

CITY OF HIGHLAND PARK, ILLINOIS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the Year Ended
April 30, 2006

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CITY OF HIGHLAND PARK, ILLINOIS

PRINCIPAL OFFICIALS

April 30, 2006

LEGISLATIVE

Michael D. Belsky, Mayor

City Council

Michael C. Brenner

Steven W. Mandel

James R. Kirsch

Terri R. Olian

Scott Levenfeld

Lawrence E. Silberman

Shirley A. Fitzgerald, City Clerk

ADMINISTRATIVE

David M. Limardi, City Manager

Elizabeth A. Holleb, Finance Director

THE CITIZENS OF HIGHLAND PARK

Mayor and City Council
Michael D. Belsky, Mayor
Michael C. Brenner
James R. Kirsch
Steven W. Mandel
Terri Olian
Scott Levenfeld
Lawrence D. Silberman

City Boards and Commissions

Business and Economic Development Commission	Human Relations Commission
Civil Service Commission	Lakefront Commission
Cultural Arts Commission	Library Board
Design Review Commission	Plan Commission
Environmental Commission	Police Pension Board
Firefighters Pension Board	Ravinia Festival Community Relations Commission
Fort Sheridan Joint Plan Commission	Telecommunications Commission
Historic Preservation Commission	Traffic Commission
Housing Commission	Zoning Board of Appeals

City Manager
David Limardi

City Treasurer
Ronald Zweig

Corporation Counsel
Steven Elrod

Asst. City Manager
Patrick Brennan

Asst. City Manager
William Jones

City Clerk
Shirley Fitzgerald

Dir of Community Devel
Michael Blue

Fire Chief
Alan Wax

Director of Finance
Elizabeth Holleb

Chief of Police
Paul Shafer

Director of Public Works
Mary Anderson

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Highland Park,
Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
April 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

President

Jeffrey R. Emer

Executive Director



CITY OF HIGHLAND PARK

1707 ST. JOHNS AVENUE
HIGHLAND PARK, ILLINOIS 60035
(847) 432-0800

October 30, 2006

To the Mayor, City Council and the Citizens of Highland Park:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended April 30, 2006.

This report consists of management's representations concerning the finances of the City. Management assumes full responsibility for the completeness and reliability of the information presented herein. To provide a reasonable basis for making these representations, the City management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their anticipated benefits, the City's objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Management asserts that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Sikich LLP, Certified Public Accountants, have issued an unqualified opinion on the City's financial statements for the year ended April 30, 2006. The independent auditor's report is presented at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Highland Park, incorporated in 1869, has a long-standing heritage as one of the prestigious communities along Chicagoland's "north shore" of Lake Michigan. The City currently occupies a land area of 12.25 square miles, located 26 miles north of Chicago, and serves a population of 30,262. The City automatically became a home-rule unit of government when the 1970 Illinois Constitution was adopted because it had a population in excess of 25,000. As a home-rule entity, the City has no tax rate or debt limits, nor is it required to conduct a referendum to authorize the issuance of debt or to increase property taxes.

The City has operated under the council-manager form of government since a 1951 referendum. Policy-making and legislative authority are vested in a seven-member Council composed of a mayor and six council members elected on an at-large basis for four year, staggered terms. The City Council appoints the City Manager, Treasurer, City Clerk, and Corporation Counsel. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

The City provides a full range of services, including police and fire protection; community and economic development; construction and maintenance of the City's streets and other infrastructure; water, sewer, and parking services; youth and senior services; local transit service; and operation of the Highland Park Country Club. The CAFR also includes the activities of the Police and Firefighters' Pension Funds, as well as the Highland Park Public Library, although control of these funds rests with independent boards.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City's Director of Finance so that a budget may be prepared. The City Manager then presents a proposed budget to the City Council for review in March. The City Council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than April 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The City Manager is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental and proprietary fund for which an appropriated annual budget has been adopted. Also provided is a schedule of detailed expenditures comparing budget and actual information for the General Fund at the function, department, and object level.

Local economy

The City currently enjoys a favorable economic environment and local indicators point to continued stability. The economic outlook remains very strong as the City's stable tax base increased by 12.2% this past fiscal year. The unemployment rate for the City is currently 3.0%, which compares favorably to the 4.3% rate for Lake County and 4.7% rate for the State of Illinois. The total value of building permits in the City for fiscal year 2006 was \$152 million, more than double the \$69 million recorded in fiscal year 2003. In 2006, 5,943 building permits were issued, compared to 5,511 for the prior year. The per capita income of the City's labor force was \$55,331 according to the latest census, which placed the City among the nation's wealthiest communities with populations of 25,000 or more.

Major industries located within the City include a hospital, music festival, manufacturer of plastic containers, and two school districts, as well as several financial institutions and automobile dealerships. Retail trade accounts for nearly 11% of the employment in the City.

Long-term financial planning

The City continues to plan for its future to preserve the outstanding quality of life enjoyed by the residents and to ensure a high level of service to the community. The City has taken action to ensure that funding for the existing infrastructure will be increased. Effective January 1, 2003, an additional one-half percent home-rule sales tax was imposed on the sale of general merchandise. This incremental tax yields more than \$2 million in additional sales tax revenue per year, and is pledged to infrastructure improvements and the abatement of the debt service property tax levy planned for various projects. Such projects include a recent 55,000 square foot addition to the Highland Park Country Club clubhouse. The Recreation Center facility, opened in October 2005, houses an indoor swimming pool, running track, basketball courts, and fitness center. The \$12.3 million project was a joint project of the City and Park District. In addition, police department services were recently relocated to a new 50,000 square foot state-of-the-art police headquarters facility, completing the City's goal to rebuild or renovate all major City facilities.

The City continues an aggressive capital plan for infrastructure improvements, increasing its annual commitment from \$3.6 million to \$3.8 million per year for street, bridge, sanitary sewer, ravine remediation and storm sewer improvements. An additional \$1 million in water revenues are pledged for capital improvements to the water production and distribution systems each year.

Relevant financial policies

Unreserved, undesignated fund balance in the general fund is currently 35% of total general fund expenditures, exceeding the City's policy guidelines set by the Council for budgetary and planning purposes (25-33 percent of total general fund expenditures).

Major initiatives

The City Council is currently considering recommendations for improvements to its water filtration plant, which was originally constructed in 1929. The project would include replacement of aging infrastructure, address regulatory requirements, improve reliability and increase the capacity of the water plant. The overall cost of the project would likely exceed \$20 million and would be financed by the issuance of general obligation bonds paid from water revenues.

Awards and Acknowledgements

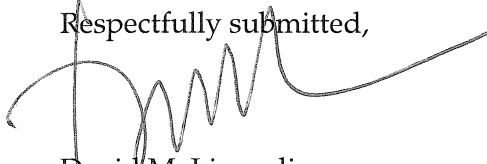
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Highland Park for its comprehensive annual financial report (CAFR) for the fiscal year ended April 30, 2005. This was the twenty-first consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.


In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated May 1, 2006. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unwavering support for maintaining the highest standards of professionalism in the management of the City of Highland Park's finances.

Respectfully submitted,



David M. Limardi
City Manager



Elizabeth A. Holleb
Finance Director



998 Corporate Boulevard • Aurora, IL 60502

*Members of American Institute of
Certified Public Accountants &
Illinois CPA Society*

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor
Members of the City Council
City of Highland Park, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Highland Park, Illinois, as of and for the year ended April 30, 2006, which collectively comprise the City of Highland Park, Illinois' basic financial statements as listed in the table of contents. We have also audited the financial statements of each nonmajor governmental fund, each internal service fund and each fiduciary fund presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended April 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the City of Highland Park, Illinois' management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Highland Park, Illinois, as of April 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each nonmajor governmental fund, each internal service fund and each fiduciary fund and the changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Highland Park, Illinois financial statements. The individual fund schedules and supplemental data listed as schedules in the accompanying table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. The individual fund schedules and supplemental data have been subjected to the auditing procedures applied in the audit of the basic, combining and individual fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements and each of the combining and individual fund statements taken as a whole.

We did not audit the information contained in the introductory and statistical sections. Accordingly, we do not express an opinion thereon.

A handwritten signature in cursive script that reads "Sikich LLP".

Aurora, Illinois
September 1, 2006

Management's Discussion and Analysis

As management of the City of Highland Park (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended April 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$145.6 million (net assets).
- The government's total net assets increased by \$3,127,397 during the 2006 fiscal year. Business-type activities resulted in a \$3,554,335 increase, while net assets of governmental activities decreased by \$426,938. The significant increase in business-type activities is due to an operating surplus in the water utility and contribution revenue in the Highland Park Country Club Fund.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$40.3 million, an increase of \$4.2 million in comparison with the prior year. This increase is due in large part to the issuance of general obligation bonds to fund capital improvements. Of the total fund balance, \$11.9 million is available for spending in the General Fund at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance of the general fund was \$11,945,951, or 35% of total general fund expenditures, exceeding the City's policy to maintain a balance of 25-33%.
- The City's total bonded debt increased by \$6.3 million during the current fiscal year. The key factor in this increase was the issuance of \$10,000,000 in general obligation bonds to finance capital improvements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, economic and physical development, transit, commissions and interest costs. The business-type activities of the City include a parking system, water utility, and operations of the Highland Park Country Club.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate library for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 3 - 5 of this report.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains ten 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, street and bridge fund, debt service fund, street improvements fund, and the 2002 general obligation bonds capital projects fund, all of which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation labeled *nonmajor governmental funds*. Individual fund data for each of these nonmajor governmental funds is provided in the *combining statements and schedules* provided on pages 75 - 80 in this report.

The City adopts an annual appropriated budget for its governmental funds, with the exception of the Foreign Fire Insurance Tax Fund. Budgetary comparisons have been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 6 - 11 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the

government-wide financial statements. The City uses enterprise funds to account for its parking, water, and country club operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment maintenance and replacement, as well as insurance activities. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for the parking, water, and country club operations, all of which are considered to be major funds of the City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining and individual fund statements and schedules* on pages 84 - 88 in this report.

The basic proprietary fund financial statements can be found on pages 12 - 16 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 17 - 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 - 56 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Budgetary comparisons for the general fund and street and bridge fund are provided, as well as information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 57 - 66 of this report.

The combining statements and schedules are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 67 - 92 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$145.6 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (81.2%) is its investment in capital assets – land, buildings, machinery, and equipment – less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; thus, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (7.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (11.0% of total) may be used to meet the government's ongoing obligations to citizens and creditors.

City of Highland Park's Net Assets
April 30, 2006

	Governmental Activities		Business-Type Activities		Total	
	FY 2006	FY 2005	FY 2006	FY 2005	FY 2006	FY 2005
Current and Other Assets	\$57,583,063	53,247,545	4,107,234	4,007,217	61,690,297	57,254,762
Capital Assets	120,903,856	117,537,206	35,350,451	33,952,935	156,254,307	151,490,141
Total Assets	178,486,919	170,784,751	39,457,685	37,960,152	217,944,604	208,744,903
Long-Term Liabilities Outstanding	49,996,204	42,897,463	7,726,778	8,926,573	57,722,982	51,824,036
Other Liabilities	13,614,883	12,818,727	978,236	2,096,110	14,593,119	14,914,837
Total Liabilities	63,611,087	55,716,190	8,705,014	11,022,683	72,316,101	66,738,873
Net Assets:						
Capital Assets, net of Debt	90,605,742	94,907,427	27,575,451	24,967,935	118,181,193	119,875,362
Restricted	11,419,596	10,706,878	0	0	11,419,596	10,706,878
Unrestricted	12,850,494	9,454,256	3,177,220	1,969,534	16,027,714	11,423,790
Total Net Assets	114,875,832	115,068,561	30,752,671	26,937,469	145,628,503	142,006,030

The City reports positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The City has adopted a philosophy of funding capital improvements to a large extent on a pay-as-you-go basis, and retires debt obligations quickly, resulting in the positive net asset calculations.

The increase in "Current and Other Assets" and "Long-Term Liabilities Outstanding" in the governmental activities is due to the FY2006 issue of general obligation bonds. The decrease in capital assets, net of debt and offsetting increase in unrestricted net assets within the governmental activities is due to the \$7.5 million net increase in debt compared to the \$3.4 increase in capital assets. Comparison of net assets between fiscal years is also impacted by prior period adjustments reported in the governmental activities (\$234,209) and the Highland Park Country Club Fund (\$260,867).

A breakdown of the change in net assets follows:

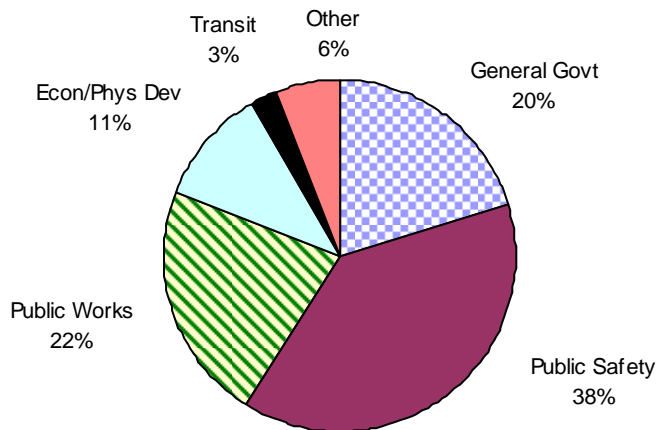
Water Utility	\$2,061,274
Parking System	115,582
Country Club	1,377,479
Governmental Activities	(426,938)
Governmental Activities PPA	234,209
Country Club PPA	<u>260,867</u>
Change in Net Assets	\$3,622,473

City of Highland Park's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	FY 2006	FY 2005 Restated	FY 2006	FY 2005 Restated	FY 2006	FY 2005 Restated
Program Revenues						
Charges for Services	\$7,710,663	8,250,084	11,521,585	10,686,739	19,232,248	18,936,823
Operating Grants	872,489	884,766	0	0	872,489	884,766
Capital Grants	537,489	551,346	0	0	537,489	551,346
General Revenues						
Property Taxes	10,207,239	10,001,506	0	0	10,207,239	10,001,506
Sales Taxes	12,790,251	12,092,028	0	0	12,790,251	12,092,028
Other Taxes	12,062,977	9,887,466	0	0	12,062,977	9,887,466
Other	960,346	329,109	2,120,460	(20,818)	3,080,806	308,291
TOTAL REVENUES	45,141,454	41,996,305	13,642,045	10,665,921	58,783,499	52,662,226
Expenses						
General Government	9,423,178	7,709,170	0	0	9,423,178	7,709,170
Public Safety	18,056,277	16,671,814	0	0	18,056,277	16,671,814
Public Works	10,133,409	11,784,555	0	0	10,133,409	11,784,555
Economic/Physical Dev	5,034,721	4,093,676	0	0	5,034,721	4,093,676
Transit	1,227,855	1,219,866	0	0	1,227,855	1,219,866
Commissions	1,050,967	640,026	0	0	1,050,967	640,026
Interest	1,629,285	858,741	0	0	1,629,285	858,741
Parking	0	0	736,329	857,921	736,329	857,921
Water	0	0	5,111,901	4,533,636	5,111,901	4,533,636
Country Club	0	0	3,252,180	3,106,734	3,252,180	3,106,734
TOTAL EXPENSES	46,555,692	42,977,848	9,100,410	8,498,291	55,656,102	51,476,139
Increase in Net Assets before						
Transfers	(1,414,238)	(981,543)	4,541,635	2,167,630	3,127,397	1,186,087
Transfers	987,300	774,800	(987,300)	(774,800)	0	0
Increase in Net Assets	(426,938)	(206,743)	3,554,335	1,392,830	3,127,397	1,186,087

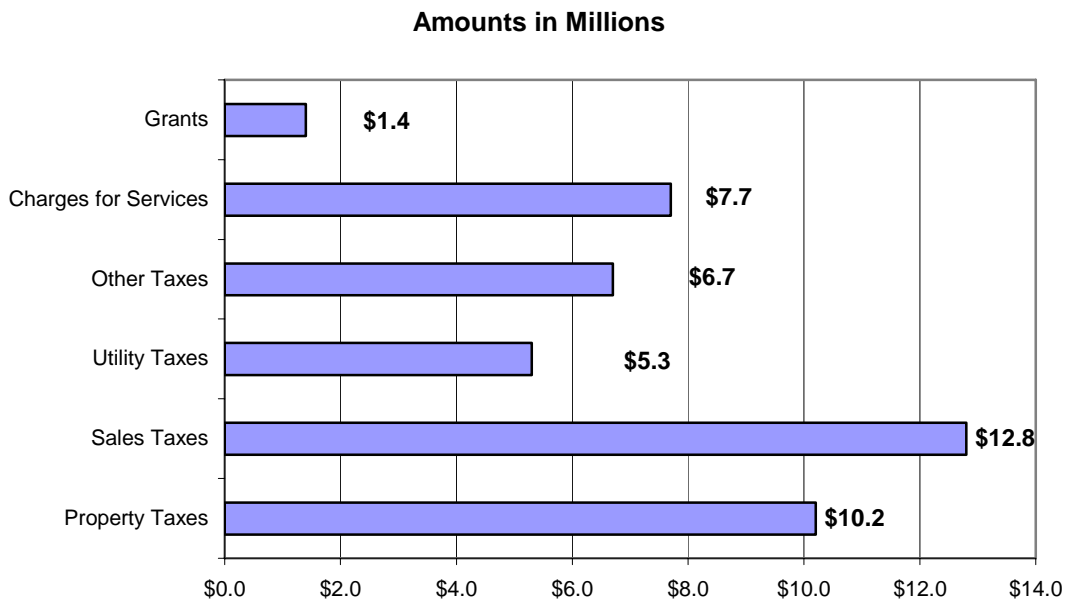
- Property tax revenue increased by \$205,733 (2.1%) over the prior year. Although the City is a home-rule municipality and not subject to property tax limitations, the property tax levy has increased by an average of 1.1% per year over the past ten years.
- Sales tax revenue increased by \$698,223 (5.8%) indicating continued growth in the City's retail sector. Other taxes increased by \$2,175,511 (22%) due to growth in utility taxes, real estate transfer tax, and state income tax, as well as the establishment of a 1% food and beverage tax that went into effect on July 1, 2005. Growth in these tax revenues allows the City to minimize its reliance on property taxes.
- The growth in charges for services for business-type activities was attributable to water sales. In addition to the residents of Highland Park, the City's water utility provides water to four neighboring jurisdictions by intergovernmental agreement. Outside water sales account for approximately 45% of the total water sales.
- Expenses totaled \$55.7 million for fiscal year 2006, an 8% increase over the previous year due primarily to the construction of the police headquarters facility.

Expenses and Program Revenues – Governmental Activities



Public Safety expenses (police and fire) account for the greatest percent of governmental activities with 38%, followed by public works, general government, and economic/physical development.

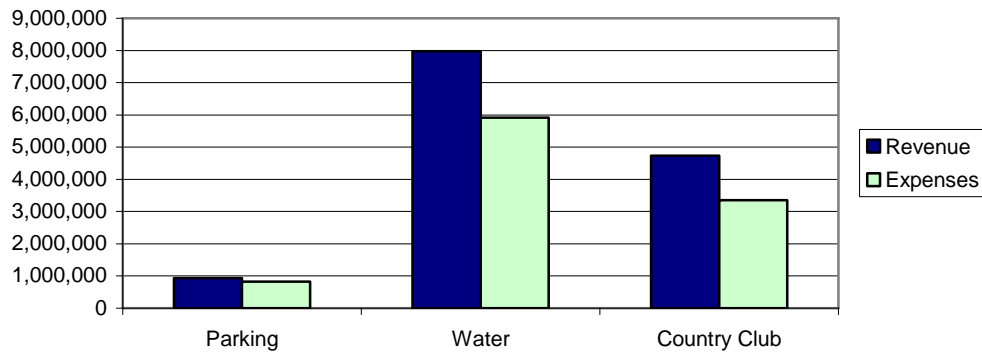
Revenues by Source – Governmental Activities



Sales taxes account for the greatest proportion of funding for governmental activities, followed by property taxes and charges for services. Growth in expenses has been closely monitored for six consecutive years, with operating departments mandated to contain non-personnel related operating costs. However, the City has continued an aggressive capital improvement plan, investing \$3.8 million annually in street, sewer and ravine improvements from governmental revenues. The City is constructing a new Police Headquarters and, with the Park District, jointly funded construction of a Recreation Center adjacent to the Highland Park Country Club.

Business-Type Activities

Business-type activities increased the City's net assets by \$3.55 million. As noted previously, business-type activities are intended to be self sufficient – charges for services should be sufficient to cover all costs associated with the operation. The following graph shows a comparison of Fiscal Year 2006 revenues and expenses of each business-type activity:



- Net assets of the parking fund increased by \$115,582 in the current fiscal year. A comprehensive analysis of parking fees was completed in FY 2006 to ensure that rates charged are sufficient to cover expenses on an ongoing basis.
- The water utility fund net assets increased by \$2.1 million. Weather conditions in the summer of 2005 resulted in higher than anticipated water sales.
- Net assets of the country club fund increased by \$1.4 million due to contribution revenue of nearly \$1.9 million. The contribution was attributable to the City funding from general revenues improvements to the Highland Park Country Club in conjunction with construction of the Recreation Center. Without this contribution, the net assets would have decreased by \$479,000. The City is working with the contract management company to identify ways to improve the operating position of this fund.
- Revenue of business-type activities is almost exclusively charges for services. During the current fiscal year, investment income was offset by a loss on the sale of capital assets and interest expense on outstanding debt.

