

Village of Crestwood, Illinois
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
APRIL 30, 2015

Prepared By:

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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, 2015, 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, 2015, 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.

Change in Accounting Principle

The Village adopted the GASB Statement No. 67, *Financial Reporting for Reporting Pension Plans*, which modified certain disclosures in the notes to the financial statements and the required supplementary information. Our opinion is not modified with respect to this matter.

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.

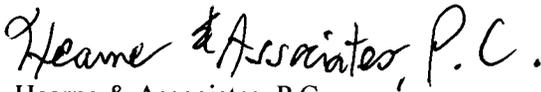
The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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, subsequent to the date of the audit report, entered into an agreement for various tort judgements and settlements regarding its ongoing litigation with residents over water contamination. The entire settlement of \$15 million is booked as a liability in the District's Statement of Net Position. Our opinion is not modified with respect to this matter.

November 2, 2015
Mokena, IL


Heame & Associates, P.C.
Certified Public Accountants

Village of Crestwood, Illinois
Management's Discussion and Analysis
April 30, 2015

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 12).

Financial Highlights

- **Net Position** The Village's total Net Position at fiscal year-end was \$28.9 million, a decrease of \$15.4 million (34.5%) during the current fiscal year. The Net Position for governmental activities at fiscal year-end was \$10.0 million, a decrease of \$15.1 million during the current fiscal year. The Net Position for business-type activities was \$18.9 million, a decrease of \$0.3 million during the current fiscal year. The decrease in net position is mainly attributable to the estimation of the settlement of Village litigation in the amount of \$15 million.
- **General Fund summary** The Village's General Fund reported a decrease of \$15.3 million in fund balance for the current fiscal year. In addition, the fund balance for the General Fund at fiscal-year end was -\$11.8 million.
- **Budget summary** The Village's General Fund actual revenues were less than budgeted by \$0.5 million while actual expenditures were more than budgeted by \$0.3 million.
- **Debt outstanding** The Village has no direct general obligation debt.
- **Fiduciary Fund summary** The Village's Police Pension Fund reported an increase of \$96,899 (28.9%) in fund balance for the current fiscal year. The most recent actuarial valuation at April 30, 2015 reported a 41.8% 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 12 and 13) 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 14. 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 12 and 13) 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

Village of Crestwood, Illinois
Management's Discussion and Analysis
April 30, 2015

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 13) 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.

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 14-22 and 44-47). 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. The financial plan (the budget) is typically developed in this manner. 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 53 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 23.

Village of Crestwood, Illinois
Management's Discussion and Analysis
April 30, 2015

Other Information

In addition to the Basic Financial Statements and accompanying notes, this report also presents certain required supplementary information beginning on page 44. 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 53. This includes information for the non-major governmental funds and the proprietary fund.

Financial Analysis of the Village as a Whole

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

Table1
CONDENSED STATEMENT OF NET POSITION
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2015	2014	2015	2014	2015
Current & Other Assets	\$10.7	\$10.6	\$ 1.0	\$ 1.4	\$11.7	\$12.0
Capital Assets	48.1	47.0	18.4	17.7	66.5	64.7
Deferred Outflows	2.4	2.1	-	-	2.4	2.1
Total Assets	61.2	59.7	19.4	19.1	80.6	78.8
Long-term Liabilities	31.8	30.2	0.0	0.0	31.8	30.2
Other Liabilities	0.6	15.6	0.2	0.2	0.8	15.8
Deferred Outflows	3.7	3.9	0.0	0.0	3.7	3.9
Total Liabilities	36.1	49.7	0.2	0.2	36.3	49.9
Net Position						
Investment in Capital Assets, Net of Related Debt	47.6	46.6	18.4	17.7	66.0	64.3
Restricted	5.0	4.8	0.0	0.0	5.0	4.8
Unrestricted	-27.5	-41.4	0.8	1.2	-26.7	-40.2
Total Net Position	\$25.1	\$10.0	\$19.2	\$18.9	\$44.3	\$28.9

For more detailed information, see the Statement of Net Position.

Normal Impacts – Net Position

Six basic (normal) transactions 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.

Village of Crestwood, Illinois
Management's Discussion and Analysis
April 30, 2015

- **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 net investment in capital assets

Current Year Impacts – Net Position

The Village's combined Net Position decreased \$15.5 million from \$44.3 million to \$28.8 million. Net Position of the Village's governmental activities decreased \$15.2 million to \$9.9 million. Net Position of the Village's business-type activities decreased \$0.3 million to \$18.9 million. The Village's unrestricted Net Position for governmental activities, the part of Net Position that can be used to finance daily operations, decreased by \$13.9 million. The Village's unrestricted Net Position of the business-type activities, available to finance the continuing operation of the Water and Sewer Fund, increased by \$0.4 million.

Major capital activity for the year was the purchase and installation of a new scoreboard (\$260,710) at Standard Bank Field, a new ambulance (\$160,521), Concession Stand at Walker Park (\$41,891) and several new vehicles.

The Village continued to reduce its debt service. During the year, the Village financed the purchase of the above referenced scoreboard, ambulance and police vehicles (total of \$468,229). The Village repaid its installment loans to the extent of \$310,020 and tax increment financing bonds to the extent of \$1,690,000. The overall debt decreased by \$1,531,791 for the current fiscal year and its future debt service requirements decreased by \$2,271,970.

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	
	2014	2015	2014	2015	2014	2015
REVENUES						
Program revenues:						
Charges for services	\$ 2.2	\$ 1.5	\$ 2.5	\$ 2.9	\$ 4.7	\$ 4.4
Operating grants	0.1	0.1	-	-	0.1	0.1
General revenues						
Property taxes	3.0	2.7	-	-	3.0	2.7
Sales tax	4.2	4.3	-	-	4.2	4.3
Other	1.7	-11.8	-	-	1.7	-11.8
Total revenues	\$11.2	-\$3.2	\$ 2.5	\$ 2.9	\$13.7	-\$0.3

Village of Crestwood, Illinois
Management's Discussion and Analysis
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	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
EXPENSES						
General government	\$ 4.3	\$ 4.6	\$ -	\$ -	\$4.3	\$ 4.6
Public safety	3.4	3.5	-	-	3.4	3.5
Street and bridge	0.8	0.9	-	-	0.8	0.9
Sanitation	0.7	0.8	-	-	0.7	0.8
Recreation	0.9	0.8	-	-	0.9	0.8
Tax increment financing costs	0.7	0.6	-	-	0.7	0.6
Transfer to Fiduciary Pension Fund	-	-	-	-	-	-
Water and Sewer	-	-	3.0	3.2	3.0	3.2
Interest on long-term debt	0.8	0.8	0.0	0.0	0.8	0.8
Total expenses	\$11.6	\$12.0	\$ 3.0	\$ 3.2	\$14.6	\$15.2
Changes in Net Position	-0.4	- 15.2	-0.5	-0.3	-0.9	- 15.5
Net Position, May 1	25.6	25.1	19.7	19.2	45.3	44.3
Prior Period Adjustment	-0.1	-	-	-	-0.1	-
Net Position, April 30	\$25.1	\$ 9.9	\$19.2	\$18.9	\$44.3	\$28.8

For more detailed information, see the Statement of Activities.

Normal Impacts – Net Position

Six basic (normal) transactions 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.

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- ***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 year, revenues from Governmental Activities totaled -\$3.2 million compared to \$11.2 million from the prior year. There were several reasons for the decrease. An estimation of the water litigation settlement in the amount of \$15 million has offset the current year revenue. Otherwise, property taxes decreased by \$325,881 due primarily to the recovery of prior property taxes received from a store in the TIF district in the prior fiscal year and in part to the impact of economic conditions and tax protests. Sales taxes increased by \$74,644 due to the continued recovery from the recession and new economic development within the last year. The video gaming tax income increased by \$104,344. Finally, instituting the new ALS services resulted in additional revenue for the Village in the amount of \$495,105 or an increase of \$293,310.

For the current fiscal year, expenditures from Governmental Activities totaled \$12.0 million compared to \$11.6 million from the prior year. The main reason for the increase is the purchase of additional capital assets as noted on page 6. Capital asset purchases were \$386,780 in fiscal year 2014 and increased by \$475,959 to \$862,739 in fiscal year 2015.

Current Year Impacts – Net Position (Proprietary Fund)

For the current fiscal year, revenues from Business-type Activities totaled \$2.9 million, which is an increase of \$400,000 from the prior year. This was mainly due to increased water rates and capital improvement charges.

For the current fiscal year, expenses from Proprietary Activities totaled \$3.2 million compared to \$3.0 million from the prior year. This is due to increased water costs from the Village of Alsip and indirectly the City of Chicago.

