

CITY OF HIGHLAND PARK, ILLINOIS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the Year Ended
December 31, 2008

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CITY OF HIGHLAND PARK, ILLINOIS

PRINCIPAL OFFICIALS

December 31, 2008

LEGISLATIVE

Michael D. Belsky, Mayor

City Council

Michael C. Brenner

Steven W. Mandel

James R. Kirsch

Terri R. Olian

Scott Levenfeld

Lawrence D. Silberman

ADMINISTRATIVE

David M. Limardi, City Manager

Elizabeth A. Holleb, Finance Director

Shirley A. Fitzgerald, City Clerk

THE CITIZENS OF HIGHLAND PARK

Mayor and City Council

Michael D. Belsky, Mayor

Michael C. Brenner	Steven W. Mandel
James R. Kirsch	Terri R. Olian
Scott Levenfeld	Lawrence D. Silberman

City Boards, Commissions, and Task Forces

Beautification Task Force	Housing Commission
Board of Police and Fire Commissioners	Human Relations Commission
Business and Economic Development Commission	Intra-City Parking Commission
Civil Service Commission	Joint Plan Commission
Cultural Arts Commission	Lakefront Commission
Design Review Commission	Library Board
Environmental Commission	Plan Commission
Firefighters Pension Board	Police Pension Board
Healthy Highland Park / Highwood Task Force	Ravinia Festival Community Relations Commission
Historic Preservation Commission	Traffic Commission
	Zoning Board of Appeals

City Manager

David Limardi

City Treasurer

Ronald Zweig

Corporation Counsel

Steven Elrod

Deputy City Manager

Patrick Brennan

Asst. City Manager

William Jones

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

City Clerk

Shirley Fitzgerald

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Highland Park
Illinois

For its Comprehensive Annual
Financial Report
for the Eight Months Ended
December 31, 2007

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.



President

Executive Director



CITY OF HIGHLAND PARK

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

June 5, 2009

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 December 31, 2008.

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, Independent Certified Public Accountants, have issued an unqualified opinion on the City's financial statements for the fiscal year ended December 31, 2008. 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 31,457. 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 1955. 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 November. The City Council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than December 31, 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 within departments of any fund. Any revisions that alter the total expenditures of any department 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 was impacted by national economic conditions in 2008. These conditions impacted several sectors including construction and real estate, consumer spending, and business spending. Trends in these sectors have an impact on City revenues such as sales tax, building permits, and real estate transfer tax.

Reduced construction and real estate activity contributed to a decline in building permit revenue of 21% in calendar year 2008 compared to calendar year 2007, and a decline in the number of permits issued and total value of permits issued over the same time period of 16% and 15% respectively. Real estate transfer taxes were significantly impacted in calendar year 2008 compared to calendar year 2007 noting a 34% decline in revenue, and a decline in the number of transactions over the same time period of 27%. The City's assessed valuation increased 3.9% from 2007 to 2008, reflecting the lowest increase in the previous ten years.

Reductions in consumer spending and tight credit markets contributed to a decline in retail sales in 2008. Municipal sales tax revenue, exclusive of home rule sales tax revenue, declined 7.72% in calendar year 2008 from calendar year 2007. The largest declines were seen in the automotive and filling station (-13.42%), apparel (-14.05%), and furniture and household and radio categories (-13.51%). Modest increases were reported in the food (+2.38%) and drinking and eating places (+.60%) categories. These trends are indicative of a shift in consumer spending from luxury items to necessities due to the state of the national economy.

Business spending reductions contributed to a contraction in retail expansion in 2008 with vacancy rates increasing. The City is expected to lose a major manufacturer of plastic containers due to consolidation in 2009. The City Council and Staff are actively assessing numerous options for reuse and redevelopment of the 28 acres. Despite the trend in business spending, commercial property inquiries remain strong and the City's economic development office is working to attract and retain businesses to the City's business districts. In 2008 a partnership of the downtown Property Owners Association, the Highland Park Chamber of Commerce, and the City of Highland Park founded the CBD Alliance. The Alliance was founded to enhance the economic vitality of the City's Central Business District. In support of the Alliance's efforts, CBD property owners have opted to self impose a tax to fund the activities of the CBD Alliance by establishing a special service area.

Deliberate action by the City's elected and appointed officials have ensured adequate reserves to sustain service levels during this period. The City's long-term economic outlook remains favorable. The 2008 average unemployment rate for the City was 4.4% compared to the State of Illinois rate of 6.5% and Lake County rate of 6.7%. 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.

Economic trends are being monitored closely to gauge the potential impact on the City's budget in 2009. Expenditures are being reduced and deferred whenever possible to offset reductions in revenues.

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 included a new 50,000 square foot state-of-the-art police headquarters facility, which completed the City's goal to rebuild or renovate all major City facilities.

The City continues an aggressive capital plan for infrastructure improvements, committing \$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. Incorporated within the annual budget preparation process is the development of a five-year capital improvement program to ensure adequate long-term financial planning.

Relevant financial policies

Unreserved, undesignated fund balance in the general fund is currently 41% of annualized general fund expenditures, exceeding the City's policy guidelines set by the Council for budgetary and planning purposes (25-33 percent of general fund expenditures). These reserves are vital to ensuring the City's ability to weather the current national economic conditions.

During Fiscal Year 2007, the City early implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The City Council has set aside nearly \$3.58 million to meet future requirements associated with other postemployment benefits and has budgeted an additional \$0.4 million in the 2009 budget. Please refer to the notes to the financial statements for additional information.