Financial Analysis of the City's Funds

As noted earlier, the City utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of April 30, 2006, the City's governmental funds reported combined ending fund balances of \$40.3 million, an increase of \$4.2 million in comparison with the prior year. As noted previously, a large portion of this increase is the result of one-time revenue from the sale of general obligation bonds. Of the total fund balance, \$11.9 million constitutes *unreserved fund*

balance in the General Fund, which is available for spending at the government's discretion. *Reserved fund balance* totaling \$28.3 million is not available for discretionary spending because it has already been committed for a variety of purposes, including police and fire pension obligations, payment of debt service, long-term loans receivable, public facilities, street improvements, and public safety expenditures (E-911 Fund). Please refer to page 7 for a detailed description and amounts of reserved fund balance.

The general fund is the primary operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$11.9 million. As a measure of the general fund's liquidity, it is useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 35% of total general fund expenditures for the current fiscal year. The fund balance of the City's general fund increased by \$482,000 during the current fiscal year.

The street and bridge fund has a total fund balance of \$385,290. In Fiscal Year 2005, the City made a one-time transfer to eliminate the fund deficit and has increased many of the fees charged in this fund. For the current fiscal year, fund balance increased by \$56,000.

The debt service fund has a total fund balance of \$500,088, all of which is reserved for the payment of debt service. During the current fiscal year, the fund posted a \$43,542 reduction in fund balance.

The street improvements fund has a fund balance of \$2.85 million at April 30, 2006. The \$2.6 million increase in fund balance for the current fiscal year is due to the issuance of general obligation bonds to fund infrastructure improvements identified in the City's five-year capital improvement plan.

The 2002 general obligation bonds fund has a total fund balance of \$5.7 million, all of which is reserved for capital improvements. The balance represents bond proceeds that will be spent in the next fiscal year completing the construction of the police headquarters facility.

Nonmajor governmental funds combine for a total fund balance of \$2.3 million at year end.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the parking system totaled \$4.55 million at April 30, 2006. Net assets of the water utility fund amounted to \$15.3 million. Net assets of the country club operation amounted to \$10.85 million. The total growth in net assets for all proprietary funds was \$3.55 million, including the \$1.85 million contribution to the country club fund identified previously. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The General Fund budget was amended during fiscal year 2006 to transfer appropriations between operating departments and to provide for unanticipated expenditures. Actual revenues exceeded the budget by \$2.8 million, primarily in the real estate transfer tax, utility/franchise tax, and investment income categories. Total general fund expenditures were 98.4% of budget, resulting in a budgetary savings of \$482,738. The increase in fund balance of \$482,231 compared favorably to the budget projection that fund balance would be reduced by \$2.2 million.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of April 30, 2006, amounts to \$118 million, net of accumulated depreciation and outstanding related debt. This investment in capital assets includes land, buildings, other improvements, machinery and equipment, streets, bridges, sanitary and storm sewers, and water production and distribution systems.

Major capital asset events during the current fiscal year included the following:

- Water system improvements totaling \$1.0 million, including improvements on Deerfield Place, Hiawatha, Auburn Court, Picadilly and Park Avenue.
- Completion of the Recreation Center (funded in large part by the Park District) and improvements to the Highland Park Country Club, totaling \$1.8 million.
- Construction began on the new Police Headquarters, with completion of the project expected during the summer of 2006.
- Infrastructure improvements totaled \$3.1 million, including Old Deerfield Road street improvements, Dell Lane Sewer improvements, Beech and Cedar Avenue bridge repairs, Berkeley Road reconstruction with new storm and sanitary sewer mains, sidewalk repairs, and \$1.1 million in minor street repairs.

City of Highland Park's Capital Assets

(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$8,484,190	\$8,484,190	\$4,981,323	\$4,981,323	\$13,465,513	\$ 13,465,513
Buildings and improvements	44,396,178	45,588,980	16,635,399	15,383,063	61,031,577	60,972,043
Machinery and equipment	4,357,238	4,141,497	1,685,290	1,761,975	6,042,528	5,903,472
Infrastructure	57,006,767	57,360,973	12,048,439	11,826,574	69,055,206	69,187,547
Construction in progress	6,659,483	1,961,566	-	-	6,659,483	1,961,566
Total	\$120,903,856	\$117,537,206	\$35,350,451	\$33,952,935	\$156,254,307	\$151,490,141

Additional information on the City's capital assets can be found in note 5 on pages 34 - 36 of this report.

Long-term debt. At the end of the current fiscal year, the City had total general obligation bonded debt outstanding of \$54,129,216. Of this amount, \$46,354,216 comprises debt to be paid by the debt service fund from general governmental revenues. The remainder of the City's debt will be paid from revenue of business-type activities.

City of Highland Park's Outstanding Debt

General Obligation Bonds

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Total	\$46,354,216	\$38,850,000	\$7,775,000	\$8,985,000	\$54,129,216	\$47,835,000

The City's total bonded debt increased by \$6.3 million during the current fiscal year. The key factor in this increase was a \$10,000,000 million general obligation bond issue to fund capital improvements. The City's general obligation bonds maintain a "Aaa" rating from Moody's Investors Service.

Under the 1970 Illinois Constitution, there is no legal debt limit for home rule municipalities except as set by the General Assembly. If the City were subject to such a limitation, outstanding indebtedness could not exceed 8.625% of equalized assessed valuation. Currently, the City's direct bonded debt of \$54.129 million represents 2.36% of the City's equalized assessed valuation.

Additional information on the City's long-term debt can be found in note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The City has a long-standing heritage as one of the prestigious communities along Chicagoland's "north shore" of Lake Michigan. The economic outlook remains very strong as the City's stable tax base increased by 12.2% this past fiscal year. With 92% of the tax base consisting of residential property, property tax revenue is exceedingly stable. State revenues, including income and use taxes, have begun to climb with a general improvement in the economy. Municipal sales tax revenue in fiscal year 2006 increased by 5.8% over the previous year. Other economic factors impacting the City's budget are as follows:

- The unemployment rate for the City is currently 3.0%, which compares favorably to the 4.3% rate for Lake County and 4.7% rate for the State of Illinois.
- The total value of building permits in the City for fiscal year 2006 was \$152 million, more than double the \$69 million recorded in fiscal year 2003 and a 7% increase over the \$142 million recorded in the previous fiscal year. In 2006, 5,943 building permits were issued, compared to 5,511 for the prior year, an increase of 7.8%.
- The per capita income of the City's labor force was \$55,331 according to the latest census, which placed the City among the nation's wealthiest communities with populations of 25,000 or more.

The Fiscal Year 2007 budget includes a 0.00% increase in the property tax levy. Building permit revenues are expected to remain high due to continuing construction activity. Sales tax revenue is expected to remain stable, with collections increasing by 3% over the prior year. A storm water maintenance fee was enacted effective May 1, 2006, to provide additional operating revenue to the street and bridge fund and reduce the reliance of that fund's budget on the property tax levy. An increase in water rates went into effect on May 1, 2006. As part of the development of the Fiscal Year 2007 budget, the City conducted a comprehensive review of charges for services. Several fees were adjusted to reflect the costs to provide the particular service.

Budgeted expenditures include increases for salary adjustments, estimated at 3.5%. Employee benefit expenditures continue to increase due to mandated pension costs and health and dental insurance. Projected increased expenditures for contractual services is due to an increase in the City's member contribution to the Intergovernmental Risk Management Agency (IRMA) for liability and workers compensation insurance and a one-time grant by the Housing Trust Fund for purchase of the Hyacinth property for an affordable housing project. City operating departments have been required to reduce non-personnel operating costs by a cumulative of 2.0% for Fiscal Years 2002-2007. As a result, year-end budgetary savings have been reduced as department budgets have become leaner and discretionary items are removed from the budget. The fiscal year 2007 budget projects a \$4,908 increase in unreserved fund balance of the general fund.

As noted previously, water rates were adjusted effective May 1, 2006. The rate increase was necessary to ensure the financial stability of the water utility enterprise fund. Customers continue to enjoy one of the lowest water rates in the area.

Requests for Information

This financial report is designed to provide a general overview of the City'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 may be addressed to the Office of the Finance Director, City of Highland Park, 1707 St. Johns Avenue, Highland Park, Illinois 60035-2922.

CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF NET ASSETS

April 30, 2006

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Highland Park Public Library
ASSETS				
Cash	\$ 13,492,329	\$ 11,311,785	\$ 24,804,114	\$ 241,114
Investments	20,348,149	396,766	20,744,915	781,362
Receivables (net, where applicable, of allowances for uncollectibles)				
Property taxes	9,400,294	-	9,400,294	3,575,707
Motor fuel tax allotments	69,345	-	69,345	-
Intergovernmental	4,367,475	-	4,367,475	-
Loans	400,000	-	400,000	-
Accounts	1,210,309	1,044,414	2,254,723	16,626
Accrued interest	14,640	1,483	16,123	-
Prepaid expenses	43,436	7,712	51,148	10,220
Inventory	-	90,536	90,536	-
Due to/from other funds	4,620,462	(4,620,462)	-	-
Due to/from fiduciary funds	(663,125)	(4,125,000)	(4,788,125)	-
Due from primary government	-	-	-	6,961
Due from component unit	1,899	-	1,899	-
Deferred charges	59,211	-	59,211	-
Land held for resale	1,160,000	-	1,160,000	-
Net pension asset	3,058,639	-	3,058,639	-
Capital assets not being depreciated	15,404,000	4,981,323	20,385,323	500,000
Capital assets being depreciated, net of accumulated depreciation	105,499,856	30,369,128	135,868,984	2,774,387
Total assets	178,486,919	39,457,685	217,944,604	7,906,377
LIABILITIES				
Accounts payable	2,129,323	505,652	2,634,975	79,066
Accrued payroll	302,934	219,486	522,420	42,098
Claims payable	997,603	-	997,603	-
Accrued interest payable	638,876	130,796	769,672	-
Due to primary government	-	-	-	1,899
Deferred revenues	9,434,461	4,563	9,439,024	3,575,707
Refundable deposits	111,686	117,739	229,425	-
Noncurrent liabilities				
Due within one year	3,867,728	664,706	4,532,434	13,912
Due in more than one year	46,128,476	7,062,072	53,190,548	78,837
Total liabilities	63,611,087	8,705,014	72,316,101	3,791,519
NET ASSETS				
Invested in capital assets, net of related debt	90,605,742	27,575,451	118,181,193	3,274,387
Restricted for				
Debt service	500,088	-	500,088	-
Public safety	1,351,981	-	1,351,981	-
Public facilities	6,231,545	-	6,231,545	-
Highways and streets	3,335,982	-	3,335,982	-
Culture and recreation	-	-	-	484,095
Unrestricted	12,850,494	3,177,220	16,027,714	356,376
TOTAL NET ASSETS	\$ 114,875,832	\$ 30,752,671	\$ 145,628,503	\$ 4,114,858

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2006

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 9,423,178	\$ 983,609	\$ -	\$ -
Public safety	18,056,277	1,359,838	-	528,589
Public works	10,133,409	2,484,809	872,489	-
Economic and physical development	5,034,721	1,813,053	-	-
Transit	1,227,855	1,069,354	-	-
Commissions	1,050,967	-	-	8,900
Interest	1,629,285	-	-	-
Total governmental activities	46,555,692	7,710,663	872,489	537,489
Business-Type Activities				
Parking system	736,329	898,751	-	-
Water	5,111,901	7,753,939	-	-
Country club	3,252,180	2,868,895	-	-
Total business-type activities	9,100,410	11,521,585	-	-
TOTAL PRIMARY GOVERNMENT	\$ 55,656,102	\$ 19,232,248	\$ 872,489	\$ 537,489
COMPONENT UNIT				
Highland Park Public Library	\$ 3,654,712	\$ 131,809	\$ 137,118	\$ -

Net (Expense) Revenue and Change in Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Highland Park Public Library	
\$ (8,439,569)	\$ -	\$ (8,439,569)	\$ -	
(16,167,850)	-	(16,167,850)	-	
(6,776,111)	-	(6,776,111)	-	
(3,221,668)	-	(3,221,668)	-	
(158,501)	-	(158,501)	-	
(1,042,067)	-	(1,042,067)	-	
(1,629,285)	-	(1,629,285)	-	
(37,435,051)	-	(37,435,051)	-	
-	162,422	162,422	-	
-	2,642,038	2,642,038	-	
-	(383,285)	(383,285)	-	
-	2,421,175	2,421,175	-	
(37,435,051)	2,421,175	(35,013,876)	-	
-	-	-	(3,385,785)	
General Revenues				
Taxes				
Property	10,207,239	-	10,207,239	3,406,835
Replacement	311,520	-	311,520	-
Home rule sales	4,546,735	-	4,546,735	-
Sales	8,243,516	-	8,243,516	-
Utility	3,114,634	-	3,114,634	-
Franchise	2,215,223	-	2,215,223	-
Real estate transfer	2,919,960	-	2,919,960	-
Income	2,312,384	-	2,312,384	-
Other	1,189,256	-	1,189,256	-
Investment income	960,346	263,925	1,224,271	63,573
Transfers	987,300	(987,300)	-	-
Contribution revenue	-	1,856,535	1,856,535	-
Total	37,008,113	1,133,160	38,141,273	3,470,408
CHANGE IN NET ASSETS	(426,938)	3,554,335	3,127,397	84,623
NET ASSETS, MAY 1	115,068,561	26,937,469	142,006,030	4,030,235
Prior period adjustment	234,209	260,867	495,076	-
NET ASSETS, MAY 1, RESTATED	115,302,770	27,198,336	142,501,106	4,030,235
NET ASSETS, APRIL 30	\$ 114,875,832	\$ 30,752,671	\$ 145,628,503	\$ 4,114,858

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

April 30, 2006

	General	Street and Bridge	Debt Service	Street Improvements	2002 General Obligation Bonds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash	\$ 11,019,972	\$ 1,838	\$ 129,967	\$ 153,066	\$ 148,395	\$ 1,851,743	\$ 13,304,981
Investments	18,550,583	-	355,221	-	987,867	264,147	20,157,818
Receivables							
Property taxes	3,373,913	1,879,538	3,071,440	1,075,403	-	-	9,400,294
Motor fuel tax allotments	-	-	-	-	-	69,345	69,345
Intergovernmental	4,367,475	-	-	-	-	-	4,367,475
Loans	-	-	-	-	-	400,000	400,000
Accounts	172,411	285,050	-	130,332	35,843	-	623,636
Accrued interest	8,108	-	1,328	-	3,692	801	13,929
Due from other funds	8,752	885,000	12,920	3,250,000	5,150,000	1,100,000	10,406,672
Due from fiduciary funds	21,875	-	15,000	-	-	-	36,875
Prepaid items	43,436	-	-	-	-	-	43,436
Land held for resale	1,160,000	-	-	-	-	-	1,160,000
TOTAL ASSETS	\$ 38,726,525	\$ 3,051,426	\$ 3,585,876	\$ 4,608,801	\$ 6,325,797	\$ 3,686,036	\$ 59,984,461

	General	Street and Bridge	Debt Service	Street Improvements	2002 General Obligation Bonds	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 741,454	\$ 40,961	\$ -	\$ 678,559	\$ 573,335	\$ 1,659	\$ 2,035,968
Accrued payroll	207,974	20,637	-	-	-	788	229,399
Accrued interest payable	-	-	14,348	-	-	-	14,348
Due to other funds	4,632,944	25,000	-	-	12,920	1,343,752	6,014,616
Due to fiduciary funds	-	700,000	-	-	-	-	700,000
Deferred revenue	3,408,080	1,879,538	3,071,440	1,075,403	-	-	9,434,461
Refundable deposits	111,686	-	-	-	-	-	111,686
Note payable	1,160,000	-	-	-	-	-	1,160,000
Total liabilities	10,262,138	2,666,136	3,085,788	1,753,962	586,255	1,346,199	19,700,478
FUND BALANCES							
Reserved for debt service	-	-	500,088	-	-	-	500,088
Reserved for prepaid items	43,436	-	-	-	-	-	43,436
Reserved for loans	-	-	-	-	-	400,000	400,000
Reserved for public facilities	-	-	-	-	5,739,542	492,003	6,231,545
Reserved for employee retirement	16,475,000	-	-	-	-	-	16,475,000
Reserved for public safety	-	-	-	-	-	1,351,981	1,351,981
Reserved for streets	-	385,290	-	2,854,839	-	95,853	3,335,982
Unreserved - undesignated (deficit)							
General Fund	11,945,951	-	-	-	-	-	11,945,951
Total fund balances	28,464,387	385,290	500,088	2,854,839	5,739,542	2,339,837	40,283,983
TOTAL LIABILITIES AND FUND BALANCES	\$ 38,726,525	\$ 3,051,426	\$ 3,585,876	\$ 4,608,801	\$ 6,325,797	\$ 3,686,036	\$ 59,984,461

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS

April 30, 2006

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 40,283,983
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	117,709,969
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	(46,354,216)
Deferred charges such as bond discounts, issue costs and losses on refundings are expenditures in the governmental funds but shown as an asset on the statement of net assets	59,211
Accrued interest on long-term liabilities is shown as a liability on the statement of net assets	(624,528)
Net pension asset for the fire and police pension funds is shown as an asset on the statement of net assets	3,058,639
The compensated absences liability for the City is not due and payable in the current period and, therefore, not reported in the governmental funds.	(2,243,874)
The net assets of the internal service fund are included in the governmental activities in the statement of net assets	<u>2,986,648</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 114,875,832</u></u>

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended April 30, 2006

	General	Street and Bridge	Debt Service	Street Improvements	2002 General Obligation Bonds	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 3,047,254	\$ 2,407,204	\$ 3,028,740	\$ 845,215	\$ -	\$ 878,827	\$ 10,207,240
Illinois state replacement taxes	311,520	-	-	-	-	-	311,520
Licenses and permits	1,943,324	833,629	-	-	-	-	2,776,953
Charges for current services	1,289,867	1,132,413	-	-	-	-	2,422,280
Municipal sales tax	12,790,251	-	-	-	-	-	12,790,251
Fines and forfeitures	377,051	10,840	-	-	-	-	387,891
Utility tax	3,114,634	-	-	-	-	-	3,114,634
Cable television franchise tax	407,637	-	-	-	-	-	407,637
Real estate transfer tax	2,919,960	-	-	-	-	-	2,919,960
Motor fuel tax allotment	-	-	-	-	-	872,489	872,489
Intergovernmental	116,112	164,987	-	-	-	82,747	363,846
Illinois state income tax	2,312,384	-	-	-	-	-	2,312,384
Regional Transportation Authority reimbursement	1,069,354	-	-	-	-	-	1,069,354
Franchise tax	1,807,586	-	-	-	-	-	1,807,586
Other taxes	938,110	-	-	-	-	-	938,110
Reimbursements - other agencies	365,242	-	-	7,239	-	-	372,481
Investment income	656,049	-	5,885	10,315	204,768	83,330	960,347
Miscellaneous	185,939	59,920	-	-	435,843	424,789	1,106,491
Total revenues	33,652,274	4,608,993	3,034,625	862,769	640,611	2,342,182	45,141,454
EXPENDITURES							
Current							
General government	7,591,557	-	-	-	-	-	7,591,557
Public safety	16,720,541	-	-	-	-	199,071	16,919,612
Public works	1,737,663	4,443,222	-	-	-	885,000	7,065,885
Economic and physical development	3,862,701	-	-	-	-	-	3,862,701
Transit	1,185,939	-	-	-	-	-	1,185,939
Commissions	263,188	-	-	-	-	-	263,188

	General	Street and Bridge	Debt Service	Street Improvements	2002 General Obligation Bonds	Nonmajor Governmental Funds	Total Governmental Funds
EXPENDITURES (Continued)							
Debt service							
Principal	\$ -	\$ -	\$ 2,495,784	\$ -	\$ -	\$ -	\$ 2,495,784
Interest and fiscal charges	-	-	1,265,828	19,796	40,651	-	1,326,275
Capital outlay	-	109,755	-	3,630,887	6,521,307	944,973	11,206,922
Total expenditures	31,361,589	4,552,977	3,761,612	3,650,683	6,561,958	2,029,044	51,917,863
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,290,685	56,016	(726,987)	(2,787,914)	(5,921,347)	313,138	(6,776,409)
OTHER FINANCING SOURCES (USES)							
Bonds issued	-	-	1,000,000	3,275,000	6,725,000	-	11,000,000
Proceeds from the sale of capital assets	8,200	-	-	-	-	-	8,200
Payments to escrow agent	-	-	(1,000,509)	-	-	-	(1,000,509)
Transfers in	887,300	-	683,954	2,120,000	-	-	3,691,254
Transfers (out)	(2,703,954)	-	-	-	-	-	(2,703,954)
Total other financing sources (uses)	(1,808,454)	-	683,445	5,395,000	6,725,000	-	10,994,991
NET CHANGES IN FUND BALANCES	482,231	56,016	(43,542)	2,607,086	803,653	313,138	4,218,582
FUND BALANCES (DEFICIT), MAY 1	27,982,156	329,274	543,630	247,753	4,935,889	1,792,490	35,831,192
Prior period adjustment	-	-	-	-	-	234,209	234,209
FUND BALANCES, MAY 1, RESTATED	27,982,156	329,274	543,630	247,753	4,935,889	2,026,699	36,065,401
FUND BALANCES, APRIL 30	\$ 28,464,387	\$ 385,290	\$ 500,088	\$ 2,854,839	\$ 5,739,542	\$ 2,339,837	\$ 40,283,983