Financial Analysis of the Village's Funds

The Governmental Funds, as presented on pages 14-17, reported a combined total fund balance of -\$6.9 million, which is a \$15.6 million decrease from the prior year balance of \$8.7 million. This decrease is mainly attributable to the items mentioned in the previous section on “current year impacts – Net Position (governmental funds)”. The total fund balance of -\$6.9 million is comprised of the following components:

- ***Restricted Fund Balance*** of \$4.8 million represents the portion of fund balance that is subject to external enforceable legal restrictions; \$4.0 million for repayment of the tax increment financing bonds and \$0.8 million for motor fuel tax projects.
- ***Assigned Fund Balance*** of \$0.04 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 -\$11.8 million that represents available expendable financial resources in the General Fund after funds have been identified in the above categories.

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The Village's General Fund reported a decrease of \$15.3 million in fund balance for the current fiscal year. In addition, the fund balance for the General Fund at fiscal-year end was -\$11.8 million.

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

General Fund actual revenues and expenditures were \$0.5 million lower and \$.3 million higher than the final budgeted amount resulting in a net negative to the budget.

The tax increment financing Tax Allocation Fund had \$2.6 million of revenue and \$3.1 million of expenditures for the fiscal year.

The Water and Sewer Fund had a negative change in Net Position of \$0.3 million. 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 City of Chicago and Village of Alsip also increased. However, as noted in the Statement of Cash Flows on page 20, the Village had a positive cash flow from operating activities of \$307,590.

Capital Assets

At the end of fiscal year 2014, the Village had \$64.7 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 \$1.7 million, or 2.6 percent, under last year. Please refer to Note D of the report for the capital asset activity for the year. The Village had budgeted approximately \$0.2 million for capital expenditures in fiscal year 2015, predominantly for police vehicles, ambulance equipment, and a scoreboard.

Debt Administration

At the end of fiscal year 2015, the Village had \$30.2 million in bonds and loans outstanding. This is \$1.6 million less outstanding than the prior year. Of this amount, \$29.5 million is debt from the tax increment financing (TIF) district, namely the Variable Rate Tax Increment Revenue Bonds, Series 2004. The Village repaid \$1.7 million of TIF bonds in fiscal year 2015. At April 30, 2015 and 2014 the variable rates on the TIF bonds were 0.22 and 0.22 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 \$31.2 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 3.78944 percent at April 30, 2015, which in effect replaces the variable rate. This rate is less than the amount reported at April 30, 2014 of 3.80794 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 its future debt costs through various refinancing alternatives. Externally, the Village is confident the credit markets will remain at a relatively low rate environment.

Note E calculates the legal debt limit of the Village at April 30, 2015, which is \$24.4 million.

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Economic Factors and Next Year's Budget

The fiscal 2016 budget passed by the Village Board indicates total budget revenues and expenditures/expenses of \$25.2 million and \$20.5 million, respectively. Fiscal 2015 budgeted revenues and expenditures/expenses were \$15.5 million and \$15.2 million, respectively. Of the \$9.7 million increase in revenues, \$5.1 million is attributable to the General Fund. This increase is mainly due to additional sales tax as a result of passing the non-home rule sales tax effective July 1, 2015 and the sale of property for \$4 million in the Rivercrest shopping plaza. \$3.2 million is attributable to the Capital Projects Fund for development of the Cal Sag Road commercial development noted hereafter. The increase is mainly due to \$2.0 million in loan proceeds to develop the property and \$1.0 million for the sale of dirt and rocks removed in the development. \$0.5 is attributable to the Tax Increment Financing Fund as a result of the aforementioned sales tax increase. Finally, \$0.8 is attributable to the Water & Sewer Fund for increased water, sewer and capital improvement rates.

The fiscal 2016 budget shows a \$5.3 million increase in expenditures. Of this amount, \$0.5 million is attributable to the General Fund for various expenses. \$3.3 million is attributable to the Capital Projects Fund for the aforementioned Cal Sag Road commercial development and Springfield Avenue street upgrade. \$0.3 million is attributable to the Tax Increment Financing Fund for various expenses. Finally, \$1.1 million is attributable to the Water & Sewer Fund for increase water costs from the City of Chicago and maintenance of the water tanks.

The Village has received an extension of the 135th Street tax increment financing district. The extension was approved by the Illinois General Assembly with an extension through 2037. Currently, the Village is reviewing its options with respect to refinancing the TIF debt through an extension of the debt payments through 2037. It is expected that the refinancing would be completed early in 2015 at a fixed rate with the elimination of the current swap agreement. In October, 2015 the Village reduced its swap amount from \$20 million to \$10 million. It is intended that this reduction prior to the refinancing, with excess TIF funds, could save the Village \$25,000 to \$30,000 a month. See note N to the financial statements

Currently, the Village is not receiving its motor fuel tax and video gaming tax from the State of Illinois because of their budget problems. It is anticipated that these amounts will be received once a state budget is passed. The budgeted amounts for motor fuel tax and video gaming tax are \$275,000 and \$250,000, respectively. In the meantime, the Village has sufficient cash reserves to offset these delayed payments.

The Village's current economic development plans continue to be concentrated in two areas, i.e., the development of the east and west sides of the Cal Sag Road for commercial development, and the commercial development at the corner of Midlothian Turnpike and Cicero Avenue. The Village's main focus in the current fiscal year will be developing the north side of Cal Sag Road both east and west of Cicero Avenue. The development of this property would be part of the new Route 83 TIF Redevelopment Area. The Village is in discussions with a developer to build new stores, restaurant and hotel on the west side of Cicero Avenue with an anticipated date to break ground in 2016 and completion date in 2017. The east side is in the process of removing excess dirt and stone and grading the area with a completion date of 2017. To date, approximately twenty percent of the dirt and stone have been removed with the possibility of developing part of this area in 2016.

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Management's Discussion and Analysis
April 30, 2015

The Village's current and long-term capital project plans involve five different projects. First, a \$23 million project in the Playfield Park area to rehabilitate and replace water lines and sanitary and storm sewers. In addition streets, sidewalks and curbs would be upgraded. This project would give the area a much needed improvement. Currently, the Village is working on low cost loans and grants to minimize the cost to its residents. Second, a 135th and Central dyke is being contemplated which would divert storm water and lessen flooding problems. Third, plans include construction of sidewalks and street lights on 135th Street/Midlothian Turnpike from Pulaski to Cicero Avenue. Fourth, plans include widening and stabilizing the Tinley Park Creek from Central Avenue to Route 83, which would bring flood relief to the Village and in turn take out 175 residents out of the flood plain. This project is expected to begin in November, 2015. Fifth, an indoor dome by the current baseball stadium is in the works. This is a long-range project which is intended to develop an indoor sports facility, outdoor water park and upgraded parking. The Village would seek grant money for the development and also an outside partner to fund the facility.

The Village has reached a settlement agreement on the water litigation. See notes H and N to the financial statements. This agreement will be finalized in the near future with the settlement amount of \$15 million. Of this amount, \$12 million would be paid by the Village and \$3 million would be paid by insurance. The Village would use current funds of \$3 million and finance the remaining \$9 million. It is intended that the \$9 million would be paid from the new non-home rule sales tax.

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, 2015

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and Investments	\$ 7,149,986	\$ 792,534	\$ 7,942,520
Restricted Cash and Investments	33,213	-	33,213
Prepaid Expenditures	208,596	-	208,596
Receivables			
Property Taxes	1,772,467	-	1,772,467
Sales Tax	687,258	-	687,258
Income Tax	372,987	-	372,987
Off-Track Betting Tax	17,778	-	17,778
Video Gaming Tax	21,070	-	21,070
Motor Fuel Tax	25,467	-	25,467
Insurance	97,238	-	97,238
Accounts	-	199,845	199,845
Unbilled Water and Sewer	-	381,696	381,696
Other	10,867	-	10,867
Due from Other Local Governments	163,519	-	163,519
Accrued Interest	6	-	6
Net Pension Asset	63,136	-	63,136
Capital Assets	46,968,583	17,727,721	64,696,304
Total Assets	<u>57,592,171</u>	<u>19,101,796</u>	<u>76,693,967</u>
<u>Deferred Outflows</u>			
Accumulated Decrease in Fair Value of Hedging Derivatives	<u>2,087,623</u>	-	<u>2,087,623</u>
<u>Liabilities</u>			
Accounts Payable	371,957	203,269	575,226
Accrued Salaries	126,791	1,293	128,084
Accrued Interest Payable	4,874	-	4,874
Deposits	1,000	-	1,000
Settlement of Water Litigation	15,000,000	-	15,000,000
Due to Other Governments	56,917	-	56,917
Long-term Obligations, Due Within One Year			
Revenue Bonds	1,690,000	-	1,690,000
Notes Payable	268,857	-	268,857
Compensated Absences	31,882	-	31,882
Long-term Obligations, Due in More Than One Year			
Revenue Bonds	27,825,000	-	27,825,000
Notes Payable	410,399	-	410,399
Total Liabilities	<u>45,787,677</u>	<u>204,562</u>	<u>45,992,239</u>
<u>Deferred Inflows of Resources</u>			
Deferred Revenue			
Property Tax	1,755,280	-	1,755,280
State Grants	90,000	-	90,000
Derivative Instrument Liability	2,087,623	-	2,087,623
Total Deferred Inflows of Resources	<u>3,932,903</u>	<u>-</u>	<u>3,932,903</u>
<u>Net Position</u>			
Net Investment in Capital Assets	46,655,293	17,727,721	64,383,014
Restricted for Street Improvements	771,693	-	771,693
Restricted for Tax Incremental Financing Loan	3,994,964	-	3,994,964
Unrestricted	(41,462,736)	1,169,513	(40,293,223)
Total Net Position	<u>\$ 9,959,214</u>	<u>\$ 18,897,234</u>	<u>\$ 28,856,448</u>

See accompanying notes to the financial statements.