Major initiatives

The City has initiated a \$23 million project to improve its water treatment plant, which was originally constructed in 1929. The project will include replacement of aging infrastructure, address regulatory requirements, improve reliability, and increase the capacity of the water plant from 21 million gallons per day to 30 million gallons. The project is currently in the design phase and construction is expected to begin in 2010. Due to the significant portion of water revenues received from contract customers, the City successfully re-negotiated its service contracts with the Villages of Deerfield, Lincolnshire, and Bannockburn, as well as Glenbrook Sanitary District, to ensure that these contracts are secured through the expected term of the bonds.

To advance the City's long-standing commitment to performing and visual arts and preserve historic structures in the community, the City purchased the Highland Park Theatre located on the eastern border of the Central Business District. An enhanced performing arts theater in downtown Highland Park will attract local and non-local arts patrons which will contribute to economic development by benefiting nearby commercial businesses, generating sales tax and supporting the creation of local jobs.

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 period ended December 31, 2007. This was the twenty-fourth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently

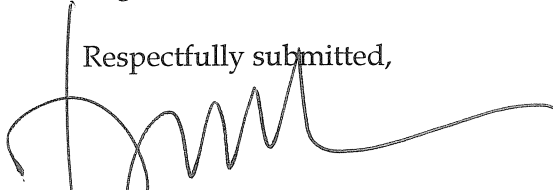
organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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 City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning January 1, 2009. In order to qualify for the Distinguished Budget Presentation Award, the City'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 goes 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 December 31, 2008, which collectively comprise the City of Highland Park, Illinois' basic financial statements as listed in the table of contents. These basic 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit 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 December 31, 2008, 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.

The Management's Discussion and Analysis and the other required supplementary information listed in the accompanying 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' basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the City of Highland Park, Illinois. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial 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.

Aurora, Illinois
April 17, 2009

A handwritten signature in dark ink, appearing to read "AK 220", is located to the right of the date.

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 twelve months ended December 31, 2008. 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 December 31, 2008 by \$165.2 million (net assets).
- The government's total net assets increased by \$3,670,405 during the twelve months ended December 31, 2008. Business-type activities resulted in an \$18,859 increase, while net assets of governmental activities increased by \$3,651,546. The increase in governmental activities is primarily due to appreciation in the fair market value of investments held in the General Fund.
- As of December 31, 2008, the City's governmental funds reported combined ending fund balances of \$48.2 million, an increase of \$4.6 million in comparison with the prior fiscal period. This increase is due to a \$5.48 million appreciation in the fair market value of investments as noted above. Of the total fund balance, \$14.9 million is available for spending in the General Fund at the government's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal period, unreserved and undesignated fund balance of the general fund was \$14,910,292, or 41% of total general fund annual expenditures, exceeding the City's policy to maintain a minimum balance of 25-33%.

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 nine 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, and 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 77 - 82 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 certain 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 86 - 90 in this report.

The basic proprietary fund financial statements can be found on pages 12 - 17 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 18 - 19 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 20 - 57 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 and other post employment benefits to its employees. Required supplementary information can be found on pages 58 - 69 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 70 - 94 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 \$165.2 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (76.6%) 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 (4.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (19.1% of total) may be used to meet the government's ongoing obligations to citizens and creditors.

**City of Highland Park's Net Assets
December 31, 2008**

	Governmental Activities		Business-Type Activities		Total	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Current and Other Assets	\$69,292,648	\$63,675,530	13,178,009	12,741,929	82,470,657	76,417,459
Capital Assets	121,129,933	124,490,798	35,960,037	36,658,750	157,089,970	161,149,548
Total Assets	190,422,581	188,166,328	49,138,046	49,400,679	239,560,627	237,567,007
Long-Term Liabilities Outstanding	45,458,896	47,615,718	13,461,882	13,944,403	58,920,778	61,560,121
Other Liabilities	14,538,321	13,776,792	870,857	669,828	15,409,178	14,446,620
Total Liabilities	59,997,217	61,392,510	14,332,739	14,614,231	74,329,956	76,006,741
Net Assets:						
Capital Assets, net of Debt	96,490,406	96,339,097	30,126,135	29,931,296	126,616,541	126,270,393
Restricted	7,107,210	9,225,744	0	0	7,107,210	9,225,744
Unrestricted	26,827,748	21,208,977	4,679,172	4,855,152	31,506,920	26,064,129
Total Net Assets	130,425,364	126,773,818	34,805,307	34,786,448	165,230,671	161,560,266

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.

Within the governmental activities, the City increased "Current and Other Assets" and "Unrestricted Net Assets", primarily as a result of the appreciation in fair market value of investments and increased cash balances. "Capital Assets" decreased primarily as a result of depreciation.

A breakdown of the change in net assets follows:

Water Utility	\$426,561
Parking System	(74,398)
Country Club	(333,304)
Governmental Activities	<u>3,651,543</u>
Change in Net Assets	<u>\$3,670,402</u>

Reductions in Net Assets of the Parking and Country Club funds are discussed in more detail on page MD&A-7.