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2006

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 4,218,582
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures, however, they are capitalized and depreciated in the statement of activities		8,369,583
Loss on disposition of capital assets are not reported in governmental funds but as an increase to functional expenses on the statement of activities		(1,069,207)
The issuance of long-term debt is reported as an other financing source in governmental funds but as an increase of principal outstanding in the statement of activities		(11,000,000)
The repayment of the principal portion long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities		2,495,784
The increase in accrued interest payable is shown as an reduction of expense on the statement of activities		(361,713)
Payments made to escrow on the refunding of debt are not reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities		1,000,509
Some expenses in the statement of activities (e.g. depreciation and amortization) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Depreciation	(3,809,262)	
Amortization	<u>58,702</u>	(3,750,560)
The change in compensated absences payable is shown as an expense on the statement of activities		273,810
The increase in net pension asset is reported as an decrease in expense on the statement of activities		117,321
The change in net assets of certain activities of internal service funds is in governmental funds		<u>(721,047)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ (426,938)</u></u>

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

April 30, 2006

	Business-Type Activities				Governmental Activities Internal Service
	Motor Vehicle Parking System	Water	Highland Park Country Club	Totals	
CURRENT ASSETS					
Cash	\$ 1,840,711	\$ 8,719,525	\$ 751,549	\$ 11,311,785	\$ 187,348
Investments	-	396,766	-	396,766	190,331
Receivables					
Billed	169	211,207	174,006	385,382	588,572
Unbilled	-	659,032	-	659,032	-
Accrued interest	-	1,483	-	1,483	711.00
Prepaid expenses	-	-	7,712	7,712	-
Inventories	-	-	90,536	90,536	-
Due from other funds	-	-	-	-	1,378,406
Total current assets	1,840,880	9,988,013	1,023,803	12,852,696	2,345,368
CAPITAL ASSETS					
Land	1,319,165	66,958	3,595,200	4,981,323	-
Parking facilities and equipment	3,647,349	-	-	3,647,349	-
Water and sewer plant and equipment	-	40,140,938	-	40,140,938	-
Country club facilities and equipment	-	-	11,431,506	11,431,506	-
Equipment	-	-	-	-	9,571,693
Less accumulated depreciation	(1,040,150)	(21,218,247)	(2,592,268)	(24,850,665)	(6,377,806)
Net capital assets	3,926,364	18,989,649	12,434,438	35,350,451	3,193,887
Total assets	5,767,244	28,977,662	13,458,241	48,203,147	5,539,255
CURRENT LIABILITIES					
Accounts payable	9,771	300,106	195,775	505,652	93,355
Accrued payroll	2,580	150,180	66,726	219,486	73,535
Claims payable	-	-	-	-	997,603
Due to other funds	1,200,000	2,770,462	650,000	4,620,462	1,150,000
Due to fiduciary funds	-	4,125,000	-	4,125,000	-
Refundable deposits	-	-	117,739	117,739	-
Interest payable	-	93,921	36,875	130,796	-
Deferred revenue	-	-	4,563	4,563	-
Capital lease payable - current	-	-	-	-	131,665
Bonds payable - current	-	509,706	155,000	664,706	-
Total current liabilities	1,212,351	7,949,375	1,226,678	10,388,404	2,446,158
LONG-TERM LIABILITIES					
Bond premium (discount)	-	(29,520)	(18,702)	(48,222)	-
Capital lease payable	-	-	-	-	106,449
General obligation bonds payable	-	5,710,294	1,400,000	7,110,294	-
Total long-term liabilities	-	5,680,774	1,381,298	7,062,072	106,449
Total liabilities	1,212,351	13,630,149	2,607,976	17,450,476	2,552,607
NET ASSETS					
Invested in capital assets, net of related debt	3,926,364	12,769,649	10,879,438	27,575,451	2,955,773
Unrestricted	628,529	2,577,864	(29,173)	3,177,220	30,875
TOTAL NET ASSETS	\$ 4,554,893	\$ 15,347,513	\$ 10,850,265	\$ 30,752,671	\$ 2,986,648

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the Year Ended April 30, 2006

	Business-Type Activities			Totals	Governmental Activities Internal Service
	Motor Vehicle Parking System	Water	Highland Park Country Club		
OPERATING REVENUES					
Charges for services					
Water sales	\$ -	\$ 7,551,493	\$ -	\$ 7,551,493	\$ -
Water permit fees	-	170,543	-	170,543	-
Parking lot collections	597,854	-	-	597,854	-
Parking violations	300,897	-	-	300,897	-
Charges for goods and services	-	-	2,709,255	2,709,255	7,338,192
Miscellaneous	-	31,903	159,640	191,543	20,829
Total operating revenues	898,751	7,753,939	2,868,895	11,521,585	7,359,021
OPERATING EXPENSES					
Personal services	248,952	2,061,803	-	2,310,755	1,165,846
Contractual services	237,505	947,435	2,784,368	3,969,308	6,616,760
Premium reimbursements	-	-	-	-	(1,525,601)
Materials and supplies	10,510	325,449	-	335,959	681,424
Repairs and maintenance	26,167	71,783	-	97,950	262,361
Small tools and equipment	16,794	191,199	9,390	217,383	59,839
Total operating expenses	539,928	3,597,669	2,793,758	6,931,355	7,260,629
OPERATING INCOME BEFORE DEPRECIATION	358,823	4,156,270	75,137	4,590,230	98,392
Depreciation	196,401	1,189,415	341,778	1,727,594	872,716
OPERATING INCOME (LOSS)	162,422	2,966,855	(266,641)	2,862,636	(774,324)
NONOPERATING REVENUES (EXPENSES)					
Investment income	38,460	221,236	4,229	263,925	31,232
Gain on sale of capital assets	-	-	(22,840)	(22,840)	22,045
Interest expense and fiscal charges	-	(324,817)	(93,804)	(418,621)	-
Total nonoperating revenues (expenses)	38,460	(103,581)	(112,415)	(177,536)	53,277

(This statement is continued on the following page.)

CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS (Continued)
PROPRIETARY FUNDS

For the Year Ended April 30, 2006

	Business-Type Activities			Totals	Governmental
	Motor Vehicle Parking System	Water	Highland Park Country Club		Activities Internal Service
NET INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	\$ 200,882	\$ 2,863,274	\$ (379,056)	\$ 2,685,100	\$ (721,047)
TRANSFERS					
Transfers (out)	(85,300)	(802,000)	(100,000)	(987,300)	-
CONTRIBUTIONS	-	-	1,856,535	1,856,535	-
CHANGE IN NET ASSETS	115,582	2,061,274	1,377,479	3,554,335	(721,047)
NET ASSETS, MAY 1	4,439,311	13,286,239	9,211,919	26,937,469	3,707,695
Prior period adjustment	-	-	260,867	260,867	-
NET ASSETS, MAY 1, RESTATED	4,439,311	13,286,239	9,472,786	27,198,336	3,707,695
NET ASSETS, APRIL 30	\$ 4,554,893	\$ 15,347,513	\$ 10,850,265	\$ 30,752,671	\$ 2,986,648

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended April 30, 2006

	Business-Type Activities				Governmental Activities Internal Service
	Motor Vehicle Parking System	Water	Highland Park Country Club	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 898,751	\$ 8,103,280	\$ 2,679,966	\$ 11,681,997	\$ 230,761
Receipts from interfund services	1,636,779	7,274,257	650,000	9,561,036	8,086,561
Payments to suppliers	(296,408)	(1,448,588)	(2,711,756)	(4,456,752)	(7,121,619)
Payments to employees	(248,602)	(2,060,707)	-	(2,309,309)	(1,162,926)
Net cash from operating activities	1,990,520	11,868,242	618,210	14,476,972	32,777
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund transfers	(85,300)	(802,000)	(100,000)	(987,300)	(306)
Net cash from noncapital financing activities	(85,300)	(802,000)	(100,000)	(987,300)	(306)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payments on capital lease obligation	-	-	-	-	(131,665)
Principal payments on bonds	-	(1,070,000)	(140,000)	(1,210,000)	-
Interest paid	-	(339,228)	(84,493)	(423,721)	-
Sale of capital assets	-	-	-	-	22,045
Purchase of capital assets	(102,969)	(1,188,447)	-	(1,291,416)	(748,252)
Net cash from capital and related financing activities	(102,969)	(2,597,675)	(224,493)	(2,925,137)	(857,872)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	38,460	219,753	4,229	262,442	30,519
Sale of investments	-	505	-	505	(583)
Net cash from investing activities	38,460	220,258	4,229	262,947	29,936
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,840,711	8,688,825	297,946	10,827,482	(795,465)
CASH AND CASH EQUIVALENTS, MAY 1	-	30,700	453,603	484,303	982,813
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 1,840,711	\$ 8,719,525	\$ 751,549	\$ 11,311,785	\$ 187,348

(This statement is continued on the following page.)

CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS

For the Year Ended April 30, 2006

	Business-Type Activities			Total	Governmental
	Motor Vehicle Parking System	Water	Highland Park Country Club		Activities Internal Service
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 162,422	\$ 2,966,855	\$ (266,641)	\$ 2,862,636	\$ (774,324)
Adjustments to reconcile operating income (loss) to net cash from operating activities					
Depreciation	196,401	1,189,415	341,778	1,727,594	872,716
Changes in assets and liabilities					
Accounts receivable	-	346,067	(163,682)	182,385	(361,498)
Prepaid expenses	-	-	(2,862)	(2,862)	-
Inventory	-	-	(24,184)	(24,184)	-
Due from other funds	1,487,896	1,111,734	-	2,599,630	(1,141,685)
Accrued expenses	-	-	-	-	489,784
Accounts payable	(5,432)	73,555	84,476	152,599	10,332
Deferred revenues	-	8,592	(14,552)	(5,960)	-
Refundable deposits	-	-	(3,307)	(3,307)	-
Unamortized bond discount	-	3,274	1,800	5,074	-
Unamortized bond premium	-	5,131	-	5,131	-
Accrued payroll	350	1,096	15,384	16,830	2,920
Due to other funds	148,883	6,162,523	650,000	6,961,406	934,532
NET CASH FROM OPERATING ACTIVITIES	\$ 1,990,520	\$ 11,868,242	\$ 618,210	\$ 14,476,972	\$ 32,777

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

April 30, 2006

	Pension Trust	Agency
<hr/>		
ASSETS		
Cash and cash equivalents	\$ 924,085	\$ 771,859
Investments		
U.S. government and agency obligations	27,408,988	-
Mutual funds	23,560,369	-
Insurance contracts	1,911,253	-
Receivables		
Accounts	-	85,705
Accrued interest	250,151	540
Prepays	6,620	-
Due from other funds	-	4,825,000
	<hr/>	
Total assets	54,061,466	5,683,104
	<hr/>	
LIABILITIES		
Accounts payable	23,987	729,377
Accrued payroll	-	218
Due to others	-	1,626,036
Due to other funds	21,875	15,000
Deposits payable	-	3,312,473
	<hr/>	
Total liabilities	45,862	\$ 5,683,104
	<hr/>	
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 54,015,604</u>	

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS

For the Year Ended April 30, 2006

ADDITIONS

Contributions - employer	
Taxes	\$ 1,727,831
Contributions - plan members	835,262
Contributions - other	<u>1,925</u>
Total contributions	<u>2,565,018</u>
Investment income	
Net appreciation in fair value of investments	596,165
Interest earned on investments	<u>3,915,219</u>
Total investment income	4,511,384
Less investment expenses	<u>(68,778)</u>
Net investment income	<u>4,442,606</u>
Total additions	<u>7,007,624</u>

DEDUCTIONS

Pension and refunds	3,619,651
Miscellaneous	<u>111,119</u>
Total deductions	<u>3,730,770</u>

NET INCREASE 3,276,854

NET ASSETS HELD IN TRUST FOR
PENSION BENEFITS

May 1	<u>50,738,750</u>
April 30	<u>\$ 54,015,604</u>

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Highland Park, Illinois (the City) 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 more significant of the City's accounting policies are described below.

a. Reporting Entity

The City was incorporated in 1869. The City is a municipal corporation governed by an elected seven-member council. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire); highways and streets; health, social and cultural services; water and sanitation; public improvements; planning and zoning; and general administrative services. As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units.

The City's financial statements include pension trust funds:

Police Pension Employees Retirement System

The City's police employees participate in the Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the City's Mayor, one pension beneficiary elected by the membership, and two police employees elected by the membership constitute the pension board. The City and PPERS participants are obligated to fund all PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the City is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many of the characteristics of a legally separate government, the PPERS is reported as if it were part of the primary government because its sole purpose is to finance and administer the pensions of the City's police employees and because of the fiduciary nature of such activities. The PPERS is reported as a pension trust fund. The PPERS does not issue a separate annual financial report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

Firefighters' Pension Employees Retirement System

The City's firefighters participate in the Firefighters' Pension Employees Retirement System (FPERS). FPERS functions for the benefit of these employees and is governed by a nine-member pension board. The City's Mayor, Treasurer, Clerk, Attorney, and Fire Chief, one pension beneficiary elected by the membership, and three fire employees elected by the membership constitute the pension board. The City and FPERS participants are obligated to fund all FPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the City is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many of the characteristics of a legally separate government, the FPERS is reported as if it were part of the primary government because its sole purpose is to finance and administer the pensions of the City's firefighters and because of the fiduciary nature of such activities. The FPERS is reported as a pension trust fund. The FPERS does not issue a separate annual financial report.

Highland Park Public Library (the Library)

This component unit has an appointed nine member board and provides services to residents, generally within the geographic boundaries of the City. This component unit is included within the reporting entity because the City approves the budget and annual tax levy. In addition, bond issuance authorizations are approved by the City and the legal liability for the general obligation portion of the Library's debt remains with the City.

A copy of the Library's Annual Financial Report may be obtained by written request to Highland Park Public Library, 494 Laurel Avenue, Highland Park, Illinois 60035.

b. Fund Accounting

The City uses funds to report on its financial position and changes in financial position and cash flows. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting (Continued)

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of capital assets (capital projects funds), 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. The permanent fund is used to account for resources legally restricted to the extent that earnings, and not principal, may be used for governmental purposes.

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 City (internal service funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund is used. Agency funds generally are used to account for assets that the City holds on behalf of others as their agent.

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. 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 activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements (Continued)

The City reports the following major governmental funds:

The General Corporate Fund is the City'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 Street and Bridge Fund is used to account for the activity that provides street lighting, street cleaning, snow removal, maintenance, and certain capital improvements to streets and bridges.

The Debt Service Fund is used to account for the payment of interest and principal on general and special obligation debt other than that payable from special assessments and debt issued for and serviced by a governmental enterprise.

The Street Improvements Fund is used to account for costs incurred to alleviate storm drainage problems, finance street improvements, and provide other infrastructure improvements.

The 2002 General Obligation Bonds Fund accounts for all resources used for the acquisition and/or construction of capital equipment and facilities by the City except those financed by the Enterprise and Internal Service Funds.

The City reports the following major proprietary funds:

The Motor Vehicle Parking System Fund accounts for the acquisition, operation and maintenance of parking lots and other facilities owned by the city. These activities are entirely or predominantly self-supported by user charges.

The Water Fund accounts for the water facilities and services owned and provided by the City to its residents. The activities are entirely or predominantly self-supported by user charges.

The Highland Park Country Club Fund is used to account for the activities of the golf course and country club owned by the City.

Additionally, the city reports the following funds:

Internal Service Funds account for self-insurance and equipment replacement services that are provided to other departments of the city on a cost-reimbursement basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements (Continued)

Pension Trust Funds account for the accumulation of retirement and disability benefits for police and firefighters' pension plans.

Agency Funds accumulate resources received from nongovernment sources and held by the City as trustee or agent to be expended or invested in accordance with the conditions of the trust or in its agency capacity for special assessments, deposits and the Housing Trust.

d. 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 fiduciary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating revenues/expenses include all revenues/expenses directly related to providing enterprise fund services. Incidental revenues/expenses are reported as non-operating.

Governmental fund financial statements are reported using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary funds operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Agency funds use the full accrual basis of accounting, but have no measurement focus.

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable, available and earned). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The City considers revenues to be available if they are collected within 60 days (except sales and telecommunications taxes which are 90 days) of the end of the current fiscal period. The City recognizes property taxes when they become both measurable and available in the year intended to finance. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue, and charges for services. Sales taxes owed to the state at year end on behalf of the City also are recognized as revenue. Fines and permits revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The City reports deferred revenue on its financial statements. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” or “earned” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City 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 City has a legal claim to the resources, the liability for deferred revenue is removed from the financial statements and revenue is recognized.

e. Cash and Investments

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City’s proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments with a maturity of one year or less when purchased and non-negotiable certificates of deposit are stated at amortized cost. Investments with a maturity greater than one year when purchased are reported at fair value. Investments in the pension trust funds are stated at fair value. Fair value is based on quoted market prices at April 30 for debt securities, equity securities and mutual funds, and contract values for insurance contracts.

f. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet. Short-term interfund loans, if any, are classified as “interfund receivables/payables.”

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables, if any, are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

h. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets greater than \$50,000 for infrastructure and \$5,000 for other assets with an estimated useful life in excess of one year.

Such assets are recorded at 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 that do not add to the value or service of 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 is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Public domain infrastructure	20-50
System infrastructure	40-50
Vehicles	3-20
Mobile equipment	10-30
Furniture and fixtures	10
Computer equipment	5

i. Compensated Absences

The City's policy for vacation pay states that vacation time is earned each pay period. Vacation credits carry over into future years up to a maximum of 30 days. Any accumulated time in excess of 30 days is lost. Unused sick time may be used toward time off and/or converted to pre-tax dollars and deposited into the Section 125 Flexible Spending Program. Vested or accumulated sick and vacation leave including related social security and medicare of proprietary funds is recorded as an expense and liability of those funds and in the governmental activities column in the government-wide financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Long-Term Obligations

In the government-wide financial statements, and proprietary funds 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, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

k. Fund Balance/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. Invested in capital assets, net of related debt is the book value of capital assets less any long-term debt outstanding that was issued to construct or acquire the capital assets.

l. Interfund Transactions

Transactions for interfund services provided and used 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 transactions and reimbursements, are reported as transfers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. GASB Pronouncements

The City has elected, under the provisions of GASB Statement 20, titled *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

2. LEGAL COMPLIANCE AND ACCOUNTABILITY

a. Related Party Transactions

The City entered into an agreement with the Village of Northbrook, Illinois in which each entity issued \$16,590,000 in taxable general obligation bonds and transferred the bonds to other entity. The City is currently recording these bonds as an investment in the General Fund and a reservation of fund balance for employee retirement on behalf of the Police and Firefighters' Pension Funds.

b. Deficit Net Assets

The Insurance Fund, an internal service fund, has a \$1,268,179 deficit in net assets. It will be funded through future interfund contributions.

3. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds, except in certain restricted and special funds and pension trust funds. Each funds portion of this pool is displayed on the financial statements as cash and investments.

Permitted Deposits and Investments - Statutes authorize the City to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury, U.S. Agency and U.S. Instrumentality, money market mutual funds regulated by the SEC and whose portfolios consist only of domestic securities, investment-grade obligations of state, provincial and local governments and public authorities, certificates of deposits and other evidences of deposit at financial institutions, bankers' acceptances and commercial paper, rated in the highest tier by a nationally recognized rating agency, local government investment pools, either state-administered or through joint powers statutes and other intergovernmental agreement legislation, and Illinois Funds.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Fund's share price, which is the price for which the investment could be sold.

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

3. DEPOSITS AND INVESTMENTS (Continued)

Illinois Metropolitan Investment Fund (IMET) is a non-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an investment company. Investments in IMET are valued at IMET's share price, which is the price for which the investment could be sold.

It is the policy of the City to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital and protection of investment principal), liquidity and yield.

a. City Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a banks failure, the City's deposits may not be returned to it. The City's investment policy requires pledging of collateral with a fair value of 110% of all bank balances in excess of federal depository insurance.

b. City Investments

The following table presents the investments and maturities of the City's debt securities as of April 30, 2006:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Agency Obligations	\$ 4,364,430	\$ 4,364,430	\$ -	\$ -	\$ -
Illinois Funds	12,193,396	12,193,396	-	-	-
IMET	2,061,289	2,061,289	-	-	-
Mutual Funds	9,138,632	9,138,632	-	-	-
TOTAL	\$ 27,757,747	\$ 27,757,747	\$ -	\$ -	\$ -

In accordance with its investment policy, the City limits its exposure to interest rate risk by structuring the portfolio so that securities mature concurrent with cash needs. The investment policy limits the maximum maturity length of investments to five years from date of purchase, unless specific authority is given to exceed. Investments in reserve funds other funds may be purchased with maturities to match future projects or liability requirements. In addition, the policy requires the City to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

3. DEPOSITS AND INVESTMENTS (Continued)

b. City Investments (Continued)

The City limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government. The US Agency obligations, money market funds and Illinois Funds are rated AAA by Standard and Poor's.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the City will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the City's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the City's agent separate from where the investment was purchased or by the trust department of the bank where purchased, in the City's name. Illinois Funds and the money market mutual fund are not subject to custodial credit risk.

At April 30, 2006, the City had greater than 5% of its overall portfolio invested in US Agency obligations (10%), Illinois Funds (27%) and money market mutual funds (20%). The investment policy does not include any limitations on individual investment types.

c. Police and Firefighters' Pension Funds Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a banks failure, the Police and Firefighters' Pension Funds' deposits may not be returned to them. The Police and Firefighters' Pension Funds' investment policies do not require pledging of collateral for all bank balances in excess of federal depository insurance, since flow-through FDIC insurance is available for the Pension Funds' deposits with financial institutions.

d. Police Pension Fund Investments

The following table presents the investments and maturities of the Police Pension Fund's debt securities as of April 30, 2006:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 4,988,119	\$ 1,569,819	\$ 2,633,204	\$ 785,096	\$ -
U.S. Agency obligations	8,653,913	-	4,839,115	1,418,373	2,396,425
Mutual Funds	12,794,446	12,794,446	-	-	-
TOTAL	\$ 26,436,478	\$ 14,364,265	\$ 7,472,319	\$ 2,203,469	\$ 2,396,425

3. DEPOSITS AND INVESTMENTS (Continued)

d. Police Pension Fund Investments (Continued)

In accordance with its investment policy, the Police Pension Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed within a one year period. The investment policy does not limit the maximum maturity length of investments in the Police Pension Fund.

