Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - Water and Sewer Fund
For the Year Ended April 30, 2013

	Original & Final Budget	Actual	Variance From Final Budget Over (Under)
<u>Operating Revenues</u>			
Charges for Services			
Water and Sewer	\$ 2,300,000	\$ 2,239,864	\$ (60,136)
Penalties	35,000	36,730	1,730
Tap-In and Connection Fees	3,000	7,883	4,883
Capital Improvements	95,000	144,301	49,301
Interest Income	-	28	28
Grant Income	25,000	44,802	19,802
Miscellaneous	9,500	18,875	9,375
Total Revenues	\$ 2,467,500	\$ 2,492,483	\$ 24,983
<u>Operating Expenses</u>			
Operations	\$ 2,665,500	\$ 2,123,520	\$ (541,980)
Depreciation	-	657,421	657,421
Total Operating Expenses	\$ 2,665,500	\$ 2,780,941	\$ 115,441
Net Changes in Fund Balance	\$ (198,000)	\$ (288,458)	\$ (90,458)
Fund Balance, Beginning of the Year		19,999,215	
Fund Balance, End of the Year		\$19,710,757	

Village of Crestwood, Illinois

Recreation Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2013

	Original & Final Budget	Actual	Variance From Final Budget Over (Under)
<u>Revenues</u>			
Property Tax	\$ 75,000	\$ 45,000	\$ (30,000)
Charges for Services			
Program Revenue and Dues	542,000	499,113	(42,887)
Facility Rental	57,000	43,764	(13,236)
Miscellaneous	1,000	2	(998)
Total Revenues	\$ 675,000	\$ 587,879	\$ (87,121)
<u>Expenditures</u>			
Current			
Recreation			
Wellness Center	\$ 657,550	\$ 554,674	\$ (102,876)
Capital Outlay			
Recreation			
Wellness Center	65,000	-	(65,000)
Total Expenditures	\$ 722,550	\$ 554,674	\$ (167,876)
Net Change in Fund Balance	\$ (47,550)	\$ 33,205	\$ 80,755
Fund Balance, Beginning of the Year		67,641	
Fund Balance, End of the Year		\$ 100,846	

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, 2013

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Over (Under)</u>
<u>Revenues</u>			
Motor Fuel Tax	\$ 300,000	\$ 310,644	\$ 10,644
Interest	<u>1,000</u>	<u>95</u>	<u>(905)</u>
Total Revenues	<u>\$ 301,000</u>	<u>\$ 310,739</u>	<u>\$ 9,739</u>
<u>Expenditures</u>			
Current			
Street & Sidewalk Maintenance	\$ 93,000	\$ 45,024	\$ (47,976)
Capital Outlay			
Streets	<u>400,000</u>	<u>390,949</u>	<u>(9,051)</u>
Total Expenditures	<u>\$ 493,000</u>	<u>\$ 435,973</u>	<u>\$ (57,027)</u>
Net Change in Fund Balance	<u>\$ (192,000)</u>	<u>\$ (125,234)</u>	<u>\$ 66,766</u>
Fund Balance, Beginning of the Year		<u>449,828</u>	
Fund Balance, End of the Year		<u>\$ 324,594</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**

October 22, 2013

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, 2013, and have issued our report thereon dated October 22, 2013. 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

"Attachment L"

Village of Crestwood, Illinois

Schedule of Assessed Valuations, Tax Rates, Tax Extensions,
Tax Collections and Taxes Receivable
Tax Levies for 2012, 2011, and 2010

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Equalized Assessed Valuations</u>	\$ 319,846,635	\$ 347,894,841	\$ 400,893,529
<u>Tax Rates</u>			
General Fund	.4950	.4410	.3750
<u>Tax Extensions</u>			
General Fund	\$ 1,512,875	\$ 1,450,722	\$ 1,503,351
<u>Taxes Collections</u>			
General Fund	\$ 725,014	\$ 1,428,582	N/A
<u>Taxes Receivable at 4-30-2013</u>			
General Fund	\$ 787,861	\$ 0	N/A
<u>Percentage of Extension Collected</u>	47.9%	98.5%	N/A

Statistical Section

Village of Crestwood, Illinois
Annual Financial Information on Tax Receipts
April 30, 2013

TIF Year	Collection Year Ended 04/30	Total Incremental Property Tax		Total Local Sales Tax		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
		Collected in Redevelopment Project Area	Collected in Redevelopment Project Area							
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	523,197	3,698,773	4,221,970			
5	2008	722,853	909,976	909,976	1,632,829	3,200,554	4,833,383			
6	2009	1,637,225	918,409	918,409	2,555,634	3,064,617	5,620,251			
7	2010	1,689,951	926,566	926,566	2,616,517	2,685,552	5,302,069			
8	2011	962,063	920,369	920,369	1,882,432	2,816,771	4,699,203			
9	2012	1,134,371	1,051,584	1,051,584	2,185,955	2,772,044	4,957,999			
10	2013	1,064,548	1,082,072	1,082,072	2,146,620	3,057,380	5,204,000			
Totals		\$ 7,635,982	\$ 6,332,173	\$ 13,968,155	\$ 32,713,701	\$ 46,681,856				

Village of Crestwood
Schedule of Direct and Overlapping Debt
As of April 30, 2013

	(1) 2011 Equalized Assessed Valuation	(2) General Obligation Debt Outstanding	Percentage Applicable To Village	Amount Applicable to Village
<u>Overlapping Debt</u>				
Cook County	\$ 152,069,051,716	\$ 3,814,460,000	0.23%	\$ 8,726,502
South Cook County Mosquito Abatement	19,880,925,171	-	1.75%	-
Metropolitan Water Reclamation District	149,048,493,249	2,466,464,000	0.23%	5,756,986
Crestwood Public Library District	317,425,525	-	100.00%	-
Moraine Valley Comm Coll Dist 524	10,788,434,366	125,675,000	3.22%	4,052,644
Community High School Dist 218	2,518,589,913	25,735,820	13.81%	3,554,909
School District 130	564,049,641	12,035,923	61.68%	7,423,523
Town of Worth	3,497,290,047	-	4.30%	-
Town of Bremen	1,891,338,551	730,000	10.44%	76,226
Cook County Forest Preserve	152,069,051,716	94,885,000	0.23%	217,097
Subtotal, overlapping debt	\$ 6,539,985,743			\$ 29,807,887
<u>Direct Debt</u>				
Village of Crestwood	347,894,841	-	100.00%	-
<u>Total Direct and Overlapping Debt</u>		<u>\$ 6,539,985,743</u>		<u>\$ 29,807,887</u>
Village of Crestwood - by Township				
Bremen	\$ 197,492,070			\$ 10,950
Worth	150,402,771			-
	<u>\$ 347,894,841</u>			<u>\$ 2,722</u>

(1) Source: Cook County Clerk - Agency equalized valuation report for tax year 2011

(2) Source: Cook County Treasurer - Taxing district financial statements - Most recent audit report on file for that agency