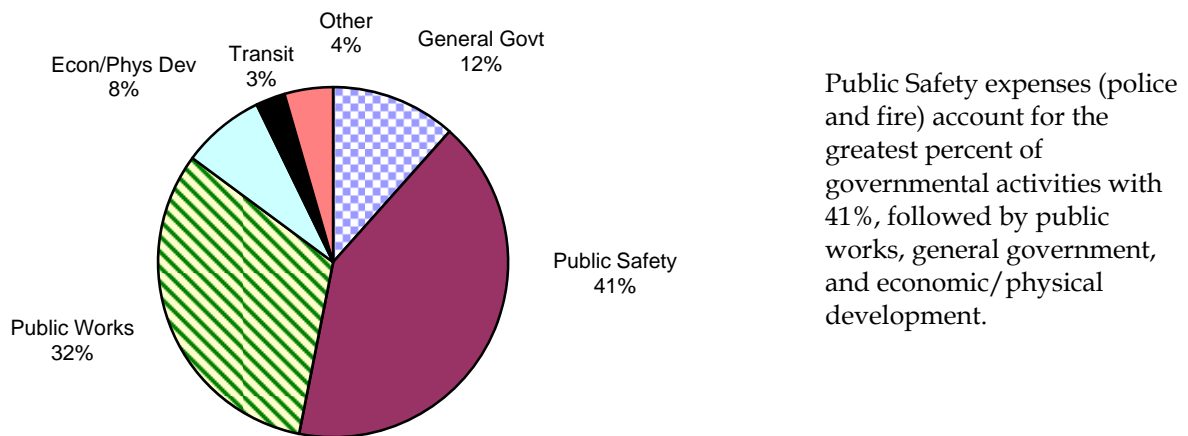
City of Highland Park's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Program Revenues						
Charges for Services	\$9,489,286	\$6,799,111	10,773,041	8,597,308	20,262,327	15,396,419
Operating Grants	796,375	652,180	0	0	796,375	652,180
Capital Grants	780,469	408,052	289,084	297,608	1,069,553	705,660
General Revenues						
Property Taxes	10,628,574	9,952,745	0	0	10,628,574	9,952,745
Sales Taxes	12,451,204	9,397,328	0	0	12,451,204	9,397,328
Other Taxes	11,959,642	8,011,821	0	0	11,959,642	8,011,821
Other	6,470,264	2,609,554	393,686	127,500	6,863,950	2,737,054
TOTAL REVENUES	52,575,814	37,830,791	11,455,811	9,022,416	64,031,625	46,853,207
Expenses						
General Government	5,682,530	3,291,348	0	0	5,682,530	3,291,348
Public Safety	20,358,646	13,931,034	0	0	20,358,646	13,931,034
Public Works	15,695,341	9,309,655	0	0	15,695,341	9,309,655
Economic/Physical Dev	3,765,001	2,929,461	0	0	3,765,001	2,929,461
Transit	1,325,557	967,852	0	0	1,325,557	967,852
Commissions	432,611	354,650	0	0	432,611	354,650
Interest	1,764,585	1,161,404	0	0	1,764,585	1,161,404
Parking	0	0	1,160,791	568,121	1,160,791	568,121
Water	0	0	6,993,813	4,387,664	6,993,813	4,387,664
Country Club	0	0	3,182,348	2,414,382	3,182,348	2,414,382
TOTAL EXPENSES	49,024,271	31,945,404	11,336,952	7,370,167	60,361,223	39,315,571
Increase in Net Assets before Transfers, Special Items and Contributions	3,551,543	5,885,387	118,859	1,652,249	3,670,402	7,537,636
Special Items	0	1,306,489	0	0	0	1,306,489
Contributions	0	0	0	409,327	0	409,327
Prior Period Adjustment	0	42,620	0	0	0	42,620
Transfers	100,000	100,000	(100,000)	(100,000)	0	0
Increase in Net Assets	3,651,543	7,334,496	18,859	1,961,576	3,670,402	9,296,072

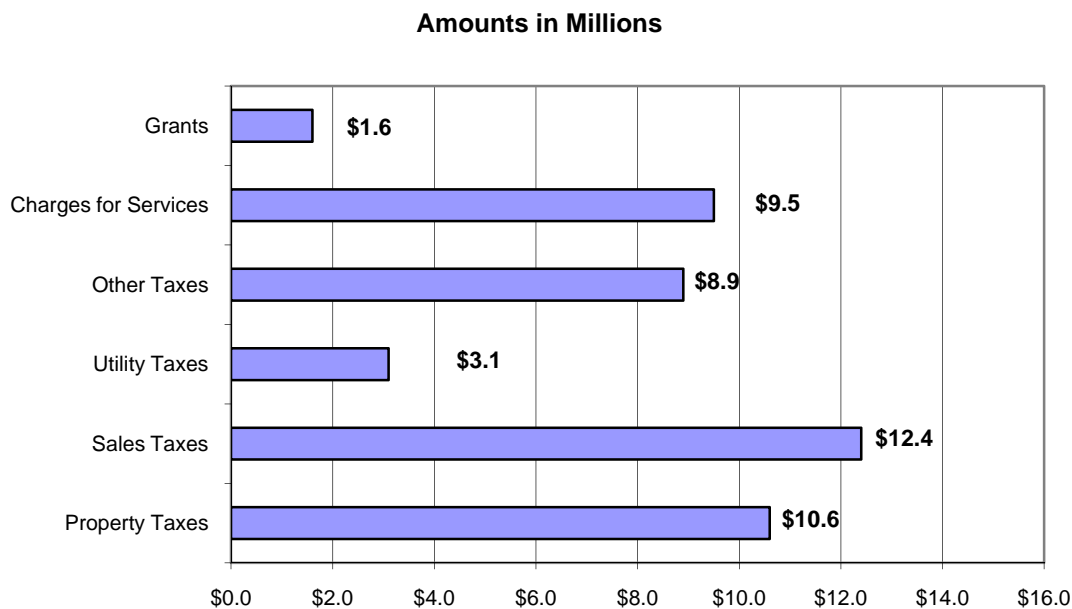
- Variances exist in nearly all categories due to an 8-month fiscal period reported as of December 31, 2007, compared to a 12-month fiscal year reported as of December 31, 2008. This is due to a change in the City's fiscal year effective January 1, 2008.
- Property tax revenue increased by \$675,829 (6.8%) over the prior year, due to a small increase in the annual levy and the first year of collections for Special Service Area #16. 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 only 2.3% per year over the past ten years.