The Police Pension Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government. The FHLMC and FNMAE securities are rated AAA, the money market funds are rated AAA and the bond mutual funds are rated AAA. Illinois Funds is rated AAA by Standard and Poor's.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Police Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Police Pension Fund's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Police Pension Fund's agent separate from where the investment was purchased in the City's name. Illinois Funds and the money market mutual funds and mutual funds are not subject to custodial credit risk.

At April 30, 2006, the Police Pension had greater than 5% of its overall portfolio invested in US Treasury Obligations (18%), US Agency obligations (32%) and equity securities (47%). The investment policy does not include any limitations on individual investment types other than setting the maximum of total equity investments at 45% of the plan's assets.

e. Firefighters' Pension Fund Investments

The following table presents the investments and maturities of the Firefighters' Pension Fund's debt securities as of April 30, 2006:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury Obligations	\$ 8,697,704	\$ 598,018	\$ 2,703,903	\$ 2,685,055	\$ 2,710,728
U.S. Agency Obligations	5,069,252	800,845	1,655,971	439,556	2,172,880
Mutual Funds	10,765,923	10,765,923	-	-	-
TOTAL	\$ 24,532,879	\$ 12,164,786	\$ 4,359,874	\$ 3,124,611	\$ 4,883,608

3. DEPOSITS AND INVESTMENTS (Continued)

e. Firefighters' Pension Fund Investments (Continued)

In accordance with its investment policy, the Firefighters' Pension Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed within a one year period. The investment policy does not limit the maximum maturity length of investments in the Firefighters' Pension Fund.

The Firefighters' Pension Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government. The U.S. Agency obligations securities are rated AAA and the money market funds are rated AAA. Illinois Funds is rated AAA by Standard and Poor's.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Firefighters' Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Firefighters' Pension Fund's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Firefighters' Pension Fund's agent separate from where the investment was purchased in the Firefighters' Pension Fund's name. Illinois Funds and the money market mutual funds and mutual funds are not subject to custodial credit risk.

At April 30, 2006, the Firefighters' Pension had greater than 5% of its overall portfolio invested in U.S. Treasuries (33%), U.S. Agencies (19%), mutual funds (40%) and insurance contracts (7%). The investment policy does not include any limitations on individual investment types other than setting the maximum of total equity investments at 45% of the plan's assets.

f. Library Investments

Permitted Deposits and Investments - In accordance with the City's investment policy, the Library's monetary assets may be placed in all instruments permitted by the Illinois Public Funds Investment Act. This act permits deposits and investments 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 and the Illinois Funds.

3. DEPOSITS AND INVESTMENTS (Continued)

f. Library Investments (Continued)

Permitted Deposits and Investments - Statutes authorize the Library to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury, U.S. Agency and U.S. Instrumentality, money market mutual funds regulated by the SEC and whose portfolios consist only of domestic securities, investment-grade obligations of state, provincial and local governments and public authorities, certificates of deposits and other evidences of deposit at financial institutions, bankers' acceptances and commercial paper, rated in the highest tier by a nationally recognized rating agency, local government investment pools, either state-administered or through joint powers statutes and other intergovernmental agreement legislation, and Illinois Funds.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Fund's share price, which is the price for which the investment could be sold.

Illinois Metropolitan Investment Fund (IMET) is a non-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an investment company. Investments in IMET are valued at IMET's share price, which is the price for which the investment could be sold.

It is the policy of the Library to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Library and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital and protection of investment principal), liquidity and yield.

Library Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a banks failure, the Library's deposits may not be returned to it. The Library's investment policy requires pledging of collateral with a fair value of 105% of all bank balances in excess of federal depository insurance.

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

3. DEPOSITS AND INVESTMENTS (Continued)

f. Library Investments (Continued)

Library Investments

The following table presents the investments and maturities of the Library's debt securities as of April 30, 2006:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
Money Market Mutual Funds	\$ 56,362	\$ 56,362	\$ -	\$ -	\$ -
TOTAL	\$ 56,362	\$ 56,362	\$ -	\$ -	\$ -

In accordance with its investment policy, the Library limits its exposure to interest rate risk by structuring the portfolio so that securities mature concurrent with cash needs. The investment policy limits the maximum maturity length of investments to five years from date of purchase, unless specific authority is given to exceed. Investments in reserve funds other funds may be purchased with maturities to match future projects or liability requirements. In addition, the policy requires the Library to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

The Library limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government. The US Agency obligations, money market funds and Illinois Funds are rated AAA by Standard and Poor's.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Library will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Library's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Library's agent separate from where the investment was purchased or by the trust department of the bank where purchased, in the Library's name. Illinois Funds and the money market mutual fund are not subject to custodial credit risk.

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. RECEIVABLES - TAXES

Property taxes for 2006 attach as an enforceable lien on January 1, 2006 on property values assessed as of the same date. Taxes are levied in December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on May 1, 2006 and August 1, 2006 and are payable in two installments, on June 1, 2006 and September 1, 2006. The County collects such taxes and remits them periodically. The allowance for uncollectible taxes has been stated at 0.5 percent of the tax levy to reflect actual collection experience. The 2006 taxes are intended to finance the 2007 fiscal year and are not considered available for current operations and are, therefore, shown as deferred revenue. The 2006 tax levy has not been recorded as a receivable at April 30, 2006, as the tax attached as a lien on property as of January 1, 2006, however, the tax will not be levied until December 2006 and, accordingly, is not measurable at April 30, 2006.

5. CAPITAL ASSETS

a. Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 8,484,190	\$ -	\$ -	\$ 8,484,190
Land right of way	260,327	-	-	260,327
Construction in progress	1,961,566	5,767,124	1,069,207	6,659,483
Total capital assets not being depreciated	10,706,083	5,767,124	1,069,207	15,404,000
Capital assets being depreciated				
Buildings and land improvements	58,798,403	-	-	58,798,403
Machinery and equipment	10,995,734	1,332,891	125,603	12,203,022
Infrastructure	106,010,613	2,017,820	-	108,028,433
Total capital assets being depreciated	175,804,750	3,350,711	125,603	179,029,858
Less accumulated depreciation for				
Buildings and land improvements	13,209,423	1,192,802	-	14,402,225
Machinery and equipment	6,854,237	1,117,150	125,603	7,845,784
Infrastructure	48,909,967	2,372,026	-	51,281,993
Total accumulated depreciation	68,973,627	4,681,978	125,603	73,530,002
Total capital assets being depreciated, net	106,831,123	(1,331,267)	-	105,499,856
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$117,537,206	\$ 4,435,857	\$ 1,069,207	\$120,903,856

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. CAPITAL ASSETS (Continued)

a. Primary Government (Continued)

GOVERNMENTAL ACTIVITIES

General government	\$ 100,032
Public safety	370,597
Public works	2,505,105
Economic development	584,455
Commissions	249,073
Total depreciation expense before internal service funds	<u>3,809,262</u>

INTERAL SERVICE FUNDS

General government	269,899
Public safety	181,190
Public works	421,627
Total depreciation expense for internal service funds	<u>872,716</u>

TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 4,681,978</u>
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	Beginning Balance, Restated	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 4,981,323	\$ -	\$ -	\$ 4,981,323
Total capital assets not being depreciated	<u>4,981,323</u>	<u>-</u>	<u>-</u>	<u>4,981,323</u>
Capital assets being depreciated				
Building	24,409,191	1,947,630	-	26,356,821
Infrastructure	22,982,045	1,023,871	-	24,005,916
Machinery and equipment	4,753,323	176,449	72,716	4,857,056
Total capital assets being depreciated	<u>52,144,559</u>	<u>3,147,950</u>	<u>72,716</u>	<u>55,219,793</u>
Less accumulated depreciation for				
Building	9,026,128	695,294	-	9,721,422
Infrastructure	11,155,471	802,006	-	11,957,477
Machinery and equipment	2,991,348	230,294	49,876	3,171,766
Total accumulated depreciation	<u>23,172,947</u>	<u>1,727,594</u>	<u>49,876</u>	<u>24,850,665</u>
Total capital assets being depreciated, net	<u>28,971,612</u>	<u>1,420,356</u>	<u>22,840</u>	<u>30,369,128</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 33,952,935</u>	<u>\$ 1,420,356</u>	<u>\$ 22,840</u>	<u>\$ 35,350,451</u>

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. CAPITAL ASSETS (Continued)

b. Component Unit

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Total capital assets not being depreciated	500,000	-	-	500,000
Capital assets being depreciated				
Land improvements	34,659	34,590	-	69,249
Buildings and improvements	4,200,243	35,490	-	4,235,733
Machinery	418,960	11,610	-	430,570
Total capital assets being depreciated	4,653,862	81,690	-	4,735,552
Less accumulated depreciation for				
Land improvements	26,512	2,598	-	29,110
Buildings and improvements	1,602,496	84,603	-	1,687,099
Machinery	222,015	22,941	-	244,956
Total accumulated depreciation	1,851,023	110,142	-	1,961,165
Total capital assets being depreciated, net	2,802,839	(28,452)	-	2,774,387
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 3,302,839</u>	<u>\$ (28,452)</u>	<u>\$ -</u>	<u>\$ 3,274,387</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

GOVERNMENTAL ACTIVITIES	
Public Library	<u>\$ 110,142</u>

6. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; illnesses of employees; and natural disasters. The City is self-insured for the employees' health and dental claims and is involved in a risk management agency for all other insurance. The City had established a risk financing fund, Insurance (Fund) for various risks. It is accounted for as an internal service fund where assets are set aside for claim settlements. Under this program, the Fund provides coverage up to a maximum of \$100,000 for each health claim.

All funds of the City participate and make payments to the Fund based upon actuarial estimates of the amounts needed to pay prior and current-year claims. Liabilities of the Fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and societal factors. Changes in the balances of claims liabilities during the past two fiscal years are as follows:

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. RISK MANAGEMENT (Continued)

	2006	2005
CLAIMS PAYABLE, MAY 1	\$ 507,819	\$ 388,111
Add claims incurred	6,538,918	3,898,317
Less claims paid	(6,049,134)	(3,778,609)
CLAIMS PAYABLE, APRIL 30	<u>\$ 997,603</u>	<u>\$ 507,819</u>

Intergovernmental Risk Management Agency (IRMA)

The City participates in the Intergovernmental Risk Management Agency (IRMA). IRMA is an organization of municipalities and special districts in northeastern Illinois that have formed an association under the Illinois Intergovernmental Cooperations Statute to pool their risk management needs. The agency administers a mix of self-insurance and commercial insurance coverages; property/casualty and workers' compensation claim administration/litigation management services; unemployment claim administration; extensive risk management/loss control consulting and training programs; and a risk information system and financial reporting service for its members.

The City's payments to IRMA are displayed on the financial statements as expenditures/expenses in appropriate funds. Each member assumes the first \$2,500 of each occurrence, and IRMA has a mix of self-insurance and commercial insurance at various amounts above that level.

Each member appoints one delegate, along with an alternate delegate, to represent the member on the Board of Directors. The City does not exercise any control over the activities of IRMA beyond its representation on the Board of Directors.

Initial contributions are determined each year based on the individual member's eligible revenue as defined in the bylaws of IRMA and experience modification factors based on past member loss experience. Members have a contractual obligation to fund any deficit of IRMA attributable to any membership year during which they were a member. Supplemental contributions may be required to fund these deficits.

The City purchases commercial insurance for claims in excess of the coverages provided by the Fund. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. LONG-TERM DEBT

a. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds therefore are reported in the proprietary funds if they are expected to be repaid from proprietary revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

Debt Service General Obligation Bonds

Issue	Fund Debt Retired by	Balances May 1	Issuances	Retirements	Refundings	Balances April 30	Current
\$3,450,000, 1997 General Obligation Corporate Purpose Bonds, due in annual installments of \$125,000 to \$575,000 through 2011, interest at 4.4% to 4.6%	Debt Service	\$ 1,200,000	\$ -	\$ 200,000	\$ 1,000,000	\$ -	\$ -
\$3,030,000, 1998 General Obligation Corporate Purpose Bonds, due in annual installments of \$50,000 to \$800,000 through December 30, 2008, interest at 4.000% to 4.125%	Debt Service	970,000	-	255,000	-	715,000	255,000
\$6,285,000, 2001 General Obligation Refunding Bonds, due in annual installments of \$540,000 to \$1,765,000 through December 31, 2013, interest at 4.70% to 4.75%	Debt Service	4,900,000	-	445,000	-	4,455,000	475,000
\$8,500,000, 2002 General Obligation Bonds, due in annual installments of \$85,000 to \$1,090,000 through on December 31, 2023, interest at 3.00% to 4.00%	Debt Service	6,805,000	-	630,000	-	6,175,000	685,000
\$9,000,000, 2003 General Obligation Corporate Purpose Bonds, due in annual installments of \$615,000 to \$900,000 through 2016, interest at 1.6% to 3.6%	Debt Service	8,385,000	-	670,000	-	7,715,000	680,000

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

Debt Service General Obligation Bonds (Continued)

Issue	Fund Debt Retired by	Balances May 1	Issuances	Retirements	Refundings	Balances April 30	Current
\$10,175,000, 2004A Taxable General Obligation Pension Funding Bonds, due in annual installments of \$70,000 to \$5,390,000 through 2034, interest at 4.8%	Debt Service	\$10,175,000	\$ -	\$ 181,411	\$ -	\$ 9,993,589	\$ 80,000
\$6,415,000, 2004B Taxable General Obligation Pension Funding Bonds, due in annual installments of \$45,000 to \$3,400,000 through 2034, interest at 4.80%	Debt Service	6,415,000	-	114,373	-	6,300,627	55,000
\$10,000,000, 2005A General Obligation Bonds due in annual installments of \$180,000 to \$1,425,000 through 2018, interest at 3.50% to 3.75%	Debt Service	-	10,000,000	-	-	10,000,000	180,000
\$1,000,000 2005B General Obligation Refunding Bonds due in annual installments of \$36,143 to \$132,523 through 2019, interest at 3.75% to 4.05%	Debt Service	-	1,000,000	-	-	1,000,000	125,294
TOTAL		\$38,850,000	\$11,000,000	\$ 2,495,784	\$ 1,000,000	\$46,354,216	\$ 2,535,294

Water Fund General Obligation Bonds

Issue	Fund Debt Retired by	Balances May 1	Issuances	Retirements	Refundings	Balances April 30	Current
\$1,420,000, 1997 General Obligation Corporate Purpose Bonds, due in annual installments of \$45,000 to \$110,000 through 2018, interest at 4.40% to 4.75%	Water Fund	\$ 1,130,000	\$ -	\$ 55,000	\$ 1,075,000	\$ -	\$ -

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

Water Fund General Obligation Bonds (Continued)

Issue	Fund Debt Retired by	Balances May 1	Issuances	Retirements	Refundings	Balances April 30	Current
\$1,100,000, 1998 General Obligation Corporate Purpose Bonds, due in annual installments of \$25,000 to \$100,000, through December 30, 2021, interest at 4.00% to 4.25%	Water Fund	\$ 930,000	\$ -	\$ 40,000	\$ -	\$ 890,000	\$ 35,000
\$1,000,000, 1999 General Obligation Corporate Purpose Bonds, due in annual installments of \$55,000 to \$105,000 through 2013, interest at 4.80% to 5.00%	Water Fund	910,000	-	25,000	-	885,000	20,000
\$1,600,000, 2000 General Obligation Corporate Purpose Bonds, due in annual installments of \$35,000 to \$125,000 through 2020, interest at 4.875% to 5.375%	Water Fund	1,395,000	-	60,000	-	1,335,000	65,000
\$3,715,000, 2001 General Obligation Refunding Bonds, due in annual installments of \$540,000 to \$1,765,000 through December 30, 2013, interest at 4.70% to 4.75%	Water Fund	1,465,000	-	850,000	-	615,000	195,000
\$1,500,000, 2002 General Obligation Bonds, due in annual installments of \$85,000 to \$1,090,000 through December 31, 2023, interest at 3.00% to 4.00%	Water Fund	1,460,000	-	40,000	-	1,420,000	60,000
\$1,075,000, 2005B General Obligation Refunding Bonds due in annual installments of \$38,858 to \$142,478 through 2019, interest at 3.75% to 4.05%	Water Fund	-	1,075,000	-	-	1,075,000	134,706
TOTAL		\$ 7,290,000	\$ 1,075,000	\$ 1,070,000	\$ 1,075,000	\$6,220,000	\$ 509,706

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

Country Club Fund General Obligation Bonds

Issue	Fund Debt Retired by	Balances May 1	Issuances	Retirements	Balances April 30	Current
\$170,000, 1998 General Obligation Corporate Purpose Bonds, due in annual installments of \$5,000 to \$25,000 through December 30, 2013, interest at 4.10% to 4.125%	Country Club Fund	\$ 150,000	\$ -	\$ 5,000	\$ 145,000	\$ 10,000
\$1,000,000, 1999 General Obligation Corporate Purpose Bonds, due in annual installments of \$20,000 to \$195,000, through 2013, interest at 4.80% to 5.00%	Country Club Fund	765,000	-	65,000	700,000	70,000
\$900,000, 2000 General Obligation Corporate Purpose Bonds, due in annual installments of \$15,000 to \$95,000 through 2011, interest at 4.875% to 5.375%	Country Club Fund	780,000	-	70,000	710,000	75,000
TOTAL		\$ 1,695,000	\$ -	\$ 140,000	\$ 1,555,000	\$ 155,000

b. Debt Service Requirements to Maturity

Fiscal Year Ending	Governmental Activities			Business-Type Activities			Total Principal and Interest
	Principal	Interest	Total	Principal	Interest	Total	
2007	\$ 2,535,294	\$ 1,871,626	\$ 4,406,920	\$ 664,706	\$ 345,019	\$ 1,009,725	\$ 5,416,645
2008	2,690,113	1,770,524	4,460,637	694,887	315,506	1,010,393	5,471,030
2009	2,790,113	1,679,570	4,469,683	714,887	286,321	1,001,208	5,470,891
2010	2,887,523	1,580,865	4,468,388	637,478	256,083	893,561	5,361,949
2011	2,997,523	1,479,836	4,477,359	662,478	227,587	890,065	5,367,424
2012	3,206,143	1,373,532	4,579,675	598,858	197,408	796,266	5,375,941
2013	3,323,552	1,257,210	4,580,762	631,448	169,233	800,681	5,381,443
2014	3,240,962	1,134,124	4,375,086	664,039	139,451	803,490	5,178,576
2015	2,903,371	1,012,116	3,915,487	266,629	108,009	374,638	4,290,125
2016	3,025,781	904,224	3,930,005	279,220	96,096	375,316	4,305,321
2017	1,685,781	790,118	2,475,899	309,220	83,590	392,810	2,868,709
2018	853,190	725,164	1,578,354	321,810	69,760	391,570	1,969,924
2019	290,600	690,607	981,207	359,401	55,227	414,628	1,395,835
2020	250,000	677,040	927,040	315,000	39,300	354,300	1,281,340
2021	265,000	665,040	930,040	330,000	25,119	355,119	1,285,159
2022	275,000	652,320	927,320	210,000	11,000	221,000	1,148,320
2023	290,000	639,120	929,120	115,000	3,450	118,450	1,047,570
2024	300,000	625,200	925,200	-	-	-	925,200

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. LONG-TERM DEBT (Continued)

b. Debt Service Requirements to Maturity (Continued)

Fiscal Year Ending	Governmental Activities			Business-Type Activities			Total Principal and Interest
	Principal	Interest	Total	Principal	Interest	Total	
2025	\$ 315,000	\$ 610,800	\$ 925,800	\$ -	\$ -	\$ -	\$ 925,800
2026	335,000	595,680	930,680	-	-	-	930,680
2027	345,000	579,600	924,600	-	-	-	924,600
2028	360,000	563,040	923,040	-	-	-	923,040
2029	380,000	545,760	925,760	-	-	-	925,760
2030	400,000	527,520	927,520	-	-	-	927,520
2031	415,000	508,320	923,320	-	-	-	923,320
2032	440,000	488,400	928,400	-	-	-	928,400
2033	460,000	467,280	927,280	-	-	-	927,280
2034	485,000	445,200	930,200	-	-	-	930,200
2035	8,609,216	421,920	9,031,136	-	-	-	9,031,136
TOTAL	\$46,354,162	\$25,281,756	\$71,635,918	\$ 7,775,061	\$2,428,159	\$10,203,220	\$81,839,138

c. Changes in Long-Term Liabilities

During the fiscal year the following changes occurred in liabilities reported in the governmental activities:

	Balances May 1	Additions	Reductions	Balances April 30	Current
<u>Primary Government</u>					
GOVERNMENTAL ACTIVITIES					
Compensated absences*	\$ 2,517,684	\$ 2,243,874	\$ 2,517,684	\$ 2,243,874	\$ 40,769
Capital lease obligations	369,779	-	131,665	238,114	131,655
Note payable	1,160,000	-	-	1,160,000	1,160,000
General obligation bonds	38,850,000	11,000,000	3,495,784	46,354,216	2,535,294
TOTAL GOVERNMENTAL ACTIVITIES	\$ 42,897,463	\$ 12,243,874	\$ 5,145,133	\$ 49,996,204	\$ 3,867,718
BUSINESS-TYPE ACTIVITIES					
General obligation bonds	\$ 8,985,000	\$ 1,075,000	\$ 2,285,000	\$ 7,775,000	\$ 664,706
Unamortized bond discount	(58,427)	10,205	-	(48,222)	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 8,926,573	\$ 1,085,205	\$ 2,285,000	\$ 7,726,778	\$ 664,706
<u>Component Unit</u>					
Compensated absences	\$ 85,744	\$ 92,749	\$ 85,744	\$ 92,749	\$ 13,912

* retired primarily by the General Fund

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. LONG-TERM DEBT (Continued)

d. Capital Leases

The City entered into 21 capital leases for vehicles.