Village of Crestwood, Illinois

Statement of Activities
Year Ended April 30, 2015

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants	Governmental Activities	Business Type Activities	Totals
Governmental Activities:						
General Government	\$ 4,528,712	\$ 520,231	\$ 59,974	\$ (3,948,507)	\$ -	\$ (3,948,507)
Public Safety	3,541,813	495,105	-	(3,046,708)	-	(3,046,708)
Street and Bridge	891,062	-	-	(891,062)	-	(891,062)
Sanitation	847,441	-	-	(847,441)	-	(847,441)
Recreation	790,976	477,009	3,300	(310,667)	-	(310,667)
Tax increment financing costs	579,158	-	-	(579,158)	-	(579,158)
Interest on long-term debt	793,101	-	-	(793,101)	-	(793,101)
Total Government Activities	11,972,263	1,492,345	63,274	(10,416,644)	-	(10,416,644)
Business Type Activities:						
Water and Sewer	3,221,290	2,949,060	-	-	(272,230)	(272,230)
Total Primary Government	<u>\$ 15,193,553</u>	<u>\$ 4,441,405</u>	<u>\$ 63,274</u>	<u>(10,416,644)</u>	<u>(272,230)</u>	<u>(10,688,874)</u>
General Revenues, Special Items and Transfers						
Taxes						
Property				2,626,857	-	2,626,857
Sales				4,328,923	-	4,328,923
Income				1,103,166	-	1,103,166
Off-track betting				197,983	-	197,983
Video poker				187,692	-	187,692
Motor fuel				366,073	-	366,073
Miscellaneous				1,506,498	-	1,506,498
Unrestricted investment income				5,215	81	5,296
Gain on Sale of Assets				4,573	-	4,573
Settlement of Lawsuit				(15,000,000)	-	(15,000,000)
Transfer to Fiduciary Pension Fund				(90,102)	-	(90,102)
Total General Revenues, Special Items and Transfers				<u>(4,763,122)</u>	<u>81</u>	<u>(4,763,041)</u>
Change in Net Position				(15,179,766)	(272,149)	(15,451,915)
Net Position						
Beginning of the Year				<u>25,138,980</u>	<u>19,169,383</u>	<u>44,308,363</u>
End of the Year				<u>\$ 9,959,214</u>	<u>\$ 18,897,234</u>	<u>\$ 28,856,448</u>

See accompanying notes to the financial statements.

Village of Crestwood, Illinois

Balance Sheet
Governmental Funds
April 30, 2015

	<u>Major Governmental Funds</u>			<u>Total</u>
	<u>General</u>	<u>Tax Allocation</u>	<u>Other Governmental</u>	
<u>Assets</u>				
Cash and Investments	\$ 2,771,631	\$ 3,610,263	\$ 768,092	\$ 7,149,986
Restricted Cash and Investments	33,213	-	-	33,213
Prepaid Route 83 TIF Expenditures	9,940	28,469	-	38,409
Prepaid Line of Credit Fee	-	170,187	-	170,187
Receivables				
Property Taxes	811,425	961,042	-	1,772,467
Sales Tax	534,258	153,000	-	687,258
Income Tax	372,987	-	-	372,987
Off-Track Betting Tax	17,778	-	-	17,778
Video Gaming Tax	21,070	-	-	21,070
Motor Fuel Tax	-	-	25,467	25,467
Due from Insurance	97,238	-	-	97,238
Other	10,867	-	-	10,867
Accrued Interest	-	6	-	6
Due from Other Funds	-	27,466	57,656	85,122
Total Assets	<u>\$ 4,680,407</u>	<u>\$ 4,950,433</u>	<u>\$ 851,215</u>	<u>\$ 10,482,055</u>
<u>Liabilities</u>				
Accounts Payable	\$ 340,127	\$ 2,280	\$ 29,550	\$ 371,957
Accrued Salaries	117,896	-	8,895	126,791
Deposits	1,000	-	-	1,000
Settlement of Water Litigation	15,000,000	-	-	15,000,000
Due to Other Funds	85,122	-	-	85,122
Total Liabilities	<u>15,544,145</u>	<u>2,280</u>	<u>38,445</u>	<u>15,584,870</u>
<u>Deferred Inflows of Resources</u>				
Deferred Revenue				
Property Tax	802,091	953,189	-	1,755,280
Grant Income	90,000	-	-	90,000
Total Deferred Inflows of Resources	<u>892,091</u>	<u>953,189</u>	<u>-</u>	<u>1,845,280</u>
Total Liabilities and Deferred Inflows	<u>16,436,236</u>	<u>955,469</u>	<u>38,445</u>	<u>17,430,150</u>
<u>Fund Balance</u>				
Nonspendable				
Prepaid Items	-	198,656	-	198,656
Restricted				
Tax Increment Financing Loan	-	3,796,308	-	3,796,308
Motor Fuel	-	-	771,693	771,693
Assigned				
Recreation	-	-	41,077	41,077
Unassigned	(11,755,829)	-	-	(11,755,829)
Total Fund Balance	<u>(11,755,829)</u>	<u>3,994,964</u>	<u>812,770</u>	<u>(6,948,095)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 4,680,407</u>	<u>\$ 4,950,433</u>	<u>\$ 851,215</u>	<u>\$ 10,482,055</u>

Village of Crestwood, Illinois

Reconciliation of the Total Fund Balance of Governmental Funds
to Net Position of Governmental Activities
April 30, 2015

Total Fund Balance of Governmental Funds	\$ (6,948,095)
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	46,968,583
Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Reimbursement Due from the Other Local Government	163,519
Some liabilities reported in the Statement of Activities do not require the use of current financial resources; and therefore, are not reported in governmental funds. These activities consist of:	
Notes Payable	(30,194,256)
Real Estate Tax Reimbursements Owed	(56,917)
Compensated Absences	(31,882)
Pension Asset	63,136
Accrued interest on long-term liabilities is shown as a liability on the statement of net position.	<u>(4,874)</u>
Net Position of Governmental Activities	<u>\$ 9,959,214</u>

Village of Crestwood, Illinois

Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
Year Ended April 30, 2015

Major Governmental Funds

	General	Tax Allocation	Other Governmental	Total
<u>Revenues</u>				
Taxes				
Property	\$ 1,454,851	\$ 1,078,506	\$ 93,500	\$ 2,626,857
Sales	3,257,606	1,071,317	-	4,328,923
State Income	1,103,166	-	-	1,103,166
Motor Fuel	-	-	366,073	366,073
Other Taxes	506,070	-	-	506,070
Intergovernmental	59,974	-	3,300	63,274
Licenses and Permits	520,231	-	-	520,231
Fines and Penalties	267,216	-	-	267,216
Charges for Services	-	-	477,009	477,009
Advanced Life Support	495,105	-	-	495,105
Miscellaneous	727,887	416,000	-	1,143,887
Interest	740	4,287	188	5,215
Total Revenues	<u>8,392,846</u>	<u>2,570,110</u>	<u>940,070</u>	<u>11,903,026</u>
<u>Expenditures</u>				
Current				
General Government	2,892,761	24,198	-	2,916,959
Public Safety	3,317,238	-	-	3,317,238
Parks and Recreation	203,086	-	-	203,086
Street and Bridge	691,036	-	134,127	825,163
Garbage Disposal	707,837	-	-	707,837
Miscellaneous	150,000	-	-	150,000
Recreation	-	-	587,890	587,890
Tax Increment Financing	-	579,158	-	579,158
Debt Service	337,634	2,455,931	-	2,793,565
Capital Outlay				
General Government	24,959	-	-	24,959
Public Safety	344,263	-	-	344,263
Parks and Recreation	387,793	-	-	387,793
Street and Bridge	56,271	-	-	56,271
Total Expenditures	<u>9,112,878</u>	<u>3,059,287</u>	<u>722,017</u>	<u>12,894,182</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(720,032)</u>	<u>(489,177)</u>	<u>218,053</u>	<u>(991,156)</u>
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	5,000	-	-	5,000
Proceeds from Note Payable	468,229	-	-	468,229
Transfers Out	(90,102)	-	-	(90,102)
Total Other Financing Sources (Uses)	<u>383,127</u>	<u>-</u>	<u>-</u>	<u>383,127</u>
<u>Special Items</u>				
Settlement of Lawsuit	<u>(15,000,000)</u>	<u>-</u>	<u>-</u>	<u>(15,000,000)</u>
Net Change in Fund Balance	(15,336,905)	(489,177)	218,053	(15,608,029)
Fund Balance, Beginning of Year	3,581,076	4,484,141	594,717	8,659,934
Fund Balance, End of Year	<u>\$ (11,755,829)</u>	<u>\$ 3,994,964</u>	<u>\$ 812,770</u>	<u>\$ (6,948,095)</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, 2015

Net Change in Fund Balances of Governmental Activities \$ (15,608,029)

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives as depreciation expense.