- Sales tax revenue for calendar year 2008, compared to calendar year 2007, decreased by \$665,125 (7.72%), reflective of national economic conditions. Comparison of other taxes for the eight month period ending December 31, 2007, compared to the same eight month period in 2008, reveal increases in local use tax (4.61%), utility tax on natural gas (33.58%), and cable television franchise fees (19.59%). However, declines were reported in income taxes (35.18%), personal property replacement tax (3.13%), hotel taxes (16.67%), and real estate transfer taxes (50.63%).
- The increase in other revenues is attributable in large part to an unrealized gain of \$5,475,734 to reflect General Fund investments at fair value.
- Expenses totaled \$39.3 million for the eight months ended December 31, 2007, which represents 65% of expenses for the 12-month calendar fiscal year 2008.

Expenses and Program Revenues – Governmental Activities



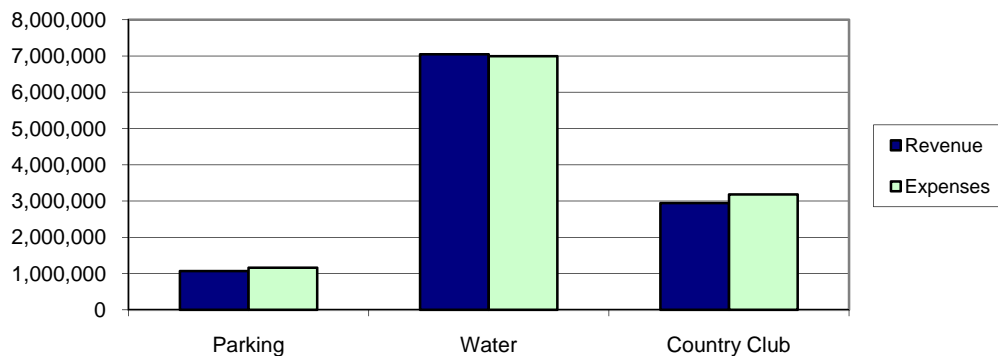
Revenues by Source – Governmental Activities



Sales taxes account for the greatest proportion of funding for governmental activities on an annualized basis, followed by property taxes and charges for services. Growth in expenses has been closely monitored for nine 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.

Business-Type Activities

Business-type activities increased the City's net assets by \$18,859. 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 revenues and expenses of each business-type activity:



- Net assets of the parking fund decreased by \$74,398 in the current fiscal year, the majority of which is due to depreciation.
- The water utility fund net assets increased by \$426,561, which includes a \$289,084 contribution associated with the Cliff Road water main.
- Net assets of the country club fund decreased by \$333,304, the majority of which is due to decreased golf and banquet revenues.
- Revenue of business-type activities is almost exclusively charges for services. During the current fiscal period, non-operating revenues/expenses totaled (\$203,047).

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 December 31, 2008, the City's governmental funds reported combined ending fund balances of \$48.2 million, an increase of \$4.6 million in comparison with the prior fiscal year. As noted previously, a large portion of this increase is the result of an unrealized gain of \$5,475,734 included in investment income of the General Fund associated with the reporting of investments at fair market value. Of the total fund balance, \$14.9 million constitutes *unreserved*,

undesignated fund balance in the General Fund, which is available for spending at the government's discretion. *Reserved fund balance* totaling \$29.4 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). The City also reports a *designated fund balance* of \$3.6 million in the General Fund to meet future obligations for other post-employment benefits. 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 period, unreserved and undesignated fund balance of the general fund was \$14.9 million. As a measure of the general fund's liquidity, it is useful to compare unreserved fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 43% of total general fund expenditures for the 2008 fiscal year. The unreserved, undesignated fund balance of the general fund increased by \$223,604 during the current fiscal period.

The street and bridge fund has a total fund balance of \$361,101. For the current fiscal year, fund balance decreased by \$786,921, which was due primarily to unanticipated snow and ice control expenditures requiring mid-year budget amendments to address an unusually severe winter.

The debt service fund has a total fund balance of \$904,425, all of which is reserved for the payment of debt service. During the current fiscal year, the fund posted a \$79,863 increase in fund balance.

The capital projects fund has a fund balance of \$4.6 million at December 31, 2008. During the current fiscal year, the fund posted a \$568,126 decrease in fund balance due primarily to current year expenditures funded by prior year bond proceeds.

Nonmajor governmental funds combined for a total fund balance of \$1.55 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 \$5.2 million at December 31, 2008. Net assets of the water utility fund amounted to \$19.3 million. Net assets of the country club operation amounted to \$10.4 million. The total growth in net assets for all proprietary funds was \$18,859. 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 the fiscal period to transfer appropriations between operating departments and to provide for unanticipated expenditures. Actual revenues exceeded the budget by \$4.4 million, with positive variances reported in investment income and other revenues which offset shortfalls in sales tax, utility tax, real estate transfer tax and permits. Total general fund expenditures were 90% of budget, resulting in a budgetary savings of nearly \$3.6 million. The increase in fund balance of \$6.6 million compared favorably to the budget projection that fund balance would decrease by \$453,134. The increase in fund balance is due primarily to appreciation in the fair value of investments of \$5.5 million and forfeited guaranteed deposits of \$1.1 million.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2008, amounts to \$126.6 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 \$1.2 million, consisting primarily of the Patton Road and Waukegan Avenue water main improvement projects, but also including the Cliff Road water main dedication.
- Infrastructure improvements totaled \$976,020, including improvements at Linden Avenue, Old Deerfield Road, and Ravine #10 Check Dam Installation.
- Land assets increased due to the Purchase of property at 1870 Green Bay Road.