	Fund Debt Retired By	Balances May 1	Additions	Reductions	Balances April 30	Current Portion
Lease obligations due in monthly installments of \$522 (per vehicle) for a period of 36 months commencing on February 23, 2005 and ending on February 23, 2008.	Equipment Replacement	\$ 369,779	\$ -	\$ 131,665	\$ 238,114	\$ 131,655

e. Note Payable

The City entered into an agreement with the Lake County Health Department (the Health Department) for a parcel of land known as the Hyacinth Parcel. Through an intergovernmental agreement, the City has purchased the land from the Health Department and is holding the land with the intent to sell the parcel in fiscal year 2006. Upon the sale of the parcel, the City has an obligation to pay the Health Department \$1,160,000. As of April 30, 2006, the land had not yet been sold, however the City does expect to sell the land in fiscal year 2007. This is recognized as a liability on the General Fund of the City.

f. Legal Debt Margin

The City is a home rule municipality.

Article VII, Section 6(k) of the 1970 Illinois Constitution governs computation of the legal debt margin.

“The General Assembly may limit by law the amount and require referendum approval of debt to be incurred by home rule municipalities, payable from ad valorem property tax receipts, only in excess of the following percentages of the assessed value of its taxable property ...(2) if its population is more than 25,000 and less than 500,000 an aggregate of one percent: ...indebtedness which is outstanding on the effective date (July 1, 1971) of this constitution or which is thereafter approved by referendum... shall not be included in the foregoing percentage amounts.”

To date the General Assembly has set no limits for home rule municipalities.

7. LONG-TERM DEBT (Continued)

g. Port Clinton Tax Increment Financing Project

On May 11, 1981, the City adopted a Downtown Redevelopment Plan and Project (Redevelopment Plan) and adopted tax increment financing pursuant to the Real Property Tax Increment Allocation Redevelopment Act of the State of Illinois (Act) as a means of inducing developer participation in the Redevelopment Plan.

Since inception of the project, the City has received approximately \$20,420,000 of incremental property taxes. These revenues have been recorded in the Tax Increment Financing G.O. Bonds 1981 Capital Projects Fund. In addition to the above, \$2,347,345 has been transferred to this 1981 Fund from the General Corporate Fund. Prior to fiscal 1988, the City had recorded the \$2,347,345 as operating transfers from the General Corporate Fund. During fiscal 1988, the City reversed the operating transfers and established an interfund liability in accordance with its intent to reimburse the General Corporate Fund for these advances.

In December 1999, the City adopted an ordinance approving the second amendment to the Redevelopment Plan. This amendment reduced the boundary of the Redevelopment Plan, thereby releasing \$36,000,000 in equalized assessed valuations to the other taxing districts. In January 2000, the City adopted an ordinance approving the third amendment to the redevelopment plan. This amendment extended the life of the Redevelopment Plan to the year 2005 and added additional property. The Redevelopment Plan expired on December 31, 2004. The fiscal year 2006 is the final year for activity of this project.

h. Noncommitment Debt

Special Assessment Bonds Payable

During the fiscal year ended April 30, 2006, the City had retired the remaining special assessment bonds representing the nonpublic benefit portion of the originally issued special assessment debt, which were to be repaid solely by collections from property owners. Accordingly, the City was not obligated in any manner for the portion of special assessments to be collected from property owners; as such, this portion was not recorded in the amounts of the City. The City's duties were limited to acting as an agent for the property owners in collecting the assessments and forwarding the collections to the bondholders. Repayment activity related to the nonpublic benefit portion of the special assessment debt was recorded in an agency fund.

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. LONG-TERM DEBT (Continued)

i. Advance Refunding

On December 28, 2005, the City issued \$2,075,000 General Obligation Bonds, Series 2005B to advance refund the General Obligation Corporate Purpose Bonds, Series 1997. The proceeds from the Series 2005B issue have been deposited into an irrevocable trust to provide for all future debt service payments on \$2,075,000 of the General Obligation Corporate Purpose Bond Series 1997. As a result, the refunded portion of the bonds is considered defeased and the escrowed assets and liability for the bonds have been removed from these financial statements.

The City advance refunded the General Obligation Corporate Purpose Bond Series 1997 bonds to reduce its total debt service by approximately \$77,171 and to provide for an economic gain of approximately \$67,572.

8. INTERFUND ACCOUNTS

Due From/To Other Funds

Fund	Due From	Due To
MAJOR GOVERNMENTAL		
General		
2002 General Obligation Bonds	\$ -	\$ 1,200,000
Emergency 911 System	8,752	-
Street Improvements	-	3,250,000
Equipment and replacement	-	306
Insurance	-	182,638
Total General	8,752	4,632,944
Street and Bridge		
Motor Fuel Tax	885,000	-
Insurance	-	25,000
Total Street and Bridge	885,000	25,000
Debt Service		
2002 General Obligation Bonds	12,920	-
Total Debt Service	12,920	-
Street Improvements		
General	3,250,000	-
2002 General Obligation Bonds		
General	1,200,000	-
Debt Service	-	12,920
Motor Vehicle Parking System	1,200,000	-
Water	2,750,000	-
Total 2002 General Obligation Bonds	5,150,000	12,920

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. INTERFUND ACCOUNTS (Continued)

Due From/To Other Funds (Continued)

Fund	Due From	Due To
NONMAJOR GOVERNMENTAL		
Emergency 911 System		
Motor Fuel Tax	\$ 450,000	\$ -
General	-	8,752
Highland Park Country Club	300,000	-
Total Emergency 911 System	<u>750,000</u>	<u>8,752</u>
Motor Fuel Tax		
Emergency 911 System	-	450,000
Street and Bridge	-	885,000
Total Motor Fuel Tax	<u>-</u>	<u>1,335,000</u>
Working Capital Public Facility and Improvement		
Highland Park Country Club	<u>350,000</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES		
Motor Vehicle Parking System		
2002 General Obligation Bonds	<u>-</u>	<u>1,200,000</u>
Water		
2002 General Obligation Bonds	-	2,750,000
Insurance	-	20,462
Total Water	<u>-</u>	<u>2,770,462</u>
Highland Park Country Club		
Emergency 911 System	-	300,000
Working Capital Public Facility and Improvement	-	350,000
Total Highland Park Country Club	<u>-</u>	<u>650,000</u>
INTERNAL SERVICE		
Insurance		
General	182,638	-
Street and Bridge	25,000	-
Water	20,462	-
Equipment Replacement	-	1,150,000
Total Insurance	<u>228,100</u>	<u>1,150,000</u>
Equipment Replacement		
General	306	-
Insurance	1,150,000	-
Total Equipment Replacement	<u>1,150,306</u>	<u>-</u>
TOTAL	<u>\$ 11,785,078</u>	<u>\$ 11,785,078</u>

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. INTERFUND ACCOUNTS (Continued)

Due From/To Fiduciary Funds

Fund	Due From	Due To
MAJOR GOVERNMENTAL		
General		
Fire Pension	\$ 21,875	\$ -
Debt Service		
Special Assessment	15,000	-
Street and Bridge		
Housing Trust	-	700,000
BUSINESS-TYPE ACTIVITIES		
Water		
Guaranteed Deposits	-	3,125,000
Housing Trust	-	1,000,000
Total Water	-	4,125,000
FIDUCIARY		
Fire Pension		
General	-	21,875
Guaranteed Deposits		
Water	3,125,000	-
Housing Trust		
Street and Bridge	700,000	-
Water	1,000,000	-
Total Housing Trust	1,700,000	-
Special Assessment		
Debt Service	-	15,000
TOTAL	\$ 4,861,875	\$ 4,861,875

The purpose of the significant due from/to other funds is as follows:

- \$885,000 owed to the Street and Bridge Fund by the Motor Fuel Tax Fund is for the annual transfer of motor fuel tax revenues to fund street maintenance. Repayment is expected within one year.
- \$3,250,000 owed to the Street Improvement Fund by the General Fund is for interfund operations. Repayment is expected within one year.

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. INTERFUND ACCOUNTS (Continued)

Due From/To Fiduciary Funds (Continued)

- \$1,200,000 owed to the 2002 General Obligation Bonds Fund by the General Fund is for interfund operations. Repayment is expected within one year.
- \$1,200,000 owed to the 2002 General Obligation Bonds Fund by the Motor Vehicle Parking Fund is for interfund operations. Repayment is expected within one year.
- \$2,750,000 owed to the 2002 General Obligation Bonds Fund by the Water Fund is for interfund operations. Repayment is expected within one year.
- \$450,000 and \$300,000 owed to the Emergency 911 System Fund by the Motor Fuel Tax Fund and the Highland Park Country Club, respectively, for interfund operations.
- \$350,000 owed to the Working Capital Facility and Improvement Fund by the Highland Park Country Club Fund is for interfund operations. Repayment is expected within one year.
- \$182,638 owed to the Insurance Fund by the General Fund for is interfund operations. Repayment is expected within one year.
- \$1,150,000 owed to the Equipment Replacement Fund by the Insurance Fund is for interfund operations. Repayment is expected within one year.

Transfers

	Transfers In	Transfers Out
MAJOR GOVERNMENTAL		
General		
Water	\$ 802,000	\$ -
Motor Vehicle Parking System	85,300	-
Street Improvements	-	2,120,000
Total General	887,300	2,120,000
Street and Bridge		
Motor Fuel Tax	885,000	-
Debt Service		
Highland Park Country Club	100,000	-
Street Improvements		
General	2,120,000	-

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. INTERFUND ACCOUNTS (Continued)

Transfers (Continued)

	Transfers In	Transfers Out
NONMAJOR GOVERNMENTAL		
Motor Fuel Tax		
Street and Bridge	\$ -	\$ 885,000
BUSINESS-TYPE ACTIVITIES		
Motor Vehicle Parking System		
General	-	85,300
Water Fund		
General	-	802,000
Highland Park Country Club		
Debt Service	-	100,000
TOTAL	\$ 3,992,300	\$ 3,992,300

The purpose of the significant transfers is as follows:

- \$802,000 transferred to the General Fund by the Water Fund to fund operations.
- \$885,000 transferred to the Motor Fuel Tax Fund by the Street and Bridge Fund to fund operations.
- \$100,000 transferred to the Debt Service Fund by the Highland Park Country Club Fund for payment of principal and interest related to the Country Club.
- \$2,120,000 transferred to the Streets Improvements Fund by the General Fund to fund operations.

9. CONTINGENT LIABILITIES

a. Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

9. CONTINGENT LIABILITIES (Continued)

b. Grants

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

c. Economic Incentive Agreements

The City has entered into seven economic incentive agreements involving rebates of sales tax attributable to the properties, including two during the year ended April 30, 2006. One agreement reached its maximum payout during 2006 and is therefore expired. One agreement is due to expire in 2008 and is expected to reach its maximum total rebate of \$2,943,318. Another agreement is due to expire in 2017 with out reaching its maximum rebate of \$5,300,000. The four most recent agreements require the City to refund 50% of the sales tax generated above a base amount, with the maximum amount to be refunded set at \$500,000 and the agreements expiring no later than 2019.

10. DEFINED BENEFIT PENSION PLANS

The City contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent-multiple-employer public employee retirement system; the Police Pension Plan which is a single-employer pension plan; and, the Firefighters' Pension Plan which is also a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for all three plans are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly.

The Police and Firefighters' pension plans issue separate reports on the pension plans. IMRF issues a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

10. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions

Illinois Municipal Retirement Fund

All employees (other than those covered by the Police or Firefighters' plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members who retire at or after age 60 with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2.00% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.50% of their annual salary to IMRF. The City is required to contribute the remaining amounts necessary to fund the IMRF as specified by statute. The employer contribution for the year ended December 31, 2005 was 8.36% of covered payroll.

Police Pension Plan

Police sworn personnel are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. At April 30, 2005, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	50
Terminated employees entitled to benefits but not yet receiving them	-
Current employees	
Vested	34
Nonvested	24
	<hr/>
TOTAL	108
	<hr/>

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.50% 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.

10. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Effective July 1, 1993, the City has until the year 2033 to fully fund the past service cost for the Police Pension Plan. For the year ended April 30, 2005, the City's contribution was 22.971% of covered payroll.

Firefighters' Pension Plan

Fire sworn personnel are covered by the Firefighters' Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. At April 30, 2005, the Firefighters' Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	41
Terminated employees entitled to benefits but not yet receiving them	-
Current employees	
Vested	38
Nonvested	15
	<hr/>
TOTAL	94
	<hr/>

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years of service through 30 years of service, to a maximum of 75.00% of such salary. Employees with at least ten years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension of a covered employee 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 paid upon reaching the age of at least 55 by 3.00% of the original pension and 3.00% compounded annually thereafter.

10. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Covered employees are required to contribute 9.455% of their base salary to the Firefighters' 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 City is required to finance the plan as actuarially determined by an enrolled actuary. Effective July 1, 1993, the City has until the year 2033 to fully fund the past services costs for the Firefighters' Pension Plan. For the year ended April 30, 2005, the City's contribution was 23.579% of covered payroll.

b. Significant Investments

There are no significant investments (other than U.S. Government guaranteed obligations) in any one organization that represent 5.00% or more of plan net assets for either the Police or the Firefighters' Pension Plans. Information for the IMRF is not available.

c. Annual Pension Costs

Employer contributions have been determined as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial valuation date	December 31, 2003	April 30, 2005	April 30, 2005
Actuarial cost method	Entry-age Normal	Entry-age Normal	Entry-age Normal
Asset valuation method	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll
Amortization period	27 Years, Closed	28 Years, Closed	28 Years, Closed

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. DEFINED BENEFIT PENSION PLANS (Continued)

c. Annual Pension Costs (Continued)

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Significant actuarial assumptions			
a) Rate of return on present and future assets	7.50% Compounded Annually	7.50% Compounded Annually	7.5% Compounded Annually
b) Projected salary increase - attributable to inflation	4.00% Compounded Annually	5.50% Compounded Annually	5.50% Compounded Annually
c) Additional projected salary increases - seniority/merit	.40 to 11.60%	Not Available	Not Available

Employer annual pension costs (APC), actual contributions and the net pension obligation (asset) (NPO) are as follows. The NPO (asset) is the cumulative difference between the APC and the contributions actually made.

	Calendar Year	Illinois Municipal Retirement	Fiscal Year	Police Pension	Firefighters' Pension
Annual pension cost (APC)	2003	\$ 689,166	2004	\$ 327,740	\$ 641,569
	2004	804,791	2005	745,301	801,055
	2005	1,027,032	2006	862,940	798,070
Actual contribution	2003	\$ 689,166	2004	\$ 408,430	\$ 953,777
	2004	804,791	2005	817,169	870,905
	2005	1,027,032	2006	905,379	872,952
Percentage of APC contributed	2003	100.00%	2004	124.62%	148.66%
	2004	100.00	2005	109.64	108.72
	2005	100.00	2006	104.92	109.38
NPO (asset)	2003	\$ -	2004	\$ N/A	\$ N/A
	2004	-	2005	(1,429,542)	(1,511,776)
	2005	-	2006	(1,471,981)	(1,586,658)

CITY OF HIGHLAND PARK, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. DEFINED BENEFIT PENSION PLANS (Continued)

c. Annual Pension Costs (Continued)

The net pension obligation (asset) at April 30, 2005, has been calculated as follows:

	Police Pension	Firefighters' Pension
Annual required contributions	\$ 914,463	\$ 852,558
Interest on net pension obligation	(114,363)	(120,942)
Adjustment to annual required contribution	62,840	66,454
Annual pension cost	862,940	798,070
Contributions made	905,379	872,952
Increase (decrease) in net pension obligation (asset)	(42,439)	(74,882)
Net pension obligation (asset) beginning of year	(1,429,542)	(1,511,776)
NET PENSION OBLIGATION (ASSET) END OF YEAR	<u>\$ (1,471,981)</u>	<u>\$ (1,586,658)</u>

11. HIGHLAND PARK COUNTRY CLUB FUND

The Highland Park Country Club Fund was created in fiscal 1993 pursuant to City ordinance and classified as an enterprise fund. The Highland Park Country Club Fund is utilized for the purpose of recording the activity of the Highland Park Country Club (the Club) which was purchased by the City on May 6, 1993.

The City financed its purchase of the Club through the issuance of \$8,200,000 of general obligation bonds. As the debt service on the bonds is currently being met through a property tax levy, the liability for the bonds is not recorded in the Club. It is being retired by the Debt Service Fund.

As of January 1, 2005, the Club is managed by Kemper Golf Corporation.

12. MAJOR CUSTOMERS

The Village of Deerfield and the Village of Lincolnshire purchase water from the City's available supply. During fiscal 2006, these purchases amounted to \$1,561,323, or 20.7%, and \$1,079,736 or 14.3%, respectively, of total operating revenues in the Water Fund.

13. PRIOR PERIOD ADJUSTMENT

The City restated beginning governmental net assets and fund balances by \$234,209 to record the Foreign Fire Insurance Tax Fund as a fund of the City.

The City restated beginning net assets in the Highland Park Country Club fund by \$260,867 to correct payables overstated when the country club transitioned from one management company to another in prior year.

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended April 30, 2006

	Original Budget	Final Budget	Actual
REVENUES			
Property taxes	\$ 3,036,000	\$ 3,036,000	\$ 3,047,254
Illinois state replacement taxes	204,000	204,000	311,520
Licenses	227,400	227,400	232,586
Permits	2,042,000	2,042,000	1,710,738
Charges for current services	968,400	968,400	1,289,867
Municipal sales tax	12,645,310	12,645,310	12,790,251
Fines and forfeitures	300,000	300,000	377,051
Utility tax	2,500,000	2,500,000	3,114,634
Cable television franchise tax	370,000	370,000	407,637
Real estate transfer tax	2,300,000	2,300,000	2,919,960
Intergovernmental	-	-	116,112
Illinois state income tax	2,227,000	2,227,000	2,312,384
PACE R.T.A. fare reimbursement	950,000	950,000	1,069,354
Franchise tax	1,650,000	1,650,000	1,807,586
Other taxes	805,000	805,000	938,110
Reimbursements	150,000	150,000	365,242
Investment income	295,000	295,000	656,049
Miscellaneous			
Other	178,500	178,500	185,939
Total revenues	30,848,610	30,848,610	33,652,274
EXPENDITURES			
Current			
General government	6,477,407	7,742,407	7,591,557
Public safety	16,354,937	16,708,712	16,720,541
Public works	1,843,105	1,843,105	1,737,663
Economic and physical development	3,838,838	3,938,838	3,862,701
Transit	1,215,159	1,215,159	1,185,939
Commissions	396,106	396,106	263,188
Total expenditures	30,125,552	31,844,327	31,361,589
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	723,058	(995,717)	2,290,685

(This schedule is continued on the following page.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended April 30, 2006

	Original Budget	Final Budget	Actual
<hr/>			
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	\$ -	\$ -	\$ 8,200
Transfers in	887,300	887,300	887,300
Transfers (out)	(2,120,000)	(2,120,000)	(2,703,954)
	<hr/>		
Total other financing sources (uses)	(1,232,700)	(1,232,700)	(1,808,454)
	<hr/>		
NET CHANGE IN FUND BALANCE	\$ (509,642)	\$ (2,228,417)	482,231
	<hr/>		
FUND BALANCE, MAY 1			27,982,156
	<hr/>		
FUND BALANCE, APRIL 30			<u>\$ 28,464,387</u>

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STREET AND BRIDGE FUND

For the Year Ended April 30, 2006

	Original Budget	Final Budget	Actual
REVENUES			
Property taxes	\$ 2,410,000	\$ 2,410,000	\$ 2,407,204
Vehicle licenses	825,000	825,000	833,629
Charges for current services	1,248,000	1,248,000	1,132,413
Fines and forfeitures	5,000	5,000	10,840
Other taxes	-	-	164,987
Miscellaneous	21,900	21,900	59,920
Total revenues	4,509,900	4,509,900	4,608,993
EXPENDITURES			
Public works			
Personal services	2,749,930	2,749,930	2,650,109
Contractual services	946,897	946,897	985,607
Material and supplies	893,981	893,981	807,506
Capital outlay	170,200	170,200	109,755
Total expenditures	4,761,008	4,761,008	4,552,977
NET CHANGE IN FUND BALANCE	\$ (251,108)	\$ (251,108)	56,016
FUND BALANCE, MAY 1			329,274
FUND BALANCE, APRIL 30			\$ 385,290

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2006

Actuarial Valuation Date December 31	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded (Overfunded) AAL (UAAL) (2) - (1)	(5) Covered Payroll	(6) Unfunded (Overfunded) AAL (UAAL) As a Percentage of Covered Payroll (4) / (5)
2000	\$ 25,572,806	\$ 23,385,998	109.35%	\$ (2,186,808)	\$ 8,957,641	(24.41%)
2001	25,896,348	23,292,988	111.18%	(2,603,360)	9,957,567	(26.14%)
2002	27,941,596	26,008,090	107.43%	(1,933,506)	10,763,436	(17.96%)
2003	29,197,470	28,432,100	102.69%	(765,370)	11,760,505	(6.51%)
2004	30,459,245	29,942,741	101.72%	(516,504)	13,783,171	(3.75%)
2005	32,460,780	32,366,545	100.29%	(94,235)	12,285,076	(0.77%)

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
POLICE PENSION FUND

April 30, 2006

Actuarial Valuation Date April 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded (Overfunded) AAL (UAAL) (2) - (1)	(5) Covered Payroll	(6) Unfunded (Overfunded) AAL (UAAL) As a Percentage of Covered Payroll (4) / (5)
2000	\$ 25,984,060	\$ 26,147,176	99.38%	\$ 163,116	\$ 4,340,489	3.76%
2001	25,967,286	26,693,713	97.28%	726,427	3,456,949	21.01%
2002	24,787,364	31,486,500	78.72%	6,699,136	3,595,205	186.34%
2003	23,253,511	32,806,570	70.88%	9,553,059	3,623,625	263.63%
2004	25,348,683	34,743,385	72.96%	9,394,702	3,851,458	243.93%
2005	25,963,903	39,169,778	66.29%	13,205,875	3,941,448	335.05%

The actuarial value of assets shown above does not include \$8,237,500 of general obligation bonds currently held by the General Fund and pledged to the Pension Fund.