This is the amount of expenditures capitalized in the current period.	813,286
This is the amount of depreciation recorded in the current period.	(1,963,915)

Governmental funds only report the disposal of assets to the extent proceeds are received. In the Statement of Activities, a gain or loss is reported for each disposal.

This is the basis in the capital assets that were disposed.	(427)
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The issuance of long-term debt is reported as other financing sources in the governmental funds, but increases long-term debt in the Statement of Net Position.	(468,229)
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Repayment of long-term debt is treated as an expenditure in the governmental funds, but the repayment reduces principal outstanding in the Statement of Net Position.	2,000,464
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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. Change in Pension Obligation	72,084
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. Reimbursements from Local Governments	(25,000)
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Change in Net Position of Governmental Activities	<u><u>\$ (15,179,766)</u></u>
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See accompanying notes to the financial statements.

Proprietary Fund

Village of Crestwood, Illinois

Proprietary Fund
Statement of Net Position
April 30, 2015

	<u>Enterprise Fund</u> <u>Water &</u> <u>Sewer Fund</u>
<u>Assets</u>	
Current Assets	
Cash and Investments	\$ 792,534
Receivables:	
Accounts	199,845
Unbilled Water and Sewer Charges	<u>381,696</u>
Total Current Assets	<u>1,374,075</u>
Noncurrent Assets	
Water and Sewer System	26,087,134
Equipment	<u>157,748</u>
Subtotal	26,244,882
Less: Accumulated Depreciation	<u>(8,517,161)</u>
Total Noncurrent Assets	<u>17,727,721</u>
Total Assets	<u>19,101,796</u>
<u>Liabilities</u>	
Current Liabilities	
Accounts Payable	203,269
Accrued Salaries	<u>1,293</u>
Total Liabilities	<u>204,562</u>
<u>Net Position</u>	
Net Investment in Capital Assets	17,727,721
Unrestricted	<u>1,169,513</u>
Total Net Position	<u>\$ 18,897,234</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, 2015

	<u>Water & Sewer Fund</u>
<u>Operating Revenues</u>	
Charges for Services	
Water and Sewer	\$ 2,485,930
Penalties	53,296
Tap-In and Connection Fees	12,274
Capital Improvements	376,011
Miscellaneous	21,549
Total Revenues	<u>2,949,060</u>
<u>Operating Expenses</u>	
Operations	2,560,444
Depreciation	<u>660,846</u>
Total Operating Expenses	<u>3,221,290</u>
Operating Income (Loss)	<u>(272,230)</u>
<u>Nonoperating Revenues</u>	
Interest Income	<u>81</u>
Change in Net Position	(272,149)
Net Position, Beginning of the Year	<u>19,169,383</u>
Net Position, End of the Year	<u>\$ 18,897,234</u>

See accompanying notes to the financial statements.

Village of Crestwood, Illinois

Proprietary Funds
Statement of Cash Flows
For the Year Ended April 30, 2015

	Enterprise Fund Water & Sewer Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 2,835,821
Cash Payments for Goods and Services	(2,404,426)
Cash Payments to Employees for Services	(123,805)
Net Cash Provided by Operating Activities	<u>307,590</u>
<u>Cash Flows from Investing Activities:</u>	
Interest	<u>81</u>
Net Cash Provided by Investing Activities	<u>81</u>
Net Increase in Cash	307,671
Cash, Beginning of Year	<u>484,863</u>
Cash, End of Year	<u>\$ 792,534</u>
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities	
Operating (Loss)	\$ (272,230)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities	
Depreciation	660,846
Changes in Assets/Liabilities	
Accounts/Unbilled Receivables	(113,239)
Accrued Salaries	(3,488)
Accounts Payable	<u>35,701</u>
Net Cash Provided by Operating Activities	<u>\$ 307,590</u>

See accompanying notes to the financial statements.

Fiduciary Fund

Village of Crestwood, Illinois

Fiduciary Fund
Statement of Fiduciary Net Position
April 30, 2015

	<u>Pension Trust Fund Police Pension Fund</u>
<u>Assets</u>	
Cash in Bank	\$ 391,689
Property Tax Receivable	<u>40,720</u>
Total Assets	<u>432,409</u>
<u>Deferred Inflows of Resources and Net Position</u>	
Deferred Property Taxes	<u>40,282</u>
Net Position Restricted for Pension Benefits	<u>\$ 392,127</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, 2015

	<u>Pension Trust Fund Police Pension Fund</u>
Additions	
Employer Contributions	
Property Tax	\$ 74,508
Plan Member Contributions	25,562
Net Investment Income	76
Total Additions	<u>100,146</u>
Deductions	
Filing and Miscellaneous fees	4,806
Pension Benefits	<u>88,544</u>
Total Deductions	<u>93,350</u>
Excess of Additions over Deductions	6,796
Other Financing Source	
Transfers In	<u>90,102</u>
Net Increase in Net Position	96,898
Net Position Restricted for Pension Benefits Beginning of the Year	<u>295,229</u>
End of the Year	<u><u>\$ 392,127</u></u>

See accompanying notes to the financial statements.

Village of Crestwood, Illinois

Notes to the Financial Statements

April 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Crestwood, Illinois (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.

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

Reporting Entity

The Village has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 61, under which these basic financial statements include all organizations, activities, functions, and component units for which the Village is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the Village's ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden with the Village.

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.

Fund Accounting

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

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

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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Village of Crestwood, Illinois

Notes to the Financial Statements

April 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Government -Wide 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 Financial Statements

April 30, 2015

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.

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 Financial Statements

April 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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.

Interfund Activity

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”.

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.

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 Financial Statements

April 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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
Infrastructure	30-40 years
Improvements Other than Buildings	5-25 years
Machinery, Furniture and Equipment	3-20 years
Vehicles	7-15 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.

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 Financial Statements

April 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance/Net Position

The Village's fund balances are required to be reported using five separate classifications as listed below. The Village may not necessarily utilize each classification in a given fiscal year.

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.

Deferred Outflows of Resources

Deferred outflows in the amount of \$2,087,623 represents the decrease in fair value of derivative instruments that are outstanding as of April 30, 2015. This amount is offset on the Statement of Net Position with the Derivative Instrument Liability.

Village of Crestwood, Illinois

Notes to the Financial Statements

April 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2015, the Village had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>1 Year</u>	<u>Rating</u>
Federated Treasury Obligations Fund	\$ 677,850	\$ 677,850	AAAm

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, 2015, 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.

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).

Village of Crestwood, Illinois

Notes to the Financial Statements

April 30, 2015

B. DEPOSITS AND INVESTMENTS (continued)

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, 2015, 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.

C. PROPERTY TAX

Property taxes for 2014 attach as an enforceable lien on January 1, 2014, 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, 2015 and July 1, 2015, and are payable in two installments, on or about March 1, 2015 and August 1, 2015. 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 2014 levy is intended to partially fund expenditures for fiscal year 2015 to the extent of collections through April 30, 2015, and 60 days subsequent to that date. The remainder of the 2014 levy is deferred as of April 30, 2015.

The 2015 tax levy, which attached as an enforceable lien on property as of January 1, 2015, has not been recorded as a receivable as of April 30, 2015, as the tax has not yet been levied by the Village and will not be levied until December 2015, and, therefore, the levy is not measureable at April 30, 2015.