City of Highland Park's Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Land	\$8,923,202	\$8,744,366	\$4,981,323	\$4,981,323	\$13,904,525	\$13,725,689
Buildings and improvements	52,132,889	53,614,192	15,409,267	16,180,092	67,542,156	69,794,284
Machinery and equipment	4,760,052	4,962,968	1,158,842	1,378,430	5,918,894	6,341,398
Infrastructure	55,313,790	57,169,276	14,310,302	14,118,905	69,624,092	71,288,181
Construction in progress	-	-	100,303	-	100,303	-
Total	\$121,129,933	\$124,490,802	\$35,960,037	\$36,658,750	\$157,089,970	\$161,149,552

Additional information on the City's capital assets can be found in note 5 on pages 33 - 34 of this report.

Long-term debt. At the end of the current fiscal period, the City had total general obligation bonded debt outstanding of \$53,761,914. Of this amount, \$40,506,914 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	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Total	\$40,506,914	\$43,466,444	\$13,255,000	\$14,060,000	\$53,761,914	\$57,526,444

The City's total bonded debt decreased by \$3.76 million during the current fiscal period. 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 \$53.76 million represents 1.93% of the City's equalized assessed valuation.

Additional information on the City's long-term debt can be found in the Notes to Financial Statements 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 long term economic outlook remains strong as the City's stable property tax base increased by 3.9% this year. With 92% of the tax base consisting of residential property, property tax revenue is exceedingly stable. If the current economic trends in the housing and retail markets continue the City anticipates little increase in the assessed value and decreased sales tax, building permit and real estate transfer tax revenues. With sales tax being the primary revenue source for general fund operations, the City is monitoring this revenue closely. Other economic factors impacting the City's budget are as follows:

- The unemployment rate for the City is currently 4.4%, which compares favorably to the 6.7% rate for Lake County and 6.5% rate for the State of Illinois.
- The total value of building permits in the City for fiscal year 2008 was \$126.7 million, a decrease of \$22.4 million from 2007, indicative of the current housing market. In calendar year 2008 the total number of building permits issued declined by 16% compared to 2007.
- 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.

Due to the City's conversion to a calendar fiscal year effective January 1, 2008, a 20-month budget was adopted in April 2007, which encompasses the May 2007 – December 2007 shortened fiscal period as well as the calendar fiscal year 2008. Therefore, the 2008 budget was adopted prior to the decline in the national economy. The City has monitored sales tax, building permit and real estate transfer tax revenue on a monthly basis, as these three revenue sources have declined in the last twelve months. This practice allows the City to continually assess the need for reduced expenditures to offset revenue shortfalls.

Employee benefit expenditures continue to increase due to mandated pension costs and health and dental insurance. City operating departments were required to maintain a 0.00% increase in non-personnel costs for the current budget period.

The 2009 budget projects a \$1,446,413 decrease in unreserved fund balance of the general fund due to reductions in sales tax, building permit and real estate transfer tax revenues.

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.

CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF NET ASSETS

December 31, 2008

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Highland Park Public Library
ASSETS				
Cash	\$ 22,238,794	\$ 4,565,242	\$ 26,804,036	\$ 775,419
Investments	25,217,123	7,885,448	33,102,571	1,826,742
Receivables (net, where applicable, of allowances for uncollectibles)				
Property taxes	10,870,148	-	10,870,148	3,857,470
Motor fuel tax allotments	132,933	-	132,933	-
Intergovernmental	4,158,358	13,495	4,171,853	-
Loans	375,000	-	375,000	-
Accounts	1,839,440	1,021,955	2,861,395	11,954
Accrued interest	64,200	-	64,200	-
Prepaid expenses	454,171	21,147	475,318	3,933
Inventory	-	43,788	43,788	-
Due to/from other funds	450,000	(450,000)	-	-
Deferred charges	64,084	76,934	141,018	-
Net pension asset	3,428,397	-	3,428,397	-
Capital assets not being depreciated	8,923,202	5,081,626	14,004,828	500,000
Capital assets being depreciated, net of accumulated depreciation	112,206,731	30,878,411	143,085,142	2,507,678
Total assets	190,422,581	49,138,046	239,560,627	9,483,196
LIABILITIES				
Accounts payable	2,585,805	547,237	3,133,042	73,282
Accrued payroll	857,831	218,232	1,076,063	53,571
Accrued interest payable	65,842	1,531	67,373	-
Unearned revenues	10,972,528	-	10,972,528	3,857,470
Refundable deposits	56,315	103,857	160,172	-
Noncurrent liabilities				
Due within one year	2,974,988	765,000	3,739,988	15,249
Due in more than one year	42,483,908	12,696,882	55,180,790	278,158
Total liabilities	59,997,217	14,332,739	74,329,956	4,277,730
NET ASSETS				
Invested in capital assets, net of related debt	96,490,406	30,126,135	126,616,541	3,007,678
Restricted for				
Debt service	1,279,425	-	1,279,425	-
Public safety	790,001	-	790,001	-
Public facilities	53,602	-	53,602	-
Highways and streets	4,984,182	-	4,984,182	-
Culture and recreation	-	-	-	506,692
Unrestricted	26,827,748	4,679,172	31,506,920	1,691,096
TOTAL NET ASSETS	\$ 130,425,364	\$ 34,805,307	\$ 165,230,671	\$ 5,205,466