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
FIREFIGHTERS' PENSION FUND

April 30, 2006

Actuarial Valuation Date April 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded (Overfunded) AAL (UAAL) (2) - (1)	(5) Covered Payroll	(6) Unfunded (Overfunded) AAL (UAAL) As a Percentage of Covered Payroll (4) / (5)
2000	\$ 21,415,496	\$ 24,577,502	87.13%	\$ 3,162,006	\$ 3,245,585	97.42%
2001	21,763,375	25,949,396	83.87%	4,186,021	3,227,978	129.68%
2002	21,805,487	28,942,586	75.34%	7,137,099	3,430,569	208.04%
2003	22,742,428	29,463,243	77.19%	6,720,815	3,491,412	192.50%
2004	23,426,216	30,620,533	76.50%	7,194,317	3,487,039	206.32%
2005	24,713,720	35,801,064	69.03%	11,087,344	3,702,202	299.48%

The actuarial value of assets shown above does not include \$8,237,500 of general obligation bonds currently held by the General Fund and pledged to the Pension Fund.

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2006

<u>Actuarial Valuation Date December 31</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2000	\$ 567,019	\$ 567,019	100.00%
2001	1,021,646	1,021,646	100.00%
2002	600,600	600,600	100.00%
2003	689,166	689,166	100.00%
2004	804,791	804,791	100.00%
2005	1,027,032	1,027,032	100.00%

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND

April 30, 2006

Actuarial Valuation Date April 30	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2001	\$ 678,818	\$ 438,972	154.64%
2002	337,684	328,633	102.75%
2003	408,430	376,377	108.52%
2004	817,102	795,690	102.69%
2005	932,753	914,463	102.00%
2006	873,533	N/A	N/A

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' PENSION FUND

April 30, 2006

Actuarial Valuation Date April 30	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2001	\$ 721,224	\$ 533,974	135.07%
2002	771,936	588,923	131.08%
2003	953,777	684,233	139.39%
2004	870,890	854,462	101.92%
2005	898,615	852,558	105.40%
2006	854,298	N/A	N/A

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2006

BUDGETS

Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted (at the fund level) for the general corporate, special revenue (except the Foreign Fire Insurance Tax Fund), debt service (on a total generic fund basis), capital projects, enterprise, and internal service funds. All annual appropriations lapse at fiscal year end.

All departments of the City submit requests for appropriation to the City's Director of Finance so that a budget may be prepared. The budget is prepared by fund and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

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

The manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the governing body.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year several budget amendments were necessary.

The following fund had an excess of actual expenditures/expenses (exclusive of depreciation and amortization) over budget for the fiscal year.

Fund	Excess
2002 General Obligation Bonds	\$ 354,116

MAJOR GOVERNMENTAL FUNDS

General - to account for most of the current day-to-day operations of the City which are financed from property taxes and other general revenues. Activities financed by the General Corporate Fund include those of line and staff departments within the City except for activities of the Enterprise Funds.

Debt Service - to account for the payment of interest and principal on general and special obligation debt other than that payable from special assessments and debt issued for and serviced by a governmental enterprise.

Street Improvements - to account for costs incurred to alleviate storm drainage problems, finance street improvements, and provide other infrastructure improvements.

2002 General Obligation Bonds - to account for \$8.5 million in bond proceeds and other intergovernmental revenue to finance land acquisition, a downtown parking structure, phase 1 of a new recreation center, and phase 1 of a new police headquarters.

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended April 30, 2006

	Original Budget	Final Budget	Actual
GENERAL GOVERNMENT			
City Council			
Personal services	\$ 271,470	\$ 271,470	\$ 303,157
Contractual services	32,666	32,666	31,662
Materials and supplies	25,295	25,295	51,202
Total City Council	329,431	329,431	386,021
Administration			
Personal services	559,811	559,811	580,324
Contractual services	29,767	29,767	29,240
Materials and supplies	41,600	41,600	41,986
Total administration	631,178	631,178	651,550
Human resources			
Personal services	188,465	188,465	183,516
Contractual services	58,140	58,140	75,536
Materials and supplies	85,275	85,275	96,711
Capital outlay	-	-	808
Total human resources	331,880	331,880	356,571
Communications			
Personal services	254,254	254,254	194,047
Contractual services	57,616	57,616	56,258
Materials and supplies	155,220	155,220	106,261
Capital outlay	-	30,000	29,744
Total communications	467,090	497,090	386,310
City Clerk			
Personal services	153,229	153,229	157,525
Contractual services	18,047	18,047	11,147
Materials and supplies	2,650	2,650	2,370
Total City Clerk	173,926	173,926	171,042
Youth and Senior Services			
Youth			
Operations			
Personal services	288,490	288,490	277,437
Contractual services	38,193	38,193	38,110
Materials and supplies	29,320	29,320	27,744
Total youth operations	356,003	356,003	343,291

(This schedule is continued on the following pages.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended April 30, 2006

	Original Budget	Final Budget	Actual
GENERAL GOVERNMENT (Continued)			
Youth and Senior Services (Continued)			
Senior			
Operations			
Personal services	\$ 387,605	\$ 387,605	\$ 390,103
Contractual services	39,728	39,728	39,298
Materials and supplies	144,246	144,246	136,446
Capital outlay	5,000	5,000	4,640
Total senior operations	576,579	576,579	570,487
Facilities			
Personal services	45,455	45,455	63,059
Contractual services	17,890	17,890	19,052
Materials and supplies	2,400	2,400	2,096
Capital outlay	14,650	14,650	8,356
Total facilities	80,395	80,395	92,563
Total youth and senior services	1,012,977	1,012,977	1,006,341
Legal department			
Personal services	-	-	2,054
Contractual services	878,297	1,538,297	1,721,648
Materials and supplies	2,025	2,025	1,108
Total legal department	880,322	1,540,322	1,724,810
Finance administration and accounting			
Personal services	756,471	931,471	851,500
Contractual services	1,463,539	1,663,539	1,471,783
Materials and supplies	89,650	89,650	74,211
Total finance administration and accounting	2,309,660	2,684,660	2,397,494
Facilities			
Personal services	92,305	92,305	107,829
Contractual services	100,000	100,000	75,338
Materials and supplies	37,088	37,088	50,999
Capital outlay	41,500	241,500	205,819
Total facilities	270,893	470,893	439,985

(This schedule is continued on the following pages.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended April 30, 2006

	Original Budget	Final Budget	Actual
<hr/>			
GENERAL GOVERNMENT (Continued)			
Other charges			
Contractual services	\$ 50	\$ 50	\$ 8,025
Capital outlay	70,000	70,000	63,408
	<hr/>		
Total other charges	70,050	70,050	71,433
	<hr/>		
TOTAL GENERAL GOVERNMENT	\$ 6,477,407	\$ 7,742,407	\$ 7,591,557
	<hr/>		
PUBLIC SAFETY			
Police department			
Operations			
Personal services	\$ 9,118,577	\$ 9,122,516	\$ 9,327,930
Contractual services	677,674	713,735	650,408
Materials and supplies	362,809	402,809	339,535
Capital outlay	44,115	44,115	28,167
	<hr/>		
Total operations	10,203,175	10,283,175	10,346,040
	<hr/>		
Facilities			
Personal services	28,780	28,780	28,336
Contractual services	74,930	74,930	67,849
Materials and supplies	21,500	21,500	18,205
Capital outlay	7,000	7,000	3,102
	<hr/>		
Total facilities	132,210	132,210	117,492
	<hr/>		
Total police department	10,335,385	10,415,385	10,463,532
	<hr/>		
Fire department			
Operations			
Personal services	5,310,980	5,490,980	5,492,724
Contractual services	434,117	446,117	435,811
Materials and supplies	155,652	155,652	162,136
Capital outlay	12,000	-	-
	<hr/>		
Total operations	5,912,749	6,092,749	6,090,671
	<hr/>		

(This schedule is continued on the following pages.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended April 30, 2006

	Original Budget	Final Budget	Actual
PUBLIC SAFETY (Continued)			
Fire department (Continued)			
Facilities			
Personal services	14,390	14,390	14,168
Contractual services	17,888	17,888	22,150
Materials and supplies	13,625	13,625	10,811
Capital outlay	60,900	154,675	119,209
Total facilities	106,803	200,578	166,338
Total fire department	6,019,552	6,293,327	6,257,009
TOTAL PUBLIC SAFETY	\$ 16,354,937	\$ 16,708,712	\$ 16,720,541
PUBLIC WORKS			
Public works administration			
Personal services	\$ 335,041	\$ 335,041	\$ 324,743
Contractual services	45,256	45,256	47,834
Materials and supplies	23,244	23,244	22,864
Total public works administration	403,541	403,541	395,441
Facilities			
Personal services	80,775	80,775	100,129
Contractual services	61,971	61,971	58,628
Materials and supplies	32,000	32,000	39,986
Capital outlay	43,000	43,000	40,483
Total facilities	217,746	217,746	239,226
Engineering			
Personal services	1,061,436	1,011,436	913,050
Contractual services	154,495	202,495	181,296
Materials and supplies	5,587	7,587	6,102
Capital outlay	300	300	2,548
Total engineering	1,221,818	1,221,818	1,102,996
TOTAL PUBLIC WORKS	\$ 1,843,105	\$ 1,843,105	\$ 1,737,663

(This schedule is continued on the following page.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended April 30, 2006

	Original Budget	Final Budget	Actual
ECONOMIC AND PHYSICAL DEVELOPMENT			
Community development department			
Personal services	\$ 2,363,321	\$ 2,363,321	\$ 2,311,996
Contractual services	314,215	314,215	298,406
Materials and supplies	102,175	102,175	75,213
Total community development department	2,779,711	2,779,711	2,685,615
Economic development			
Personal services	76,405	76,405	60,116
Contractual services	19,297	19,297	20,853
Materials and supplies	73,425	73,425	107,260
Revenue sharing	890,000	990,000	988,857
Total economic development	1,059,127	1,159,127	1,177,086
TOTAL ECONOMIC AND PHYSICAL DEVELOPMENT	\$ 3,838,838	\$ 3,938,838	\$ 3,862,701
TRANSIT			
Operations			
Personal services	\$ 1,047,825	\$ 1,047,825	\$ 1,060,528
Contractual services	29,564	29,564	25,670
Materials and supplies	31,900	31,900	36,210
Total operations	1,109,289	1,109,289	1,122,408
Facilities			
Personal services	14,390	14,390	14,168
Contractual services	28,980	28,980	32,094
Materials and supplies	1,500	1,500	3,885
Capital outlay	61,000	61,000	13,384
Total facilities	105,870	105,870	63,531
TOTAL TRANSIT	\$ 1,215,159	\$ 1,215,159	\$ 1,185,939
COMMISSIONS			
Contractual services	\$ 200,714	\$ 200,714	\$ 135,108
Materials and supplies	195,392	195,392	128,080
TOTAL COMMISSIONS	\$ 396,106	\$ 396,106	\$ 263,188

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

For the Year Ended April 30, 2006

	Final Budget	Actual
REVENUES		
Property taxes	\$ 3,000,000	\$ 3,028,740
Investment income	-	5,885
Total revenues	3,000,000	3,034,625
EXPENDITURES		
Debt service		
Principal	4,585,784	2,495,784
Interest and fiscal charges	1,260,400	1,265,828
Total expenditures	5,846,184	3,761,612
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,846,184)	(726,987)
OTHER FINANCING SOURCES (USES)		
Transfers in	572,400	683,954
Bonds issued	-	1,000,000
Payments to escrow agent	-	(1,000,509)
Total other financing sources (uses)	572,400	683,445
NET CHANGE IN FUND BALANCE	<u>\$ (2,273,784)</u>	(43,542)
FUND BALANCE, MAY 1		<u>543,630</u>
FUND BALANCE, APRIL 30		<u>\$ 500,088</u>

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STREET IMPROVEMENTS FUND

For the Year Ended April 30, 2006

	Final Budget	Actual
REVENUES		
Property taxes	\$ 817,879	\$ 845,215
Reimbursements	-	7,239
Investment income	-	10,315
Total revenues	817,879	862,769
EXPENDITURES		
Debt service		
Interest and fiscal charges	-	19,796
Capital outlay	3,900,000	3,630,887
Total expenditures	3,900,000	3,650,683
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,082,121)	(2,787,914)
OTHER FINANCING SOURCES (USES)		
Transfers in	2,000,000	2,120,000
Bonds issued	3,275,000	3,275,000
Total other financing sources (uses)	5,275,000	5,395,000
NET CHANGE IN FUND BALANCES	\$ 2,192,879	2,607,086
FUND BALANCES, MAY 1		247,753
FUND BALANCES, APRIL 30		\$ 2,854,839

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
2002 GENERAL OBLIGATION BONDS FUND

For the Year Ended April 30, 2006

	Final Budget	Actual
REVENUES		
Investment income	\$ 120,000	\$ 204,768
Reimbursements	765,000	435,843
Total revenues	885,000	640,611
EXPENDITURES		
Debt service		
Interest and fiscal charges	-	40,651
Capital outlay	6,207,842	6,521,307
Total expenditures	6,207,842	6,561,958
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,322,842)	(5,921,347)
OTHER FINANCING SOURCES (USES)		
Bonds issued	6,725,000	6,725,000
Total other financing sources (uses)	6,725,000	6,725,000
NET CHANGE IN FUND BALANCE	\$ 1,402,158	803,653
FUND BALANCE, MAY 1		4,935,889
FUND BALANCE, APRIL 30		\$ 5,739,542

(See independent auditor's report.)

NONMAJOR GOVERNMENTAL FUNDS

Motor Fuel Tax - underwrites the cost of some major street and bridge improvements by a transfer to street and bridge. Allotments of gasoline taxes collected by the state are the primary revenue.

Emergency 911 System - to pay for the City's "911" emergency telephone service.

Foreign Fire Insurance Tax - to account for the receipts and expenditures of this specific tax by the board.

Tax Increment Financing General Obligation Bonds 1981 - to account for the Initial Phase acquisition, relocation, rehabilitation, and reconstruction related to the Downtown Redevelopment Plan and Project.

Working Capital Public Facility and Improvement - the assets in this fund are to be utilized for the acquisition and/or construction of public facilities.

CITY OF HIGHLAND PARK, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

April 30, 2006

	Special Revenue			Capital Projects		Totals
	Motor Fuel Tax	Emergency 911 System	Foreign Fire Insurance Tax	Tax Increment	Working	
				Financing General Obligation Bonds 1981	Capital Public Facility and Improvement	
ASSETS						
Cash and cash equivalents	\$ 1,361,508	\$ 68,951	\$ 329,047	\$ -	\$ 92,237	\$ 1,851,743
Investments	-	214,381	-	-	49,766	264,147
Receivables						
Intergovernmental	69,345	-	-	-	-	69,345
Loans	-	-	-	-	400,000	400,000
Accrued interest	-	801	-	-	-	801
Due from other funds	-	750,000	-	-	350,000	1,100,000
TOTAL ASSETS	\$ 1,430,853	\$ 1,034,133	\$ 329,047	\$ -	\$ 892,003	\$ 3,686,036
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ -	\$ 1,659	\$ -	\$ -	\$ -	\$ 1,659
Accrued payroll	-	788	-	-	-	788
Due to other funds	1,335,000	8,752	-	-	-	1,343,752
Total liabilities	1,335,000	11,199	-	-	-	1,346,199
FUND BALANCES						
Reserved for loans receivable	-	-	-	-	400,000	400,000
Reserved for public facilities	-	-	-	-	492,003	492,003
Reserved for public safety	-	1,022,934	329,047	-	-	1,351,981
Reserved for streets	95,853	-	-	-	-	95,853
Total fund balances	95,853	1,022,934	329,047	-	892,003	2,339,837
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,430,853	\$ 1,034,133	\$ 329,047	\$ -	\$ 892,003	\$ 3,686,036

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended April 30, 2006

	Special Revenue			Capital Projects		Totals
	Motor Fuel Tax	Emergency 911 System	Foreign Fire Insurance Tax	Tax Increment Financing General Obligation Bonds 1981	Working Capital Public Facility and Improvement	
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ 878,827	\$ -	\$ 878,827
Intergovernmental	-	-	82,747	-	-	82,747
Motor fuel tax allotments	872,489	-	-	-	-	872,489
Investment income	35,365	21,059	13,901	734	12,271	83,330
Miscellaneous	-	424,789	-	-	-	424,789
Total revenues	907,854	445,848	96,648	879,561	12,271	2,342,182
EXPENDITURES						
Current						
Public safety	-	197,261	1,810	-	-	199,071
Public works	885,000	-	-	-	-	885,000
Capital outlay	-	559,113	-	385,860	-	944,973
Total expenditures	885,000	756,374	1,810	385,860	-	2,029,044
NET CHANGE IN FUND BALANCES	22,854	(310,526)	94,838	493,701	12,271	313,138
FUND BALANCES (DEFICIT), MAY 1	72,999	1,333,460	-	(493,701)	879,732	1,792,490
Prior period adjustment	-	-	234,209	-	-	234,209
FUND BALANCES (DEFICIT), MAY 1, RESTATED	72,999	1,333,460	234,209	(493,701)	879,732	2,026,699
FUND BALANCES, APRIL 30	\$ 95,853	\$ 1,022,934	\$ 329,047	\$ -	\$ 892,003	\$ 2,339,837

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MOTOR FUEL TAX FUND

For the Year Ended April 30, 2006

	Final Budget	Actual
REVENUES		
Motor fuel tax allotments	\$ 890,000	\$ 872,489
Investment income	8,000	35,365
Total revenues	898,000	907,854
EXPENDITURES		
Contractual services	898,000	885,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	898,000	885,000
NET CHANGE IN FUND BALANCE	\$ -	22,854
FUND BALANCE, MAY 1		72,999
FUND BALANCE, APRIL 30		\$ 95,853

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
EMERGENCY 911 SYSTEM FUND

For the Year Ended April 30, 2006

	Final Budget	Actual
REVENUES		
Investment income	\$ -	\$ 21,059
Other	412,000	424,789
Total revenues	412,000	445,848
EXPENDITURES		
Public safety		
Personal services	96,945	86,439
Contractual services	116,236	110,822
Capital outlay	794,900	559,113
Total expenditures	1,008,081	756,374
NET CHANGE IN FUND BALANCE	<u>\$ (891,845)</u>	(310,526)
FUND BALANCE, MAY 1		<u>1,333,460</u>
FUND BALANCE, APRIL 30		<u>\$ 1,022,934</u>

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TAX INCREMENT FINANCING GENERAL OBLIGATION BONDS 1981 FUND

For the Year Ended April 30, 2006

	Final Budget	Actual
REVENUES		
Property taxes	\$ 830,000	\$ 878,827
Investment income	-	734
Total revenues	830,000	879,561
EXPENDITURES		
Capital outlay	385,860	385,860
Total expenditures	385,860	385,860
NET CHANGE IN FUND BALANCE	<u>\$ 444,140</u>	493,701
FUND BALANCE (DEFICIT), MAY 1		<u>(493,701)</u>
FUND BALANCE, APRIL 30		<u>\$ -</u>

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
WORKING CAPITAL PUBLIC FACILITY AND IMPROVEMENT FUND

For the Year Ended April 30, 2006

	Final Budget	Actual
REVENUES		
Investment income	\$ -	\$ 12,271
Total revenues	-	12,271
EXPENDITURES		
None	-	-
Total expenditures	-	-
NET CHANGE IN FUND BALANCE	\$ -	12,271
FUND BALANCE, MAY 1		879,732
FUND BALANCE, APRIL 30		\$ 892,003

(See independent auditor's report.)