Village of Crestwood, Illinois

Notes to the Financial Statements
April 30, 2015

D. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2015 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 7,868,426	\$ -	\$ -	\$ 7,868,426
Construction in Progress	<u>49,453</u>	<u>-</u>	<u>49,453</u>	<u>-</u>
Total capital assets not being depreciated	<u>7,917,879</u>	<u>-</u>	<u>49,453</u>	<u>7,868,426</u>
Capital assets being depreciated				
Infrastructure	40,032,720	-	-	40,032,720
Buildings	13,743,017	91,344	-	13,834,361
Buildings improvements	502,716	345,367	-	848,083
Equipment, furniture and fixtures	1,495,576	159,360	-	1,654,936
Vehicles	<u>2,691,600</u>	<u>266,668</u>	<u>4,300</u>	<u>2,953,968</u>
Capital assets being depreciated	<u>58,465,629</u>	<u>862,739</u>	<u>4,300</u>	<u>59,324,068</u>
Less accumulated depreciation	<u>18,263,869</u>	<u>1,963,915</u>	<u>3,873</u>	<u>20,223,911</u>
Capital Assets being depreciated, net of depreciation	<u>40,201,760</u>	<u>(1,101,176)</u>	<u>427</u>	<u>39,100,157</u>
Total Governmental Activities, Capital Assets, Net of depreciation	<u>\$48,119,639</u>	<u>\$ (1,101,176)</u>	<u>\$ 49,880</u>	<u>\$46,968,583</u>
	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Business-type Activities:				
Water & Sewer System	\$ 26,087,134	\$ -	\$ -	\$ 26,087,134
Equipment	<u>157,749</u>	<u>-</u>	<u>-</u>	<u>157,749</u>
Capital assets, gross	<u>26,244,883</u>	<u>-</u>	<u>-</u>	<u>26,244,883</u>
Less accumulated depreciation	<u>7,856,316</u>	<u>660,846</u>	<u>-</u>	<u>8,517,162</u>
Total Business-Type Activities, Capital Assets, Net of depreciation	<u>\$18,388,567</u>	<u>\$ (660,846)</u>	<u>\$ -</u>	<u>\$17,727,721</u>

Village of Crestwood, Illinois

Notes to the Financial Statements
April 30, 2015

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 1,533,837
Public Safety	224,575
Street and Bridge	65,899
Recreation	<u>139,604</u>
Total Governmental Activities Depreciation Expense	<u>\$ 1,963,915</u>
Business-type Activities:	
Water and Sewer	<u>\$ 660,846</u>

E. LONG-TERM DEBT

Changes in long-term liabilities: During the year ended April 30, 2015, the following changes occurred in liabilities reported in the Statement of Net Position:

	<u>5/1/2014</u>			<u>4/30/2015</u>	<u>Within</u>
	<u>Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u>	<u>One year</u>
Governmental activities:					
TIF Bonds	\$ 31,205,000	\$ -	\$ 1,690,000	\$ 29,515,000	1,690,000
Notes payable	521,047	468,229	310,020	679,256	268,857
Compensated absences	<u>31,882</u>	<u>-</u>	<u>-</u>	<u>31,882</u>	<u>31,882</u>
	<u>\$ 31,757,929</u>	<u>\$ 468,229</u>	<u>\$ 2,000,020</u>	<u>\$ 30,226,138</u>	<u>\$ 1,990,739</u>

The following is a summary of long-term debt of the Village at April 30, 2015:

Loans Payable

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, 2015 of \$76,681.

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, 2015 of \$87,119.

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, 2015 of \$27,503.

Village of Crestwood, Illinois

Notes to the Financial Statements

April 30, 2015

E. LONG-TERM DEBT (continued)

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, 2015 of \$50,439.

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, 2015 of \$8,983.

On April 29, 2014, the Village obtained an installment loan from First Midwest Bank in the amount of \$80,209 to purchase a Volvo Back Hoe. The loan is to be repaid in 48 monthly installments of \$1,761.93, including interest at the rate of 2.620% per annum commencing June 1, 2014. The loan, which is secured by the back hoe, has a balance due at April 30, 2015 of \$62,565.

On September 19, 2014, the Village obtained an installment loan from Standard Bank in the amount of \$254,820 to purchase a scoreboard for the baseball field. The loan is to be repaid in 48 monthly installments of \$5,810, including interest at the rate of 3.71% per annum commencing October 15, 2014. The loan, which is secured by the scoreboard, has a balance due at April 30, 2015 of \$217,999.

On July 17, 2014, the Village obtained an installment loan from A.J. Smith Federal Savings Bank in the amount of \$52,888 to purchase a police vehicles. The loan is to be repaid in 12 monthly installments of \$4,432, including interest at the rate of 0.55% per annum commencing August 17, 2014. The loan, which is secured by the vehicles, has a balance due at April 30, 2015 of \$13,288.

On September 5, 2014, the Village obtained an installment loan from A.J. Smith Federal Savings Bank in the amount of \$160,521 to purchase an ambulance. The loan is to be repaid in 48 monthly installments of \$3,502, including interest at the rate of 2.250% per annum commencing October 5, 2014. The loan, which is secured by the ambulance, has a balance due at April 30, 2015 of \$134,679.

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 \$5,225,000 of the original bond issuance - remaining balance of \$29,515,000). 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 amended the reimbursement agreement between the Village and Fifth Third Bank.

Village of Crestwood, Illinois

Notes to the Financial Statements
April 30, 2015

E. LONG-TERM DEBT (continued)

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.

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 bonds and notes payable at April 30, 2015 are estimated as follows:

Fiscal Year	Principal	Interest	Interest Rate Swap	Total
2016	1,958,857	80,082	678,085	\$ 2,717,024
2017	1,864,705	69,755	678,085	2,612,545
2018	1,834,469	60,894	678,085	2,573,448
2019	1,753,264	53,192	471,838	2,278,294
2020	1,706,402	48,131	-	1,754,533
2021-2024	<u>21,076,559</u>	<u>140,215</u>	<u>-</u>	<u>21,216,774</u>
	<u>\$30,194,256</u>	<u>\$ 452,269</u>	<u>\$ 2,506,093</u>	<u>\$33,152,618</u>

The interest rate swap column above represents the swap payments on \$20 million of the variable rate tax increment revenue bonds series 2004 as detailed in Note 6.

The Village's legal debt margin at April 30, 2015 is as follows:

Equalized Assessed Valuation (EAV)	\$ 283,193,761
Maximum rate (65 ILCS 5/8-5-1)	<u>8.625%</u>
Legal debt limit	<u>\$ 24,425,462</u>

Since the TIF bonds are neither general obligation bonds nor the subject of a tax levy they are not included in the legal debt limit calculation.

Total Outstanding Debt	\$ 30,226,138
Less: TIF Bonds	<u>(29,515,000)</u>
Net Debt Outstanding	<u>\$ 711,138</u>

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%.

Village of Crestwood, Illinois

Notes to the Financial Statements
April 30, 2015

F. INTEREST RATE SWAP (continued)

	<u>Change in Fair Value</u>		<u>Fair Value at April 30, 2015</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Amount</u>
<i>Governmental Activities</i>					
Cash Flow Hedges:					
	<i>Deferred</i>		<i>Derivative</i>		
Pay-fixed Rate SWAPS	<i>Outflow of</i>		<i>Instrument</i>		
Swaps	<i>Resources</i>	<u>\$ 328,514</u>	<i>Liability</i>	<u>\$(2,087,623)</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, 2015, 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 \$29.515 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, 2015, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.69000%
Variable payment from counterparty	67% of LIBOR	<u>(0.12056%)</u>
Net interest rate swap payments		3.56944%
Variable-rate bond coupon payments	Noted below	<u>0.22000%</u>
Synthetic interest rate on bonds		<u>3.78944%</u>

Fair value: Because interest rates have declined since execution of the swap, the swap had a negative fair value of \$2,087,623 as of April 30, 2015. 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.

Village of Crestwood, Illinois

Notes to the Financial Statements
April 30, 2015

F. INTEREST RATE SWAP (continued)

Credit risk: As of April 30, 2015, 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 decreases or the weekly remarketed (or BMA) swap index increases, 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, 2015 (3.78944 percent). Based on this, the expected cost savings has not been realized. As of April 30, 2015, the remarketed interest rate on the bonds was 0.22 percent, whereas the LIBOR rate was 0.17994 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.

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.

H. CONTINGENT LIABILITIES

Water Litigation

Lawsuits have been filed, commencing in 2009, by approximately 351 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.

Village of Crestwood, Illinois

Notes to the Financial Statements

April 30, 2015

H. CONTINGENT LIABILITIES (continued)

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 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.

Subsequent to the date of the Statement of Net Position, but before the audit report date, there is a pending settlement on the water litigation for the amount of \$15 million with the Village paying \$12 million and insurance paying \$3 million. This amount has been recognized by the Village in the current year as a short-term liability in the general fund as the matter is expected to be settled by April 30, 2016.

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.

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 by the grantor cannot be determined at this time, although the Village expects such amounts, if any, to be immaterial.

J. INDIVIDUAL FUND DISCLOSURES

The General Fund owes the following to the other funds at April 30, 2015:

<u>Receivable Fund</u>	<u>Amount</u>
Tax Allocation	\$ 27,466
Recreation	57,656

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 \$27,466 represents Regular sales tax collected by the TIF Fund over remitted to the General Fund.

The Village's General Fund reported a deficit fund balance at April 30, 2015 of \$11,755,829.

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 Financial Statements

April 30, 2015

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.