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2008

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 5,682,525	\$ 1,394,081	\$ -	\$ -
Public safety	20,358,646	1,678,097	1,620	546,718
Public works	15,695,342	3,099,321	794,755	220,951
Economic and physical development	3,765,001	2,240,709	-	-
Transit	1,325,557	1,077,078	-	-
Commissions	432,611	-	-	12,800
Interest	1,764,586	-	-	-
Total governmental activities	49,024,268	9,489,286	796,375	780,469
Business-Type Activities				
Parking system	1,160,791	1,070,944	-	-
Water	6,993,813	6,756,248	-	289,084
Country club	3,182,348	2,945,849	-	-
Total business-type activities	11,336,952	10,773,041	-	289,084
TOTAL PRIMARY GOVERNMENT	\$ 60,361,220	\$ 20,262,327	\$ 796,375	\$ 1,069,553
COMPONENT UNIT				
Highland Park Public Library	\$ 4,135,578	\$ 108,184	\$ 156,873	\$ -

	Net (Expense) Revenue and Change in Net Assets			
	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Highland Park Public Library
	\$ (4,288,444)	\$ -	\$ (4,288,444)	\$ -
	(18,132,211)	-	(18,132,211)	-
	(11,580,315)	-	(11,580,315)	-
	(1,524,292)	-	(1,524,292)	-
	(248,479)	-	(248,479)	-
	(419,811)	-	(419,811)	-
	(1,764,586)	-	(1,764,586)	-
	(37,958,138)	-	(37,958,138)	-
	-	(89,847)	(89,847)	-
	-	51,519	51,519	-
	-	(236,499)	(236,499)	-
	-	(274,827)	(274,827)	-
	(37,958,138)	(274,827)	(38,232,965)	-
	-	-	-	(3,870,521)
General Revenues				
Taxes				
Property	10,628,574	-	10,628,574	3,724,049
Replacement	345,105	-	345,105	48,558
Home rule sales	4,504,122	-	4,504,122	-
Sales	7,947,082	-	7,947,082	-
Utility	3,106,464	-	3,106,464	-
Franchise	2,612,081	-	2,612,081	-
Real estate transfer	1,202,395	-	1,202,395	-
Income	2,864,722	-	2,864,722	-
Other	1,828,875	-	1,828,875	-
Investment income				
Interest income	1,153,313	89,334	1,242,647	61,925
Net appreciation in fair value of investments	5,316,951	304,352	5,621,303	-
Transfers	100,000	(100,000)	-	-
Total	41,609,684	293,686	41,903,370	3,834,532
CHANGE IN NET ASSETS	3,651,546	18,859	3,670,405	(35,989)
NET ASSETS, JANUARY 1	126,773,818	34,786,448	161,560,266	5,241,455
NET ASSETS, DECEMBER 31	\$ 130,425,364	\$ 34,805,307	\$ 165,230,671	\$ 5,205,466

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2008

	General	Street and Bridge	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<hr/>						
ASSETS						
Cash	\$ 16,012,448	\$ 418,606	\$ 904,425	\$ 2,247,221	\$ 853,367	\$ 20,436,067
Investments	22,309,500	-	-	2,644,229	263,394	25,217,123
Receivables						
Property taxes	4,108,220	2,020,000	3,333,275	1,308,653	100,000	10,870,148
Motor fuel tax allotments	-	-	-	-	132,933	132,933
Intergovernmental	4,012,407	-	-	145,951	-	4,158,358
Loans	-	-	-	-	375,000	375,000
Accounts	1,469,499	238,376	-	107,523	-	1,815,398
Accrued interest	64,200	-	-	-	-	64,200
Due from other funds	450,000	65,000	-	-	-	515,000
	<hr/>					
TOTAL ASSETS	\$ 48,426,274	\$ 2,741,982	\$ 4,237,700	\$ 6,453,577	\$ 1,724,694	\$ 63,584,227
	<hr/>					

	General	Street and Bridge	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 1,662,062	\$ 280,272	\$ -	\$ 520,133	\$ 2,751	\$ 2,465,218
Accrued payroll	677,705	80,609	-	-	8,277	766,591
Deferred revenue	5,234,905	2,020,000	3,333,275	1,320,367	100,000	12,008,547
Due to other funds					65,000	65,000
Refundable deposits	56,315	-	-	-	-	56,315
Total liabilities	7,630,987	2,380,881	3,333,275	1,840,500	176,028	15,361,671
FUND BALANCES						
Reserved for debt service	-	-	904,425	-	-	904,425
Reserved for loans	-	-	-	-	375,000	375,000
Reserved for public facilities	-	-	-	-	53,602	53,602
Reserved for employee retirement	22,309,500	-	-	-	-	22,309,500
Reserved for public safety	-	-	-	-	790,001	790,001
Reserved for streets	-	361,101	-	4,613,077	10,004	4,984,182
Unreserved						
Designated						
Other postemployment benefits	3,575,495	-	-	-	-	3,575,495
Undesignated						
General Fund	14,910,292	-	-	-	-	14,910,292
Capital Projects Fund	-	-	-	-	320,059	320,059
Total fund balances	40,795,287	361,101	904,425	4,613,077	1,548,666	48,222,556
TOTAL LIABILITIES AND FUND BALANCES	\$ 48,426,274	\$ 2,741,982	\$ 4,237,700	\$ 6,453,577	\$ 1,724,694	\$ 63,584,227

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

December 31, 2008

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 48,222,556
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	121,129,932
Less amount reported in internal service funds below	(2,900,041)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	(40,506,914)
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	64,084
Accrued interest on long-term liabilities is shown as a liability on the statement of net assets	(65,842)
Net pension asset for the fire and police pension funds is shown as an asset on the statement of net assets	3,428,397
The net other postemployment benefit obligation is shown as a liability on the statement of net assets	(2,774,417)
The compensated absences liability for the City is not due and payable in the current period and, therefore, not reported in the governmental funds.	(2,177,565)
Certain revenues are deferred at the fund level on the modified accrual basis of accounting but not at the entity-wide level	1,051,917
The net assets of the internal service fund are included in the governmental activities in the statement of net assets	<u>4,953,257</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 130,425,364</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 December 31, 2008