MAJOR ENTERPRISE FUNDS

Motor Vehicle Parking System Fund, Water Fund, and the Highland Park Country Club Fund - to account for the acquisition, operation, and maintenance of City-owned parking, water facilities and services, golf course and other City-owned facilities which are entirely or predominantly self-supported by user charges. The operation of these funds are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
MOTOR VEHICLE PARKING SYSTEM FUND

For the Year Ended April 30, 2006

	Final Budget	Actual
OPERATING REVENUES		
Parking collections	\$ 626,000	\$ 597,854
Parking violations	250,000	300,897
Total operating revenues	876,000	898,751
OPERATING EXPENSES		
Personal services	265,450	248,952
Contractual services	224,100	237,505
Materials and supplies	4,200	10,510
Repairs and maintenance	75,900	26,167
Small tools and equipment	106,100	16,794
Total operating expenses	675,750	539,928
OPERATING INCOME BEFORE DEPRECIATION	200,250	358,823
Depreciation	-	196,401
OPERATING INCOME	200,250	162,422
NONOPERATING REVENUES (EXPENSES)		
Investment income	6,000	38,460
Total nonoperating revenues (expenses)	6,000	38,460
NET INCOME BEFORE TRANSFERS	206,250	200,882
TRANSFERS		
Transfers (out)	(85,300)	(85,300)
Total transfers	(85,300)	(85,300)
CHANGE IN NET ASSETS	\$ 120,950	115,582
NET ASSETS, MAY 1		4,439,311
NET ASSETS, APRIL 30		\$ 4,554,893

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
WATER FUND

For the Year Ended April 30, 2006

	Final Budget	Actual
OPERATING REVENUES		
Water sales	\$ 7,100,000	\$ 7,551,493
Water permit fees	90,000	170,543
Miscellaneous	-	31,903
Total operating revenues	7,190,000	7,753,939
OPERATING EXPENSES		
Personal services	2,090,370	2,061,803
Contractual services	905,424	947,435
Materials and supplies	382,925	325,449
Repairs and maintenance	80,500	71,783
Small tools and equipment	1,522,566	191,199
Total operating expenses	4,981,785	3,597,669
OPERATING INCOME BEFORE DEPRECIATION	2,208,215	4,156,270
Depreciation	-	1,189,415
OPERATING INCOME	2,208,215	2,966,855
NONOPERATING REVENUES (EXPENSES)		
Investment income	20,000	221,236
Interest expense	(1,395,995)	(324,817)
Total nonoperating revenues (expenses)	(1,375,995)	(103,581)
NET INCOME BEFORE TRANSFERS	832,220	2,863,274
TRANSFERS		
Transfers (out)	(802,000)	(802,000)
Total transfers	(802,000)	(802,000)
CHANGE IN NET ASSETS	\$ 30,220	2,061,274
NET ASSETS, MAY 1		13,286,239
NET ASSETS, APRIL 30		\$ 15,347,513

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
HIGHLAND PARK COUNTRY CLUB FUND

For the Year Ended April 30, 2006

	Final Budget	Actual
OPERATING REVENUES		
Charges for goods and services	\$ 3,007,000	\$ 2,709,255
Other	155,000	159,640
Total operating revenues	3,162,000	2,868,895
OPERATING EXPENSES		
Contractual services	2,700,386	2,784,368
Small tools and equipment	-	9,390
Total operating expenses	2,700,386	2,793,758
OPERATING INCOME BEFORE DEPRECIATION	461,614	75,137
Depreciation	-	341,778
OPERATING INCOME (LOSS)	461,614	(266,641)
NONOPERATING REVENUES (EXPENSES)		
Investment income	-	4,229
Loss on sale of capital assets	-	(22,840)
Interest expense and fiscal charges	(222,694)	(93,804)
Total nonoperating revenues (expenses)	(222,694)	(112,415)
NET INCOME (LOSS) BEFORE TRANSFERS	238,920	(379,056)
TRANSFERS		
Transfers (out)	(100,000)	(100,000)
Total transfers	(100,000)	(100,000)
CONTRIBUTIONS	-	1,856,535
CHANGE IN NET ASSETS	\$ 138,920	1,377,479
NET ASSETS, MAY 1		9,211,919
Prior period adjustment		260,867
NET ASSETS, MAY 1, RESTATED		9,472,786
NET ASSETS, APRIL 30		\$ 10,850,265

(See independent auditor's report.)

INTERNAL SERVICE FUNDS

Equipment Maintenance and Replacement Fund - to finance and account for services and/or commodities furnished by a designated program to other programs within the City.

Insurance Fund - to account for the payment of premiums on insurance policies and employee benefit related claims.

CITY OF HIGHLAND PARK, ILLINOIS

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

April 30, 2006

	Equipment Maintenance and Replacement	Insurance	Totals
CURRENT ASSETS			
Cash	\$ 100,774	\$ 86,574	\$ 187,348
Investments	173,909	16,422	190,331
Accounts receivable	3,848	584,724	588,572
Accrued interest	650	61	711
Due from other funds	1,150,306	228,100	1,378,406
Total current assets	1,429,487	915,881	2,345,368
CAPITAL ASSETS			
Equipment	9,571,693	-	9,571,693
Accumulated depreciation	(6,377,806)	-	(6,377,806)
Net capital assets	3,193,887	-	3,193,887
Total assets	4,623,374	915,881	5,539,255
CURRENT LIABILITIES			
Accounts payable	66,777	26,578	93,355
Accrued salaries	63,656	9,879	73,535
Claims payable	-	997,603	997,603
Due to other funds	-	1,150,000	1,150,000
Capital lease payable - current	131,665	-	131,665
Total current liabilities	262,098	2,184,060	2,446,158
LONG-TERM LIABILITIES			
Capital lease payable - long-term	106,449	-	106,449
Total liabilities	368,547	2,184,060	2,552,607
NET ASSETS			
Invested in capital assets, net of related debt	2,955,773	-	2,955,773
Unrestricted (deficit)	1,299,054	(1,268,179)	30,875
TOTAL NET ASSETS	\$ 4,254,827	\$ (1,268,179)	\$ 2,986,648

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS

For the Year Ended April 30, 2006

	Equipment Maintenance and Replacement	Insurance	Totals
OPERATING REVENUES			
Charges for services	\$ 3,307,946	\$ 4,030,246	\$ 7,338,192
Miscellaneous	20,829	-	20,829
Total operating revenues	3,328,775	4,030,246	7,359,021
OPERATING EXPENSES			
Personal services	1,048,626	117,220	1,165,846
Contractual services	311,354	6,305,406	6,616,760
Premium reimbursements	-	(1,525,601)	(1,525,601)
Materials and supplies	678,822	2,602	681,424
Repairs and maintenance	262,361	-	262,361
Small tools and equipment	59,839	-	59,839
Total operating expenses	2,361,002	4,899,627	7,260,629
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	967,773	(869,381)	98,392
Depreciation	872,716	-	872,716
OPERATING INCOME (LOSS)	95,057	(869,381)	(774,324)
NONOPERATING REVENUES (EXPENSES)			
Sale of capital assets	22,045	-	22,045
Investment income	31,120	112	31,232
Total nonoperating revenues (expenses)	53,165	112	53,277
CHANGE IN NET ASSETS	148,222	(869,269)	(721,047)
NET ASSETS (DEFICIT), MAY 1	4,106,605	(398,910)	3,707,695
NET ASSETS (DEFICIT), APRIL 30	\$ 4,254,827	\$ (1,268,179)	\$ 2,986,648

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the Year Ended April 30, 2006

	Equipment Maintenance and Replacement	Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 20,902	\$ 209,859	\$ 230,761
Receipts from interfund services	2,373,414	5,713,147	8,086,561
Payments to suppliers	(1,326,231)	(5,795,388)	(7,121,619)
Payments to employees	(1,045,950)	(116,976)	(1,162,926)
Net cash from operating activities	22,135	10,642	32,777
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer to other funds	(306)	-	(306)
Net cash from noncapital financing activities	(306)	-	(306)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on capital lease obligation	(131,665)	-	(131,665)
Sale of capital assets	22,045	-	22,045
Purchase of capital assets	(748,252)	-	(748,252)
Net cash from capital and related financing activities	(857,872)	-	(857,872)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	30,470	49	30,519
Purchase of investments	(533)	(50)	(583)
Net cash from investing activities	29,937	(1)	29,936
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(806,106)	10,641	(795,465)
CASH AND CASH EQUIVALENTS, MAY 1	906,880	75,933	982,813
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 100,774	\$ 86,574	\$ 187,348
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 95,057	\$ (869,381)	\$ (774,324)
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation	872,716	-	872,716
Changes in assets and liabilities			
Accounts receivable	73	(361,571)	(361,498)
Due from other funds	(934,532)	(207,153)	(1,141,685)
Accrued expenses	-	489,784	489,784
Accounts payable	(13,855)	24,187	10,332
Accrued payroll	2,676	244	2,920
Due to other funds	-	934,532	934,532
NET CASH FROM OPERATING ACTIVITIES	\$ 22,135	\$ 10,642	\$ 32,777

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
EQUIPMENT MAINTENANCE AND REPLACEMENT FUND

For the Year Ended April 30, 2006

	Final Budget	Actual
OPERATING REVENUES		
Charges for services	\$ 3,306,386	\$ 3,307,946
Miscellaneous	174,000	20,829
Total operating revenues	3,480,386	3,328,775
OPERATING EXPENSES		
Personal services	1,075,365	1,048,626
Contractual services	321,335	311,354
Materials and supplies	663,756	678,822
Repairs and maintenance	271,027	262,361
Small tools and equipment	1,421,540	59,839
Total operating expenses	3,753,023	2,361,002
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(272,637)	967,773
Depreciation	-	872,716
OPERATING INCOME (LOSS)	(272,637)	95,057
NONOPERATING REVENUE (EXPENSES)		
Sale of capital assets	-	22,045
Investment income	-	31,120
Total nonoperating revenues (expenses)	-	53,165
CHANGE IN NET ASSETS	\$ (272,637)	148,222
NET ASSETS, MAY 1		4,106,605
NET ASSETS, APRIL 30		\$ 4,254,827

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
INSURANCE FUND

For the Year Ended April 30, 2006

	Original Budget	Final Budget	Actual
OPERATING REVENUES			
Charges for current services	\$ 4,045,704	\$ 4,045,704	\$ 4,030,246
Total operating revenues	4,045,704	4,045,704	4,030,246
OPERATING EXPENSES			
Personal services	128,120	128,120	117,220
Contractual services	5,229,089	6,296,967	6,305,406
Premium reimbursements	(1,045,000)	(1,526,951)	(1,525,601)
Materials and supplies	2,520	2,520	2,602
Total operating expenses	4,314,729	4,900,656	4,899,627
OPERATING INCOME (LOSS)	(269,025)	(854,952)	(869,381)
NONOPERATING REVENUES (EXPENSES)			
Investment income	-	-	112
Total nonoperating revenues (expenses)	-	-	112
CHANGE IN NET ASSETS	\$ (269,025)	\$ (854,952)	(869,269)
NET ASSETS (DEFICIT), MAY 1			(398,910)
NET ASSETS (DEFICIT), APRIL 30			\$ (1,268,179)

(See independent auditor's report.)

FIDUCIARY FUNDS

Pension Trust

Police and Firefighter's Pension - provides for payment of retirement benefits. Funding comes from property taxes, City contributions, and employee contributions.

Agency

General Deposit - consists of security deposits made by contractors performing services for the City.

Special Assessment - to account for the collection of special assessments from property owners. The collections are used to pay off special assessment debt, for which the City is not obligated.

Housing Trust - to provide financial resources to address the needs of individuals and families of low and moderate income households who live or work in the City by promoting, preserving and producing long-term affordable housing, providing housing-related services and providing support for not-for-profit organizations that support the fund's objectives. Distribution of funds from the Housing Trust Fund shall be in the form of grants, loans or other funding mechanisms.

CITY OF HIGHLAND PARK, ILLINOIS

COMBINING STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUNDS

April 30, 2006

	Police Pension	Firefighters' Pension	Totals
ASSETS			
Cash and cash equivalents	\$ 715,678	\$ 208,407	\$ 924,085
Investments, at fair value			
U.S. government obligations	13,642,032	13,766,956	27,408,988
Mutual funds	12,794,446	10,765,923	23,560,369
Insurance contracts	-	1,911,253	1,911,253
Total investments	26,436,478	26,444,132	52,880,610
Prepays	6,620	-	6,620
Receivables			
Accrued interest	123,772	126,379	250,151
Total receivables	123,772	126,379	250,151
Total assets	27,282,548	26,778,918	54,061,466
LIABILITIES			
Accounts payable	17,689	6,298	23,987
Due to other funds	-	21,875	21,875
Total liabilities	17,689	28,173	23,987
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 27,264,859	\$ 26,750,745	\$ 54,015,604

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS

For the Year Ended April 30, 2006

	Police Pension	Firefighters' Pension	Totals
ADDITIONS			
Contributions - employer			
Property taxes	\$ 848,593	\$ 829,358	\$ 1,677,951
Replacement taxes	24,940	24,940	49,880
Contributions - plan members	447,149	388,113	835,262
Contributions - other	-	1,925	1,925
Total contributions	1,320,682	1,244,336	2,565,018
Investment income			
Net appreciation (depreciation) in fair value of investments	135,565	460,600	596,165
Interest earned on investments	1,984,175	1,931,044	3,915,219
Total investment income	2,119,740	2,391,644	4,511,384
Less investment expense	(68,778)	-	(68,778)
Net investment income	2,050,962	2,391,644	4,442,606
Total additions	3,371,644	3,635,980	7,007,624
DEDUCTIONS			
Pensions and refunds	2,052,554	1,567,097	3,619,651
Miscellaneous			
Contractual professional services	45,508	65,611	111,119
Total deductions	2,098,062	1,632,708	3,730,770
NET INCREASE	1,273,582	2,003,272	3,276,854
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
May 1	25,991,277	24,747,473	50,738,750
April 30	\$ 27,264,859	\$ 26,750,745	\$ 54,015,604

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Year Ended April 30, 2006

	Balances May 1	Additions	Deductions	Balances April 30
ALL FUNDS				
ASSETS				
Cash and cash equivalents	\$ 3,812,278	\$ 27,683	\$ 3,068,102	\$ 771,859
Accounts receivable	18,883	85,705	18,883	85,705
Accrued interest	-	540	-	540
Due from other funds	1,012,068	3,812,932	-	4,825,000
TOTAL ASSETS	\$ 4,843,229	\$ 3,926,860	\$ 3,086,985	\$ 5,683,104
LIABILITIES				
Accounts payable	\$ 757,080	\$ 31,017	\$ 58,720	\$ 729,377
Accrued payroll	-	218	-	218
Due to others	828,435	797,601	-	1,626,036
Due to other funds	3,973	11,027	-	15,000
Deposits payable	3,220,055	92,418	-	3,312,473
Deferred revenue	33,686	-	33,686	-
TOTAL LIABILITIES	\$ 4,843,229	\$ 932,281	\$ 92,406	\$ 5,683,104
GENERAL DEPOSIT FUND				
ASSETS				
Cash	\$ 2,266,707	\$ -	\$ 2,164,939	\$ 101,768
Accounts receivable	-	85,705	-	85,705
Due from other funds	1,012,068	2,112,932	-	3,125,000
TOTAL ASSETS	\$ 3,278,775	\$ 2,198,637	\$ 2,164,939	\$ 3,312,473
LIABILITIES				
Accounts payable	\$ 58,720	\$ -	\$ 58,720	\$ -
Deposits payable	3,220,055	92,418	-	3,312,473
TOTAL LIABILITIES	\$ 3,278,775	\$ 92,418	\$ 58,720	\$ 3,312,473

(This statement is continued on the following page.)

CITY OF HIGHLAND PARK, ILLINOIS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (Continued)
AGENCY FUNDS

For the Year Ended April 30, 2006

	Balances May 1	Additions	Deductions	Balances April 30
SPECIAL ASSESSMENT FUND				
ASSETS				
Cash and cash equivalents	\$ 397,136	\$ 27,241	\$ -	\$ 424,377
Accounts receivable	18,883	-	18,883	-
TOTAL ASSETS	\$ 416,019	\$ 27,241	\$ 18,883	\$ 424,377
LIABILITIES				
Accounts payable	\$ 378,360	\$ 31,017	\$ -	\$ 409,377
Deferred revenue	33,686	-	33,686	-
Due to other funds	3,973	11,027	-	15,000
TOTAL LIABILITIES	\$ 416,019	\$ 42,044	\$ 33,686	\$ 424,377
HOUSING TRUST FUND				
ASSETS				
Cash and cash equivalents	\$ 1,148,435	\$ 442	\$ 903,163	\$ 245,714
Accrued interest	-	540	-	540
Due from other funds	-	1,700,000	-	1,700,000
TOTAL ASSETS	\$ 1,148,435	\$ 1,700,982	\$ 903,163	\$ 1,946,254
LIABILITIES				
Accounts payable	\$ 320,000	\$ -	\$ -	\$ 320,000
Accrued payroll	-	218	-	218
Due to others	828,435	797,601	-	1,626,036
TOTAL LIABILITIES	\$ 1,148,435	\$ 797,819	\$ -	\$ 1,946,254

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

GOVERNMENT-WIDE REVENUES

For the Year Ended April 30, 2006

	2006	2005	2004
<hr/>			
PROGRAM REVENUES			
Charges for services	\$ 19,232,248	\$ 18,936,823	\$ 18,181,253
Operating grants	872,489	884,766	858,067
Capital grants	537,489	551,346	556,361
GENERAL REVENUES			
Taxes	35,060,467	31,981,000	31,341,885
Investment income	1,224,271	387,271	176,597
Gain (loss) on sale of capital assets	-	(78,980)	838,019
Contributions	1,856,535	-	-
	<hr/>		
TOTAL REVENUES	\$ 58,783,499	\$ 52,662,226	\$ 51,952,182
	<hr/>		

NOTE: The City implemented GASB S-34 for the fiscal year ended April 30, 2004.

Data Source

City Records

CITY OF HIGHLAND PARK, ILLINOIS

GOVERNMENT-WIDE EXPENSES BY FUNCTION

For the Year Ended April 30, 2006

	2006	2005	2004
GOVERNMENTAL ACTIVITIES			
General government	\$ 9,423,178	\$ 7,709,170	\$ 6,841,255
Public safety	18,056,277	16,671,814	18,632,313
Public works	10,133,409	11,784,555	7,489,204
Economic and physical development	5,034,721	4,093,676	5,889,721
Transit	1,227,855	1,219,866	1,148,215
Commissions	1,050,967	640,026	1,450,664
Interest	1,629,285	858,741	676,833
Total governmental activities	46,555,692	42,977,848	42,128,205
BUSINESS-TYPE ACTIVITIES			
Water	5,111,901	4,533,636	5,285,414
Parking	736,329	857,921	927,189
Country club	3,252,180	3,106,734	2,540,970
Total business-type activities	9,100,410	8,498,291	8,753,573
TOTAL PRIMARY GOVERNMENT	\$ 55,656,102	\$ 51,476,139	\$ 50,881,778

NOTE: The City implemented GASB S-34 for the fiscal year ended April 30, 2004.

Data Source

City Records

CITY OF HIGHLAND PARK, ILLINOIS

TOTAL EXPENDITURES AND EXPENSES BY FUNCTION

Last Ten Fiscal Years

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
GOVERNMENTAL ACTIVITIES										
General government and other	\$ 7,591,557	\$ 7,027,043	\$ 6,308,791	\$ 9,416,856	\$ 9,485,606	\$ 8,413,411	\$ 8,743,912	\$ 7,199,292	\$ 7,029,356	\$ 6,863,584
Public safety	16,919,612	15,589,024	14,926,595	12,849,750	12,155,248	11,699,586	12,452,890	11,107,541	10,783,735	8,628,837
Public works and capital outlay	18,272,807	13,547,176	17,712,029	18,719,832	12,700,289	13,171,353	21,813,889	13,193,075	13,272,560	13,392,675
Debt service	3,822,059	3,578,711	4,449,659	4,464,514	4,107,476	3,175,152	3,642,742	3,414,607	3,297,079	3,163,056
Economic and physical development (3)	3,862,701	3,467,023	3,339,672	-	-	-	-	-	-	-
Transit (3)	1,185,939	1,212,533	1,128,989	-	-	-	-	-	-	-
Commissions (3)	263,188	280,372	271,750	-	-	-	-	-	-	-
Contributions to IMRF and Police/Firefighters' Pension employers retirement benefits	-	-	-	1,618,747	1,807,131	1,561,815	1,358,117	805,864	2,578,663	1,494,770
Total governmental activities	51,917,863	44,701,882	48,137,485	47,069,699	40,255,750	38,021,317	48,011,550	35,720,379	36,961,393	33,542,922
BUSINESS-TYPE ACTIVITIES										
Enterprise										
Motor vehicle parking system	539,928	665,784	671,526	396,881	455,996	638,333	195,589	250,072	449,458	361,198
Water	3,597,669	3,024,528	3,538,722	3,004,070	3,279,180	3,144,440	2,534,068	3,199,782	3,722,124	3,822,008
Highland Park Country Club	2,793,758	2,724,661	2,160,326	2,541,603	3,038,149	2,827,119	2,735,284	2,893,484	3,692,003	2,894,144
Equipment maintenance and replacement	2,361,002	2,210,486	2,110,278	1,848,752	1,640,190	1,664,206	1,531,696	1,950,200	1,606,071	1,467,653
Liability insurance	4,899,627	3,943,457	4,716,418	4,032,533	4,783,889	3,477,837	3,539,745	3,019,207	2,643,806	3,262,246
Total business-type activities	14,191,984	12,568,916	13,197,270	11,823,839	13,197,404	11,751,935	10,536,382	11,312,745	12,113,462	11,807,249
TOTALS	\$ 66,109,847	\$ 57,270,798	\$ 61,334,755	\$ 58,893,538	\$ 53,453,154	\$ 49,773,252	\$ 58,547,932	\$ 47,033,124	\$ 49,074,855	\$ 45,350,171

Notes:

(1) Expenditures of Pension Funds and Public Library Funds are not included in this table.

(2) Expenditures for services of the Internal Service Funds are included in this table, but are offset by service charges reflected on pages 81-82.

Internal Service Fund charges for liability insurance were previously reflected as general government expenditures prior to the adoption of GASB Statement 10.