L. DEFINED CONTRIBUTION PLAN – 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.

Plan Membership

At May 31, 2015, the measurement date, membership consisted of:

Retirees and Beneficiaries Receiving Benefits	4
Terminated Plan Members Entitled to, but not yet Receiving Benefits	-
Active Vested Plan Members	-
Active Nonvested Plan Members	<u>5</u>
Total	<u><u>9</u></u>
Number of Participating Employers	1

Benefits Provided

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.

Village of Crestwood, Illinois

Notes to the Financial Statements

April 30, 2015

L. DEFINED CONTRIBUTION PLAN – POLICE PENSION FUND (continued)

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 proceeding calendar year.

Contributions

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, 2015, the Village's contribution was 57.53% of covered payroll.

Investment Policy

Illinois Compiled Statutes (ILCS) limit the Police Pension Fund's (the Fund) investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment grade corporate bonds and Illinois Funds. The Fund may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, Illinois insurance company general and separate accounts, mutual funds and corporate equity securities and real estate investment trusts.

Village of Crestwood, Illinois

Notes to the Financial Statements
April 30, 2015

L. DEFINED CONTRIBUTION PLAN – POLICE PENSION FUND (continued)

The Fund's investment policy, in accordance with ILCS establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	40%	1.10%
Domestic Equities	32%	5.60%
International Equities	16%	5.90%
Real Estate	7%	5.40%
Blended	5%	3.80%
Cash and Cash Equivalents	0%	0.00%

ILCS limit the Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund. The blended asset class is comprised of all other asset classes to allow for rebalancing the portfolio.

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in September 2013 in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in the Fund's target asset allocation as of May 31, 2015 are listed in the table above.

Investment Valuations

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is based on quoted market prices at May 31 for debt securities, equity securities and mutual funds and contract values for insurance contracts. Illinois Funds, an investment pool created by the state legislature under the control of the State Treasurer, is a money market mutual fund that maintains a \$1 per share value.

Investment Concentrations

There are no significant investments in any one organization that represent 5.0% or more of the Fund's investments.

Investment Rate of Return

For the year ended May 31, 2015, the annual money-weighted rate of return on pension plan investments was 0.2%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changes amounts actually invested.

Village of Crestwood, Illinois

Notes to the Financial Statements

April 30, 2015

L. DEFINED CONTRIBUTION PLAN – POLICE PENSION FUND (continued)

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Fund's deposits may not be returned to them. The Fund's investment policy requires all bank balances to be covered by federal depository insurance.

Interest Rate Risk

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. The Police Pension does not have any debt investments or other investments that are highly sensitive to changes in interest rates.

Credit Risk

Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. The Police Pension Fund has no debt securities.

Net Pension Liability

The components of the net pension liability of the Police Pension Plan as of May 31, 2015 calculated in accordance with GASB Statement No. 67 were as follows:

Total Pension Liability	\$ 1,034,689
Plan Fiduciary Net Position	432,408
Village's Net Pension Liability	602,281
Plan Fiduciary Net Position as a	
Percentage of the Total Pension Liability	41.80%

See the schedule of changes in the employer's net pension liability and related ratios in the required supplementary information for additional information related to the funded status of the Fund.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of May 31, 2015 using the following actuarial methods and assumptions.

Actuarial valuation date	4/30/2015
Actuarial cost method	Entry-age, normal
Amortization period	Level percentage of pay, closed
Remaining amortization period	26 years
Asset valuation period	Market
Significant actuarial investment rate of return	5.00%
Projected salary increase	5.00%
Cost-of-living adjustments	Tier 1 - 3% per year, compounded Tier 2 - 2% per year, simple

Village of Crestwood, Illinois

Notes to the Financial Statements

April 30, 2015

L. DEFINED CONTRIBUTION PLAN – POLICE PENSION FUND (continued)

Mortality rates were based on the RP-2000 Mortality Table (BCA, +1M, -4F, 2x>105). The actuarial assumptions used in the May 31, 2015 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.

Discount Rate

The discount rate used to measure the total pension liability was 5.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the Fund's fiduciary net position was projected not to be available to make all projected future benefit payments of current plan members. These factors were used to arrive at a discount rate of 5.00% used to determine the total pension liability.

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 5.00% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.00%) and 1 percentage point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Net Pension Liability	\$ 710,608	\$ 602,281	\$ 512,023

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 \$29,515,000.

From the date of issuance of the bonds and through April 30, 2015 (and subsequently extended), the bonds will be payable from funds drawn under an irrevocable direct-pay letter of credit issued by Fifth Third Bank.

Village of Crestwood, Illinois

Notes to the Financial Statements

April 30, 2015

M. TAX INCREMENT FINANCING DISTRICT (continued)

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.

N. SUBSEQUENT EVENTS

After the Statement of Net Position date, but before the financial statements were issued, the Village had significant subsequent events.

The Village was able to reasonably estimate the water litigation settlement for \$15 million (\$3 million to be paid by insurance), which has been recognized in the Village's financial statements. For more information, see Note H.

In addition, the Village entered into a contract to sell land for \$4 million; the proceeds of which were received in September, 2015. Three million dollars of the sale proceeds have been set aside in a three month certificate of deposit and are assigned to pay the cost of the water litigation settlement.

The Village will issue \$9 million in Alternate Revenue Bonds for tort judgements. The proceeds of the bonds are restricted for payment of the pending water litigation settlement agreement.

On October 26, 2015, the Village amended the original SWAP agreement with the reduction of the notional amount from \$20 million to \$10 million, effective October 1, 2015. Since the SWAP had a negative fair value, the cost for the reduction was \$1,015,110. This amount was paid from excess reserves in the TIF Fund.

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, 2015

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Over (Under)</u>
<u>Revenues</u>	<u>\$ 8,920,000</u>	<u>\$ 8,392,846</u>	<u>\$ (527,154)</u>
<u>Expenditures</u>			
Current			
General Government			
General and Administrative	600,890	597,321	(3,569)
Legal and Litigation	647,800	704,655	56,855
Audit	24,000	26,930	2,930
Buildings & Grounds	141,100	280,243	139,143
Public Transportation	91,450	86,723	(4,727)
Insurance	715,000	747,997	32,997
Payroll Tax	304,000	274,379	(29,621)
Other	417,000	174,513	(242,487)
Total General Government	<u>2,941,240</u>	<u>2,892,761</u>	<u>(48,479)</u>
Public Safety			
Police	2,134,930	1,847,793	(287,137)
Fire	1,533,500	1,288,041	(245,459)
Health and Safety	66,920	64,432	(2,488)
School Crossing Guards	16,000	15,986	(14)
Advanced Life Support	-	53,701	53,701
Emergency Services	21,000	47,285	26,285
Total Public Safety	<u>3,772,350</u>	<u>3,317,238</u>	<u>(455,112)</u>
Parks and Recreation	206,270	203,086	(3,184)
Streets and Bridge	660,100	691,036	30,936
Garbage Disposal	700,000	707,837	7,837
Miscellaneous	-	150,000	150,000
Debt Service			
Principal and Interest	272,500	337,634	65,134
Capital Outlay			
General Government			
Buildings and Grounds	100,000	24,959	(75,041)
Public Safety			
Police	55,000	173,747	118,747
Fire	-	170,516	170,516
Parks and Recreation	50,000	387,793	337,793
Street and Bridge	80,000	56,271	(23,729)
Total Other	<u>2,123,870</u>	<u>2,902,879</u>	<u>779,009</u>
Total Expenditures	<u>\$ 8,837,460</u>	<u>\$ 9,112,878</u>	<u>\$ 275,418</u>

(Continued)

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, 2015

	Original & Final Budget	Actual	Variance From Final Budget Over (Under)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 82,540	\$ (720,032)	\$ (802,572)
<u>Other Financing Sources (Uses)</u>			
Sale of Capital Assets	5,000	5,000	-
Bank Loan Proceeds	580,000	468,229	(111,771)
Transfers Out	(90,000)	(90,102)	(102)
Total Other Financing Sources (Uses)	495,000	383,127	(111,873)
<u>Special Items</u>			
Settlement of Lawsuit	-	(15,000,000)	(15,000,000)
Net Changes in Fund Balance	<u>\$ 577,540</u>	(15,336,905)	<u>\$ (15,914,445)</u>
Fund Balance, Beginning of the Year		<u>3,581,076</u>	
Fund Balance, End of the Year		<u>\$ (11,755,829)</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, 2015

	Original & Final Budget	Actual	Variance From Final Budget Over (Under)
<u>Taxes</u>			
Property Tax	\$ 1,490,000	\$ 1,454,851	\$ (35,149)
Sales Tax	3,300,000	3,257,606	(42,394)
State Income Tax	1,200,000	1,103,166	(96,834)
Off-Track Betting Tax	230,000	197,983	(32,017)
Video Poker Tax	180,000	187,692	7,692
Miscellaneous Taxes:			
Replacement Taxes	38,000	32,865	(5,135)
Hotel-Motel Tax	75,000	75,082	82
911 Tax	1,000	-	(1,000)
Foreign Fire Insurance Tax	12,000	12,448	448
	<u>6,526,000</u>	<u>6,321,693</u>	<u>(204,307)</u>
<u>Intergovernmental</u>			
Regional Transportation Authority	22,000	17,535	(4,465)
Grants	250,000	42,439	(207,561)
	<u>272,000</u>	<u>59,974</u>	<u>(212,026)</u>
<u>Licenses and Permits</u>			
Vehicle Stickers	100,000	80,770	(19,230)
Building Permits & Subcontractor Fee	85,000	84,605	(395)
Business and Liquor Licenses	145,000	137,379	(7,621)
Franchise Fees	156,000	158,104	2,104
Miscellaneous	-	59,373	59,373
	<u>486,000</u>	<u>520,231</u>	<u>34,231</u>
<u>Fines and Penalties</u>			
Police Fines	280,000	267,216	(12,784)
<u>Miscellaneous</u>			
Theater Rental Fee	180,000	137,661	(42,339)
Municipal Events	1,000	1,805	805
Rental Income	245,000	253,551	8,551
Recreational	50,000	54,558	4,558
Advanced Life Support	480,000	495,105	15,105
Miscellaneous	395,000	280,312	(114,688)
	<u>1,351,000</u>	<u>1,222,992</u>	<u>(128,008)</u>
Interest	<u>5,000</u>	<u>740</u>	<u>(4,260)</u>
Total Revenues	<u>\$ 8,920,000</u>	<u>\$ 8,392,846</u>	<u>\$ (527,154)</u>

See accompanying notes to the required supplementary information.

Village of Crestwood, Illinois

Tax Increment Financing Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2015

<u>Revenues</u>	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Over (Under)</u>
Taxes			
Property	\$ 1,150,000	\$ 1,078,506	\$ (71,494)
Sales	1,125,000	1,071,317	(53,683)
Settlement	-	416,000	416,000
Interest	<u>10,000</u>	<u>4,287</u>	<u>(5,713)</u>
Total Revenues	<u>2,285,000</u>	<u>2,570,110</u>	<u>285,110</u>
 <u>Expenditures</u>			
Current			
General Government			
General and Administrative	14,000	24,198	10,198
Tax Increment Financing Costs	420,000	579,158	159,158
Debt Service	<u>2,360,000</u>	<u>2,455,931</u>	<u>95,931</u>
Total Expenditures	<u>2,794,000</u>	<u>3,059,287</u>	<u>265,287</u>
Net Changes in Fund Balance	<u>\$ (509,000)</u>	(489,177)	<u>\$ 19,823</u>
Fund Balance, Beginning of the Year		<u>4,484,141</u>	
Fund Balance, End of the Year		<u>\$ 3,994,964</u>	

See accompanying notes to the required supplementary information.

Village of Crestwood
Police Pension Fund
Schedule of Funding Progress
For the Year Ended April 30, 2015

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)
04/30/2015	\$ 432,408	\$ 1,034,689	\$ 602,281	41.80%	\$ 286,120	210.50%
04/30/2014		--- No actuarial valuation performed* ---				
04/30/2013	306,722	729,941	423,219	42.00%	96,000	440.90%
04/30/2012		--- No actuarial valuation performed* ---				
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%

* According to GASB 25, an actuarial valuation should be performed every other year.

Village of Crestwood
Police Pension Fund
Schedule of Employer Contributions
Last Ten Fiscal Years

<u>Fiscal Year</u> <u>Ended April 30,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Valuation</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a Percentage</u> <u>of Covered</u> <u>Valuation Payroll</u>
2015	\$ 48,281	\$ 164,611	\$ (116,330)	\$ 286,120	57.53%

The information directly above is formatted to comply with the requirements of GASB Statement No. 67. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

<u>Fiscal</u> <u>Ended April</u>	<u>Employer</u> <u>Contributions</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2010	\$ 52,681	\$ 43,669	120.64%
2011	33,635	50,000	67.27%
2012	35,825	54,494	65.74%
2013	254,511	54,494	467.04%
2014	51,890	54,494	95.22%
2015	164,611	48,281	340.94%

The information directly above is presented in accordance with GASB Statement No. 25.

Village of Crestwood, Illinois

Fiduciary Fund

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

April 30, 2015

Total Pension Liability	
Service Cost	\$ 45,028
Interest	33,715
Differences Between Expected and Actual Experience	163,209
Changes of Assumptions	162,717
Benefit Payments, Including Refunds of Member Contributions	(88,544)
Net Change in Total Pension Liability	<u>316,125</u>
Total Pension Liability - Beginning	<u>718,564</u>
Total Pension Liability - Ending	<u>\$ 1,034,689</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 164,611
Contributions - Member	25,562
Net Investment Income	76
Benefit Payments, Including Refunds of Member Contributions	(88,544)
Administrative Expense	(4,806)
Net Change in Plan Fiduciary Net Position	<u>96,899</u>
Plan Net Position - Beginning	<u>335,509</u>
Plan Net Position - Ending	<u>\$ 432,408</u>
Employer's Net Pension Liability	<u>\$ 602,281</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	41.80%
Covered-Employee Payroll	\$ 286,120
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	210.50%

See accompanying notes to the required supplementary information.

Village of Crestwood, Illinois

Police Pension Fund
Schedule of Investment Returns
April 30, 2015

2015

Annual Money-Weighted Rate of Return,
Net of Investment Expense

0.20%

See accompanying notes to the financial statements.

Village of Crestwood, Illinois

Notes to the Required Supplementary Information
April 30, 2015

A. BUDGETS/APPROPRIATIONS

Annual budgets and appropriations are adopted for all governmental, proprietary and fiduciary funds. Budgets and appropriations are adopted on a basis consistent with generally accepted accounting principles. The budget and appropriation ordinances are the same except for additional contingency amounts are included in the appropriation which does not exceed the budgeted amounts by 10%.

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

The proposed budget and appropriations 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 governing body. The appropriation may be amended in accordance with Illinois Statutes.

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, 2015.

The following funds having expenditures/deductions in excess of budgeted appropriations and related excess amounts are as follows:

<u>Fund</u>	<u>Amount in Excess of</u>	
	<u>Budget</u>	<u>Appropriation</u>
General	\$ 275,418	\$ -
Tax Increment Financing	265,287	130,287

B. ACTUARIAL ASSUMPTIONS

The actuarial assumptions used for determining the contribution information required for GASB Statements No. 25 and 67 are the same.

Valuation Date:	April 30, 2015
Actuarial Cost Method:	Entry-age
Amortization Period:	Level percentage of pay, closed
Remaining Amort. Period:	26 years
Asset Valuation Method:	5-year Average Market Value (PS 096-1495)
Investment Return:	5.00% net of expenses
Projected Salary Increases:	5.00%
Inflation:	3.00%
Cost-of-living Adjustments:	Tier 1 – 3.00% per year compounded; Tier 2 – 2.00% per year, simple
Mortality:	RP 2000 Mortality Table (CHBCA). There is no margin for future mortality improvement beyond the valuation date.
Withdrawal:	Based on studies of the Fund and the Department of Insurance
Disability:	Based on studies of the Fund and the Department of Insurance
Retirement:	Based on studies of the Fund and the Department of Insurance
Marital Status:	80% Married, Female spouses 3 years younger

Combining and Individual Fund Statements and Schedules

Village of Crestwood, Illinois

Combining Balance Sheet
Nonmajor Governmental Funds
April 30, 2015

	Special Revenue Funds		Total
	Recreation	Motor Fuel	Nonmajor Governmental Funds
<u>Assets</u>			
Cash and Investments	\$ 15,851	\$ 752,241	\$ 768,092
Receivables			
Motor Fuel Tax	-	25,467	25,467
Due from Other Funds	57,656	-	57,656
Total Assets	\$ 73,507	\$ 777,708	\$ 851,215
<u>Liabilities and Fund Balance</u>			
Accounts Payable	\$ 23,535	\$ 6,015	\$ 29,550
Accrued Salaries	8,895	-	8,895
Total Liabilities	32,430	6,015	38,445
<u>Fund Balance</u>			
Restricted			
Motor Fuel	-	771,693	771,693
Assigned			
Recreation	41,077	-	41,077
Total Fund Balance	41,077	771,693	812,770
Total Liabilities and Fund Balance	\$ 73,507	\$ 777,708	\$ 851,215

Village of Crestwood, Illinois

Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended April 30, 2015

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	<u>Recreation</u>	<u>Motor Fuel</u>	
<u>Revenues</u>			
Taxes			
Property	\$ 93,500	\$ -	\$ 93,500
Motor Fuel	-	366,073	366,073
Grants	3,300	-	3,300
Charges for Services	477,009	-	477,009
Interest	-	188	188
	<u>573,809</u>	<u>366,261</u>	<u>940,070</u>
<u>Expenditures</u>			
Current			
Street & Sidewalk Maintenance	-	134,127	134,127
Recreation Wellness Center	<u>587,890</u>	<u>-</u>	<u>587,890</u>
	<u>587,890</u>	<u>134,127</u>	<u>722,017</u>
Net Change in Fund Balance	(14,081)	232,134	218,053
Fund Balance, Beginning of the Year	<u>55,158</u>	<u>539,559</u>	<u>594,717</u>
Fund Balance, End of the Year	<u><u>\$ 41,077</u></u>	<u><u>\$ 771,693</u></u>	<u><u>\$ 812,770</u></u>