(3) The City began using these functions in 2004.

CITY OF HIGHLAND PARK, ILLINOIS

TOTAL REVENUES AND OTHER FINANCING SOURCES BY SOURCE OTHER THAN PROPERTY TAXES

Last Ten Fiscal Years

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
OTHER LOCAL TAXES										
Municipal sales tax (3)	\$ 12,790,251	\$ 12,092,027	\$ 12,038,527	\$ 10,014,358	\$ 10,706,499	\$ 10,492,993	\$ 10,060,364	\$ 8,692,201	\$ 7,766,292	\$ 7,557,962
Motor fuel tax allotments	872,489	884,766	858,067	974,586	863,746	890,950	830,957	732,313	706,770	718,257
Utility tax	3,114,634	2,785,652	3,469,014	3,743,805	3,921,731	3,648,778	3,301,140	3,051,006	2,934,825	3,105,766
Illinois state income tax	2,312,384	2,048,727	1,823,033	1,913,363	1,872,494	2,420,065	2,260,531	2,519,150	2,383,183	2,182,272
Illinois state replacement tax	311,520	208,941	212,981	147,631	197,481	202,102	220,690	204,330	200,191	175,872
Cable television franchise tax	407,637	369,172	333,133	359,946	376,300	319,456	267,931	239,813	240,205	236,045
Real estate transfer tax	2,919,960	2,420,485	2,174,270	2,008,860	1,787,298	1,938,210	1,734,500	1,624,035	1,349,335	1,052,010
Franchise tax	1,807,586	1,703,043	503,542	44,385	114,529	128,218	123,532	365,130	338,305	305,888
Total other local taxes	24,536,461	22,512,813	21,412,567	19,206,934	19,840,078	20,040,772	18,799,645	17,427,978	15,919,106	15,334,072
LICENSES, PERMITS, AND FINES										
	3,164,844	2,984,701	2,382,180	2,264,264	2,388,253.00	-	3,321,035	2,285,104	1,779,386	1,760,076
INTEREST AND RENTAL INCOME										
Investment income	960,347	329,106	135,042	518,514	883,906	1,265,945	1,317,693	1,057,618	761,039	1,045,344
SERVICE CHARGES										
Internal Service Funds	7,359,021	7,264,689	7,306,693	6,442,128	5,391,862	3,619,345	5,156,808	5,085,181	5,075,905	4,321,418
Other charges	-	-	-	1,914,404	2,652,272	2,451,545	1,665,892	1,587,969	1,686,313	1,420,475
Sewer maintenance charges	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	5,696,319	483,524	1,404,223	34,543	710,418	599,638	676,837	588,291
Total service charges	7,359,021	7,264,689	13,003,012	13,191,779	9,448,357	6,105,433	7,533,118	7,272,788	7,439,055	6,330,184
REVENUE FROM ENTERPRISES										
Parking collections	597,854	616,745	590,246	525,636	551,611	476,753	460,574	446,113	463,476	467,683
Parking violations	300,897	284,706	151,335	204,847	236,339	233,250	256,702	189,441	233,995	232,568
Water sales and tap permits	7,722,036	6,715,698	6,768,446	7,300,274	6,457,091	6,830,496	7,142,318	6,325,835	5,504,520	5,697,552
Highland Park Country Club	2,868,895	3,047,470	3,009,879	3,364,511	3,183,582	3,415,971	3,323,791	3,435,523	3,646,528	3,024,270
Total revenue from enterprises	11,489,682	10,664,619	10,519,906	11,395,268	10,428,623	10,956,470	11,183,385	10,396,912	9,848,519	9,422,073

CITY OF HIGHLAND PARK, ILLINOIS

TOTAL REVENUES AND OTHER FINANCING SOURCES BY SOURCE OTHER THAN PROPERTY TAXES (Continued)

Last Ten Fiscal Years

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
REVENUE FROM OTHER AGENCIES										
Fire insurance tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,855	\$ 45,194	\$ 40,853	\$ 41,696
Regional Transportation Authority	1,069,354	951,361	920,879	892,506	813,974	839,264	768,874	710,766	748,393	734,872
State Department of Transportation reimbursement	-	-	-	-	27,647	-	-	-	-	-
Total revenue from other agencies	1,069,354	951,361	920,879	892,506	841,621	839,264	814,729	755,960	789,246	776,568
MISCELLANEOUS REVENUE	-	-	-	-	-	144,680	2,876,689	2,268,938	997,995	837,990
OTHER SOURCES OF FINANCIAL RESOURCES										
Sale of property										
Real estate	-	-	3,876,013	327,325	-	-	-	-	-	1,356,613
Personal property	8,200	492,061	-	-	9,195	-	-	-	-	-
Reimbursement - Fort Sheridan expenses	-	-	-	-	4,052	165,505	184,446	558,117	1,427,377	-
Proceeds from sale of bonds	11,000,000	16,590,000	8,970,061	-	-	3,000,000	3,000,000	-	3,030,000	3,450,000
Total other sources of financial resources	11,008,200	17,082,061	12,846,074	327,325	13,247	3,165,505	3,184,446	558,117	4,457,377	4,806,613
TOTAL REVENUES	\$ 59,587,909	\$ 61,789,350	\$ 13,766,953	\$ 48,672,538	\$ 47,431,627	\$ 47,138,666	\$ 45,244,484	\$ 45,737,891	\$ 44,685,018	\$ 42,168,276

Notes:

- (1) Revenues of Pension Funds and Public Library Funds are not included in the table.
- (2) Service charges of Internal Service Funds included in this table are eliminated by expenditures reflected in related funds on pages 81-82.
- (3) Municipal sales tax revenues for fiscal 1996 and 1995 include \$358,427 and \$265,000, respectively, of incremental sales tax.

CITY OF HIGHLAND PARK, ILLINOIS

TAX REVENUES BY SOURCE

Last Ten Fiscal Years

Fiscal Year	Total Taxes	Property Taxes *	Municipal Sales Tax	Vehicle Licenses Tax	Utility Tax	Illinois State Income Tax	Fire Insurance Tax	Motor Fuel Tax	Illinois State Replacement Taxes *	Franchise Tax	Real Estate Transfer Tax
1997	\$ 28,284,303	\$ 12,444,861	\$ 7,557,962	\$ 687,255	\$ 3,105,766	\$ 2,182,272	\$ 41,696	\$ 718,257	\$ 188,336	\$ 305,888	\$ 1,052,010
1998	30,346,597	13,932,723	7,766,292	681,656	2,934,825	2,383,183	40,853	706,770	212,655	338,305	1,349,335
1999	31,669,656	13,737,618	8,692,201	686,215	3,051,006	2,519,150	45,194	732,313	216,794	365,130	1,624,035
2000	33,549,557	13,932,723	10,060,364	758,872	3,301,140	2,260,531	45,855	830,957	233,152	391,463	1,734,500
2001	32,610,787	11,813,119	10,492,993	744,432	3,648,778	2,420,065	-	890,950	214,566	447,674	1,938,210
2002	32,798,867	12,261,393	10,706,499	684,932	3,921,731	1,872,494	-	863,746	209,945	490,829	1,787,298
2003	32,634,710	12,761,565	10,014,358	661,747	3,743,805	1,913,363	-	974,586	160,095	404,331	2,000,860
2004	34,725,970	12,949,385	12,038,527	697,151	3,469,014	1,823,033	-	858,067	212,981	503,542	2,174,270
2005	35,270,160	13,126,519	12,092,027	808,812	2,785,652	2,048,727	-	884,766	208,941	894,231	2,420,485
2006	37,742,898	13,614,074	12,790,251	833,629	3,114,634	2,312,384	-	872,489	311,520	973,957	2,919,960

* includes Component Unit - Library

CITY OF HIGHLAND PARK, ILLINOIS
PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Levy Years

Tax Levy Year	Tax Levy as Abated (2)	Current Taxes Collected		Percent of Levy Collected	Delinquent Taxes Collected in Current Year (1)	Total Collections	Percent of Total Collections to Tax Levy
		Fiscal Year Collected	Amount				
1996	\$ 12,796,148	1998	\$ 12,761,865	99.73%	\$ -	\$ 12,761,865	99.73%
1997	13,732,515	1999	13,737,608	100.04%	-	13,737,608	100.04%
1998	14,033,480	2000	13,921,143	99.20%	12,731	13,933,874	99.29%
1999	11,870,900	2001	11,840,448	99.74%	-	11,840,448	99.74%
2000	11,877,136	2002	12,261,276	103.23%	-	12,261,276	103.23%
2001	12,091,887	2003	11,628,014	96.16%	-	11,628,014	96.16%
2002	12,310,786	2004	11,799,711	95.85%	-	11,799,711	95.85%
2003	12,582,843	2005	11,941,338	94.90%	-	11,941,338	94.90%
2004	12,746,097	2006	12,598,581	98.84%	-	12,598,581	98.84%
2005	12,858,791	2007	(3)	0.00%	-	-	0.00%

Notes:

- (1) Lake County does not furnish information relating to delinquent taxes collected for the applicable levy year. Amounts shown in this column are collections in the year indicated of delinquent taxes applicable to prior years' tax levies.
- (2) Tax levy as abated represents total assessments extended by the City tax rate plus levies on the special service areas and the tax increment financing area.
- (3) The 2005 tax levy has not been collected as of the report date.

CITY OF HIGHLAND PARK, ILLINOIS

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Levy Years

Fiscal Year	Tax levy Year	Real Estate	Railroads	Total	Actual Value- Real Property Only (1)	Ratio of Total Assessed Valuation to Estimated Actual Value of Real Property
1997	1996	\$ 1,168,607,177	\$ 664,878	\$ 1,169,272,055	\$ 3,505,821,531	33%
1998	1997	1,217,422,985	592,237	1,218,015,222	3,654,045,666	33%
1999	1998	1,261,465,625	546,614	1,262,012,239	3,789,036,717	33%
2000	1999	1,373,523,348	506,220	1,374,029,568	4,122,088,704	33%
2001	2000	1,475,263,231	524,343	1,475,787,574	4,427,362,722	33%
2002	2001	1,672,971,197	547,054	1,673,518,251	5,020,554,753	33%
2003	2002	1,749,129,216	649,027	1,749,778,243	5,249,334,729	33%
2004	2003	1,907,107,167	701,090	1,907,808,257	5,723,424,771	33%
2005	2004	2,041,854,559	789,193	2,042,643,752	6,127,931,256	33%
2006	2005	2,291,376,063	743,528	2,292,119,591	6,876,358,773	33%

Notes:

(1) Based on comparable 33% assessment ratios - real property only.

CITY OF HIGHLAND PARK, ILLINOIS

PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Levy Years
(Cents per hundred dollars)

Fiscal Year	Tax Levy Year	County	Forest Preserve	Township	Sanitary	College of Lake County	High School	Elementary School	Mosquito Abatement	City	Park District	Total Tax
1998	1996	0.525	0.156	0.054	0.185	0.220	1.861	2.665	0.012	0.932	0.376	6.986
1999	1997	0.531	0.155	0.055	0.186	0.222	1.882	2.925	0.013	0.913	0.382	7.264
2000	1998	0.531	0.157	0.056	0.181	0.221	1.884	2.914	0.012	0.885	0.385	7.226
2001	1999	0.521	0.187	0.052	0.172	0.213	2.088	2.871	0.012	0.812	0.380	7.308
2002	2000	0.521	0.231	0.051	0.167	0.235	2.060	2.804	0.012	0.776	0.376	7.233
2003	2001	0.516	0.221	0.048	0.160	0.211	1.957	2.624	0.012	0.701	0.355	6.805
2004	2002	0.502	0.232	0.050	0.152	0.208	1.908	2.658	0.012	0.681	0.359	6.762
2005	2003	0.490	0.225	0.048	0.144	0.201	1.825	2.538	0.012	0.640	0.433	6.556
2006	2004	0.465	0.219	0.047	0.139	0.200	1.758	2.457	0.012	0.624	0.422	6.343
2007	2005	0.454	0.21	0.045	0.132	0.197	1.686	2.312	0.012	0.561	0.397	6.006

CITY OF HIGHLAND PARK, ILLINOIS

RATIO OF GENERAL BONDED DEBT TO EQUALIZED ASSESSED
VALUATION AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA

Last Ten Fiscal Years

Fiscal Year	(a) Estimated Population		(b) Equalized Assessed Valuation	(c) General Bonded Debt	Ratio of General Bonded Debt to Equalized Assessed Valuation	General Bonded Debt Per Capita
1997	30,575	(1) \$	1,169,272,055	\$ 26,330,000	0.0225	\$ 861.16
1998	30,575	(1)	1,218,015,222	28,030,000	0.0230	916.76
1999	30,575	(1)	1,262,012,239	28,930,000	0.0229	946.20
2000	30,575	(1)	1,374,029,568	30,315,000	0.0221	991.50
2001	30,262	(2)	1,475,787,574	29,890,000	0.0203	987.71
2002	30,262	(2)	1,673,518,251	25,815,755	0.0154	853.07
2003	30,262	(2)	1,749,778,243	30,775,635	0.0176	1,016.97
2004	30,262	(2)	1,907,808,257	35,055,000	0.0184	1,158.38
2005	30,262	(2)	2,042,643,752	38,850,000	0.0190	1,283.79
2006	30,262	(2)	2,292,119,591	46,354,216	0.0202	1,531.76

Notes:

- (1) 1990 census
- (2) Revised 2000 census

Data Sources

- (a) U.S. Census Bureau
- (b) County Clerk
- (c) City of Highland Park Finance Department

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF LEGAL DEBT MARGIN

April 30, 2006

Under the 1970 Illinois Constitution, there is no legal limit for home rule municipalities except as set by the General Assembly.

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF DIRECT AND OVERLAPPING DEBT

April 30, 2006

Governmental unit	Gross Debt	Percentage Debt Applicable to the City of Highland Park (1)	City of Highland Park Share of Debt
City of Highland Park	<u>\$ 46,354,216</u>	100.00%	<u>\$ 46,354,216</u>
Lake County	6,011,000	10.04%	603,504
Lake County Forest Preserve District	235,195,000	10.04%	23,613,578
North Shore Sanitary District	8,463,554	26.88%	2,275,003
Deerfield Park District	7,805,000	0.005%	390
Park District of Highland Park	1,280,000	98.68%	1,263,104
School Districts			
District No. 106	2,795,000	3.50%	97,825
District No. 109	22,725,000	4.72%	1,072,620
District No. 112	46,380,000	94.17%	43,676,046
District No. 113	65,170,000	57.36%	37,381,512
College of Lake County	<u>11,749,234</u>	9.59%	<u>1,126,752</u>
	<u>407,573,788</u>		<u>111,110,334</u>
	<u><u>\$ 453,928,004</u></u>		<u><u>\$ 157,464,550</u></u>

Notes:

- (1) Determined by ratio of assessed valuation of property subject to taxation in the City of Highland Park to valuation of property subject to taxation in overlapping unit.

CITY OF HIGHLAND PARK, ILLINOIS

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION
BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES

Last Ten Fiscal Years

Fiscal Year	Principal*	Interest*	Total Debt Service on General Bonded Debt	Total General Governmental Expenditures	Ratio of Bonded Debt to General Governmental Expenditures
1997	\$ 3,030,000	\$ 1,350,857	\$ 4,380,857	\$ 33,542,922	13.06%
1998	5,070,000	1,292,808	6,362,808	36,961,393	17.21%
1999	3,400,000	1,314,854	4,714,854	35,720,379	13.20%
2000	2,565,000	1,012,579	3,577,579	48,011,550	7.45%
2001	2,925,000	1,261,758	4,186,758	38,021,317	11.01%
2002	3,725,000	1,274,159	4,999,159	40,255,750	12.42%
2003	3,887,841	576,673	4,464,514	47,069,699	9.48%
2004	3,685,636	1,287,266	4,972,902	48,137,485	10.33%
2005	2,680,000	898,711	3,578,711	44,701,882	8.01%
2006	2,495,784	1,257,399	3,753,183	51,917,863	7.23%

* Excludes Special Service Area Bonds and in-substance defeasance of general obligation bonds.

CITY OF HIGHLAND PARK, ILLINOIS

PRINCIPAL TAXPAYERS

April 30, 2006

Taxpayer	Business/Service	2005 Equalized Assessed Valuation
Renaissance Place, LLC	Business/Retail Center	\$ 8,214,174
Federal Realty Investment Trust	Business/Retail Center	7,024,599
Klairmont Family Associates	Business/Retail Center	4,627,655
Solo Cup Company	Business	4,384,922
Americana Apartments	Real Property	4,199,580
Target Corporation	Retail Store	3,514,159
American Stores Company	Business/Retail Center	3,300,371
Sunset Food Mart, Inc.	Retail Store	3,251,527
Leonardi Enterprises	Real Estate	3,136,616
Hillco Realty Management	Property Management	3,015,060
TOTAL		<u>\$ 44,668,663</u>
	Percentage of Total	1.95%

Note:

Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers listed contain multiple parcels and it is possible that some parcels and their valuations have been overlooked. The 2005 EAV is the most current available for all taxpayers.

Data Source

Lake County Clerk

CITY OF HIGHLAND PARK, ILLINOIS

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	(1) Population	(1) Per Capita Income	(2) School Enrollment	(3) Unemployment Rate	(1) Median Age	(1) College Degree
1997	30,575	\$ 43,394	5,759	2.0%	38.1	47.0%
1998	30,575	43,394	5,803	1.9%	38.1	47.0%
1999	30,575	43,394	5,907	1.8%	38.1	47.0%
2000	30,575	43,394	5,919	1.8%	38.1	47.0%
2001	30,262	80,128	6,034	2.4%	36.1	61.6%
2002	30,262	55,331	6,034	3.3%	40.6	61.6%
2003	30,262	55,331	6,198	3.5%	40.6	61.6%
2004	30,262	55,331	6,304	3.9%	40.6	61.6%
2005	30,262	55,331	6,270	3.2%	40.6	61.6%
2006	30,262	55,331	6,256	3.9%	40.6	61.6%

Data Source

- (1) U.S. Census Bureau
- (2) Highland Park School Districts
- (3) Illinois Department of Employment Security

CITY OF HIGHLAND PARK, ILLINOIS

PROPERTY VALUE AND BANK DEPOSITS

Last Ten Fiscal Years

Fiscal Year	(1) Residential	(1) Farm	(1) Commercial	(1) Industrial	(1) Railroad	(1) Total Property Values	(2) Commercial Bank Deposits (in 00s)
1997	\$ 1,076,596,142	\$ 637,731	\$ 89,580,072	\$ 1,793,232	\$ 664,878	\$ 1,169,272,055	\$ 782,687
1998	1,124,994,212	1,936	90,593,142	1,833,695	592,237	1,218,015,222	NA
1999	1,167,800,283	937,150	90,834,062	1,894,130	546,614	1,262,012,239	NA
2000	1,233,581,123	980,639	136,971,426	1,990,160	506,220	1,374,029,568	NA
2001	1,328,590,213	1,070,829	143,475,204	2,127,005	524,343	1,475,787,594	NA
2002	1,510,686,423	1,169,589	158,582,154	2,533,031	547,054	1,673,518,251	NA
2003	1,579,524,820	1,207,347	165,789,879	2,607,170	649,027	1,749,778,243	NA
2004	1,763,725,693	440,178	141,268,775	1,672,521	701,090	1,907,808,257	NA
2005	1,889,593,213	482,657	149,974,820	1,803,869	789,193	2,042,643,752	NA
2006	2,108,875,142	1,083,297	181,409,394	8,230	743,528	2,292,119,591	NA

NA - Not available

Data Source

(1) Lake County Extension Office

(2) Federal Deposit Insurance Corporation

CITY OF HIGHLAND PARK, ILLINOIS

MISCELLANEOUS STATISTICS

April 30, 2006

Date of incorporation	March 11, 1869
Form of government	Council-Manager
Area - square miles	12
Miles of streets	
Paved	154
Graded	2
Total	156
Miles of sewers	
Storm	178
Sanitary	130
Total	308
Fire protection	
Number of stations	3
Number of employees	58
Police protection	
Number of stations	1
Number of officers	60
Recreation	
Parks - number of acres	630
Number of playgrounds	39
Education	
Number of public school buildings	12
Number of certified teachers	569
Number of students registered	6,256
Municipal water system	
Number of customers	10,254
Average daily consumption (gallons)	11,856,000
Plant capacity (rated) - per day (gallons)	21,000,000
Miles of water mains (approximate)	168
Number of fire hydrants (approximate)	1,680
Number of street lights	1,420
Employees	317
Population	1880 1,154 1950 16,808
	1890 2,163 1960 25,532
	1900 2,906 1970 32,263
	1910 4,209 1980 30,611
	1920 6,167 1990 30,575
	1930 12,203 2000 30,262
	1940 14,332

Date Source

U.S. Census Bureau and City records

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF SPECIAL ASSESSMENT
PRINCIPAL INSTALLMENT COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	Current Installments Due	Current Installments Paid	Percent of Current Installments Paid	Total Installments Paid*	Total Delinquent Installments Receivable
1997	\$ 15,036	\$ 10,302	68.52%	\$ 33,879	\$ 17,686
1998	14,011	9,523	67.97%	24,840	19,529
1999	10,749	8,012	74.54%	21,317	18,062
2000	8,724	5,373	61.59%	6,704	18,567
2001	9,785	6,431	65.72%	10,846	16,157
2002	5,541	3,843	69.35%	6,284	1,649
2003	1,936	1,334	68.89%	2,320	992
2004	2,402	1,340	55.79%	1,340	1,062
2005	N/A	N/A	N/A	1,062	-
2006	N/A	N/A	N/A	-	-