Village of Crestwood, Illinois

Recreation Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2015

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Over (Under)</u>
<u>Revenues</u>			
Property Tax	\$ 93,500	\$ 93,500	\$ -
Grant Revenue	-	3,300	3,300
Charges for Services			
Program Revenue and Dues	507,000	439,486	(67,514)
Facility Rental	35,000	37,280	2,280
Miscellaneous	1,000	243	(757)
	<u>636,500</u>	<u>573,809</u>	<u>(62,691)</u>
Total Revenues			
<u>Expenditures</u>			
Current			
Recreation			
Wellness Center	586,500	587,890	1,390
Capital Outlay			
Recreation			
Wellness Center	50,000	-	(50,000)
	<u>636,500</u>	<u>587,890</u>	<u>(48,610)</u>
Total Expenditures			
Net Change in Fund Balance	<u>\$ -</u>	(14,081)	<u>\$ (14,081)</u>
Fund Balance, Beginning of the Year		<u>55,158</u>	
Fund Balance, End of the Year		<u>\$ 41,077</u>	

Village of Crestwood, Illinois

Motor Fuel Tax Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended April 30, 2015

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Over (Under)</u>
<u>Revenues</u>			
Motor Fuel Tax	\$ 275,000	\$ 366,073	\$ 91,073
Interest	<u>1,000</u>	<u>188</u>	<u>(812)</u>
Total Revenues	<u>276,000</u>	<u>366,261</u>	<u>90,261</u>
<u>Expenditures</u>			
Current			
Street & Sidewalk Maintenance	<u>294,000</u>	<u>134,127</u>	<u>(159,873)</u>
Total Expenditures	<u>294,000</u>	<u>134,127</u>	<u>(159,873)</u>
Net Change in Fund Balance	<u>\$ (18,000)</u>	232,134	<u>\$ 250,134</u>
Fund Balance, Beginning of the Year		<u>539,559</u>	
Fund Balance, End of the Year		<u><u>\$ 771,693</u></u>	

Village of Crestwood, Illinois

Water and Sewer Fund
Schedule of Revenues, Expenditures, and Changes in
Net Position - Budget and Actual
For the Year Ended April 30, 2015

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Over (Under)</u>
<u>Operating Revenues</u>			
Charges for Services			
Water and Sewer	\$ 2,500,000	\$ 2,485,930	\$ (14,070)
Penalties	40,000	53,296	13,296
Tap-In and Connection Fees	3,000	12,274	9,274
Capital Improvements	140,000	376,011	236,011
Miscellaneous	18,000	21,549	3,549
Total Revenues	<u>2,701,000</u>	<u>2,949,060</u>	<u>248,060</u>
<u>Operating Expenses</u>			
Operations	2,560,365	2,560,444	79
Depreciation	-	660,846	660,846
Total Operating Expenses	<u>2,560,365</u>	<u>3,221,290</u>	<u>660,925</u>
Operating Income (Loss)	<u>140,635</u>	<u>(272,230)</u>	<u>(412,865)</u>
<u>Nonoperating Revenues</u>			
Grant Income	25,000	-	(25,000)
Interest Income	-	81	81
Total Nonoperating Revenues	<u>25,000</u>	<u>81</u>	<u>(24,919)</u>
Change in Net Position	<u>\$ 165,635</u>	<u>(272,149)</u>	<u>\$ (437,784)</u>
Net Position, Beginning of the Year		<u>19,169,383</u>	
Net Position, End of the Year		<u>\$18,897,234</u>	

Supplementary Information



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

Phillip M. Hearne, CPA
Anthony M. Scott, CPA
John C. Williams, CPA, MST

Elizabeth R. Shields, CPA, MBA
Matthew R. Truschka
Ericka R. Wysocki

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

November 2, 2015

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, 2015, and have issued our report thereon dated November 2, 2015. 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 Subsecton (q) of Section 11-74.4-3 of Public Act 85-1142.

Sincerely,

Hearne & Associates, P.C.

Hearne & Associates, P.C.
Certified Public Accountants

Village of Crestwood, Illinois

Schedule of Assessed Valuations, Tax Rates, Tax Extensions,
Tax Collections and Taxes Receivable
Tax Levies for 2014, 2013, and 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Equalized Assessed Valuations</u>	\$ 283,193,761	\$ 301,150,151	\$ 319,846,635
<u>Tax Rates</u>			
General Fund	.5370	.5370	.4950
<u>Tax Extensions</u>			
General Fund	\$ 1,569,453	\$ 1,542,184	\$ 1,512,875
<u>Taxes Collections</u>			
General Fund	\$ 752,801	\$ 1,425,872	\$ 1,474,644
<u>Taxes Receivable at 4-30-2015</u>			
General Fund	\$ 811,425	\$ 0	\$ 0
<u>Percentage of Extension Collected</u>	47.9%	92.5%	97.5%

Statistical Section

Village of Crestwood, Illinois
Annual Financial Information on Tax Receipts
April 30, 2015

TIF Year	Collection Year Ended 04/30	Total Incremental Property Tax Collected in Redevelopment Project Area	Total Local Sales Tax Collected in Redevelopment Project Area	Total Tax Receipts from Redevelopment Project Area	Sales Tax Collected from Retailers Other Than the Redevelopment Project Area	Total Tax Receipts as Defined by Bond Indenture
1	2004	\$ 181,578	\$ -	\$ 181,578	\$ 3,773,893	\$ 3,955,471
2	2005	141,456	-	141,456	3,827,492	3,968,948
3	2006	101,937	-	101,937	3,816,625	3,918,562
4	2007	-	523,197	523,197	3,698,773	4,221,970
5	2008	722,853	909,976	1,632,829	3,200,554	4,833,383
6	2009	1,637,225	918,409	2,555,634	3,064,617	5,620,251
7	2010	1,689,951	926,566	2,616,517	2,685,552	5,302,069
8	2011	962,063	920,369	1,882,432	2,816,771	4,699,203
9	2012	1,134,371	1,051,584	2,185,955	2,772,044	4,957,999
10	2013	1,064,548	1,082,072	2,146,620	3,057,380	5,204,000
11	2014	1,405,201 (1)	1,097,322 (2)	2,502,523	3,156,957 (2)	5,659,480
12	2015	1,078,506	1,071,317	2,149,823	3,257,606	5,407,429
Totals		<u>\$ 10,119,689</u>	<u>\$ 8,500,812</u>	<u>\$ 18,620,501</u>	<u>\$ 39,128,264</u>	<u>\$ 57,748,765</u>

(1) Includes settlement with Menards on property taxes due for prior years for \$ 345,000.

(2) Sales tax was adjusted by \$ 30,814 to reflect additional sales tax collected in the TIF District for fiscal years 2011 through 2013.

Village of Crestwood
Direct and Overlapping Debt
As of April 30, 2015

	(1) 2014 Equalized Assessed Valuation	(2) General Obligation Debt Outstanding	Percentage Applicable To Village	Amount Applicable to Village
<u>Overlapping Debt</u>				
Cook County	128,210,547,191	\$ 3,584,870,000	0.22%	\$ 7,918,325
South Cook County Mosquito Abatement	16,306,869,133	0	1.74%	0
Metropolitan Water Reclamation District	125,736,187,743	2,422,620,000	0.23%	5,456,431
Crestwood Public Library District	262,657,286	0	100.00%	0
Moraine Valley Comm Coll Dist 524	8,925,844,845	155,526,053	3.17%	4,934,436
Community High School Dist 218	2,039,012,722	18,480,000	13.89%	2,566,644
School District 130	460,901,212	16,128,073	61.44%	9,909,650
Town of Worth	2,847,308,162	0	0.00%	0
Town of Bremen	1,498,136,893	520,000	0.00%	0
Cook County Forest Preserve	128,210,547,191	191,698,444	0.23%	438,606
Subtotal, overlapping debt		<u>6,389,842,570</u>		<u>31,224,093</u>
<u>Direct Debt</u>				
Village of Crestwood	283,193,761	<u>0</u>	100.00%	<u>0</u>
<u>Total Direct and Overlapping Debt</u>		<u>\$ 6,389,842,570</u>		<u>\$ 31,224,093</u>
		Population of Village - 2010 Census		<u>10,950</u>
		Per Capita Debt		<u>\$ 2,852</u>

(1) Source: Cook County Clerk - Agency equalized valuation report for tax year 2014.

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