	General	Street and Bridge	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 3,943,447	\$ 1,939,219	\$ 3,320,576	\$ 1,284,717	\$ 140,616	\$ 10,628,575
Illinois state replacement taxes	345,105	-	-	-	-	345,105
Licenses and permits	1,334,758	821,570	-	-	-	2,156,328
Charges for current services	1,607,216	1,815,075	-	-	-	3,422,291
Municipal sales tax	12,451,204	-	-	-	-	12,451,204
Fines and forfeitures	399,803	11,830	-	-	-	411,633
Utility tax	3,106,464	-	-	-	-	3,106,464
Cable television franchise tax	523,939	-	-	-	-	523,939
Real estate transfer tax	1,202,395	-	-	-	-	1,202,395
Motor fuel tax allotments	-	-	-	-	794,755	794,755
Intergovernmental	100,237	-	-	-	95,838	196,075
Illinois state income tax	2,864,722	-	-	-	-	2,864,722
Regional Transportation Authority reimbursement	1,077,078	-	-	-	-	1,077,078
Franchise tax	2,088,142	-	-	-	-	2,088,142
Other taxes	1,435,960	287,104	-	-	-	1,723,064
Reimbursements - other agencies	357,586	-	-	423,931	-	781,517
Investment income						
Interest income	1,037,028	7,943	25,282	47,367	35,693	1,153,313
Net appreciation in fair value of investments	5,475,734			95,786		5,571,520
Miscellaneous	1,627,555	168,140	671	-	535,901	2,332,267
Total revenues	40,978,373	5,050,881	3,346,529	1,851,801	1,602,803	52,830,387

	General	Street and Bridge	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
EXPENDITURES						
Current						
General government	\$ 5,456,559	\$ -	\$ -	\$ -	\$ -	\$ 5,456,559
Public safety	18,599,802	-	-	-	623,197	19,222,999
Public works	1,904,724	5,674,367	-	-	890,000	8,469,091
Economic and physical development	3,885,286	-	-	-	-	3,885,286
Transit	1,340,683	-	-	-	-	1,340,683
Commissions	179,815	-	-	-	-	179,815
Debt service						
Principal	-	-	2,959,531	-	-	2,959,531
Interest and fiscal charges	-	-	1,758,795	-	-	1,758,795
Capital outlay	-	163,435	-	4,574,927	289,791	5,028,153
Total expenditures	31,366,869	5,837,802	4,718,326	4,574,927	1,802,988	48,300,912
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,611,504	(786,921)	(1,371,797)	(2,723,126)	(200,185)	4,529,475
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	1,451,660	2,155,000	-	3,606,660
Transfers (out)	(3,006,660)	-	-	-	(500,000)	(3,506,660)
Total other financing sources (uses)	(3,006,660)	-	1,451,660	2,155,000	(500,000)	100,000
NET CHANGES IN FUND BALANCES	6,604,844	(786,921)	79,863	(568,126)	(700,185)	4,629,475
FUND BALANCES, JANUARY 1	34,190,443	1,148,022	824,562	5,181,203	2,248,851	43,593,081
FUND BALANCES, DECEMBER 31	\$ 40,795,287	\$ 361,101	\$ 904,425	\$ 4,613,077	\$ 1,548,666	\$ 48,222,556

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 December 31, 2008

NET CHANGE IN FUND BALANCES -		
TOTAL GOVERNMENTAL FUNDS	\$	4,629,475
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		1,615,706
Certain revenues are deferred in governmental funds but not in governmental activities		(254,573)
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		2,959,531
The decrease in accrued interest payable is shown as an addition to expense on the statement of activities		929
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	\$ (4,707,197)	
Amortization	<u>(6,720)</u>	(4,713,917)
The change in compensated absences payable is shown as an expense on the statement of activities		39,979
The increase in net pension asset is reported as a decrease in expense on the statement of activities		99,089
The increase in net other postemployment benefits obligation is reported as an expense on the statement of activities		(861,376)
The change in net assets of certain activities of internal service funds is in governmental funds		<u>136,703</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>3,651,546</u></u>

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

December 31, 2008

	Business-Type Activities				Governmental Activities Internal Service
	Motor Vehicle Parking System	Water	Highland Park Country Club	Totals	
CURRENT ASSETS					
Cash	\$ 1,071,787	\$ 3,104,036	\$ 389,419	\$ 4,565,242	\$ 1,802,727
Investments	-	7,885,448	-	7,885,448	-
Receivables					
Billed	-	177,371	136,128	313,499	24,042
Unbilled	-	708,456	-	708,456	-
Due from other governments	13,495	-	-	13,495	-
Prepaid expenses	-	-	21,147	21,147	454,171
Inventories	-	-	43,788	43,788	-
Total current assets	1,085,282	11,875,311	590,482	13,551,075	2,280,940
NONCURRENT ASSETS					
Capital Assets					
Land	1,319,165	66,958	3,595,200	4,981,323	-
Construction in progress	-	100,303	-	100,303	-
Parking facilities and equipment	4,457,628	-	-	4,457,628	-
Water and sewer plant and equipment	-	44,015,922	-	44,015,922	-
Country club facilities and equipment	-	-	11,473,102	11,473,102	-
Equipment	-	-	-	-	10,556,584
Less accumulated depreciation	(1,640,073)	(23,823,858)	(3,604,310)	(29,068,241)	(7,656,543)
Net capital assets	4,136,720	20,359,325	11,463,992	35,960,037	2,900,041
Deferred charges	-	70,376	6,558	76,934	-
Total noncurrent assets	4,136,720	20,429,701	11,470,550	36,036,971	2,900,041
Total assets	5,222,002	32,305,012	12,061,032	49,588,046	5,180,981
CURRENT LIABILITIES					
Accounts payable	56,303	441,187	49,747	547,237	120,587
Accrued payroll	7,700	187,628	22,904	218,232	91,240
Due to other funds	-	-	450,000	450,000	-
Refundable deposits	-	-	103,857	103,857	-
Interest payable	-	1,386	145	1,531	-
Unearned revenue	-	-	-	-	15,897
Bonds payable - current	-	575,000	190,000	765,000	-
Total current liabilities	64,003	1,205,201	816,653	2,085,857	227,724

(This statement is continued on the following page.)

CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF NET ASSETS (Continued)
PROPRIETARY FUNDS

December 31, 2008

	Business-Type Activities				Governmental Activities Internal Service
	Motor Vehicle Parking System	Water	Highland Park Country Club	Totals	
LONG-TERM LIABILITIES					
Bond premium (discount)	\$ -	\$ (26,082)	\$ (3,670)	\$ (29,752)	\$ -
Net other postemployment benefit obligation	-	236,634	-	236,634	-
General obligation bonds payable	-	11,615,000	875,000	12,490,000	-
Total long-term liabilities	-	11,825,552	871,330	12,696,882	-
Total liabilities	64,003	13,030,753	1,687,983	14,782,739	227,724
NET ASSETS					
Invested in capital assets, net of related debt	4,136,720	15,586,753	10,402,662	30,126,135	2,900,041
Unrestricted	1,021,279	3,687,506	(29,613)	4,679,172	2,053,216
TOTAL NET ASSETS	\$ 5,157,999	\$ 19,274,259	\$ 10,373,049	\$ 34,805,307	\$ 4,953,257

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 December 31, 2008

	Business-Type Activities				Governmental Activities
	Motor Vehicle Parking System	Water	Highland Park Country Club	Totals	Internal Service
OPERATING REVENUES					
Charges for services					
Water sales	\$ -	\$ 6,561,177	\$ -	\$ 6,561,177	\$ -
Water permit fees	-	75,408	-	75,408	-
Parking lot collections	650,788	-	-	650,788	-
Parking violations	420,156	-	-	420,156	-
Charges for goods and services	-	-	2,798,983	2,798,983	9,494,506
Miscellaneous	-	119,663	146,866	266,529	75,813
Total operating revenues	1,070,944	6,756,248	2,945,849	10,773,041	9,570,319
OPERATING EXPENSES					
Personal services	308,990	2,419,341	-	2,728,331	1,394,614
Contractual services	406,944	1,137,589	2,741,032	4,285,565	6,047,737
Materials and supplies	24,274	398,422	-	422,696	773,205
Repairs and maintenance	(1,473)	79,317	-	77,844	280,689
Small tools and equipment	89,737	236,912	4,268	330,917	59,675
Administrative reimbursements	91,000	895,000	-	986,000	-
Total operating expenses	919,472	5,166,581	2,745,300	8,831,353	8,555,920
OPERATING INCOME BEFORE DEPRECIATION	151,472	1,589,667	200,549	1,941,688	1,014,399
Depreciation	241,319	1,293,345	374,202	1,908,866	875,308
OPERATING INCOME (LOSS)	(89,847)	296,322	(173,653)	32,822	139,091
NONOPERATING REVENUES (EXPENSES)					
Investment income					
Interest income	15,449	70,690	3,195	89,334	18,679
Net appreciation in fair value of investments	-	304,352	-	304,352	-
Gain (loss) on sale of capital assets	-	-	-	-	(21,067)
Interest expense and fiscal charges	-	(533,887)	(62,846)	(596,733)	-
Total nonoperating revenues (expenses)	15,449	(158,845)	(59,651)	(203,047)	(2,388)

(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 December 31, 2008

	Business-Type Activities			Totals	Governmental Activities Internal Service
	Motor Vehicle Parking System	Water	Highland Park Country Club		
NET INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	\$ (74,398)	\$ 137,477	\$ (233,304)	\$ (170,225)	\$ 136,703
TRANSFERS					
Transfers (out)	-	-	(100,000)	(100,000)	-
Total transfers	-	-	(100,000)	(100,000)	-
CONTRIBUTIONS	-	289,084	-	289,084	-
CHANGE IN NET ASSETS	(74,398)	426,561	(333,304)	18,859	136,703
NET ASSETS, JANUARY 1	5,232,397	18,847,698	10,706,353	34,786,448	4,816,554
NET ASSETS, DECEMBER 31	\$ 5,157,999	\$ 19,274,259	\$ 10,373,049	\$ 34,805,307	\$ 4,953,257

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2008

	Business-Type Activities			Governmental
	Motor Vehicle Parking System	Water	Highland Park Country Club	Activities Internal Service
			Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,052,194	\$ 6,694,406	\$ 2,942,048	\$ 10,688,648
Receipts from interfund services	-	-	-	8,245,297
Payments to suppliers	(481,431)	(1,650,614)	(1,316,054)	(8,216,494)
Payments to employees	(307,719)	(2,171,371)	(1,420,968)	(1,399,443)
Payments for interfund services	(91,000)	(895,000)	-	(986,000)
Net cash from operating activities	172,044	1,977,421	205,026	2,354,491
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Due to/from other funds	-	-	(650,000)	(650,000)
Interfund transfers	-	-	(100,000)	(100,000)
Net cash from noncapital financing activities	-	-	(750,000)	(750,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on capital lease obligation	-	-	-	(18,689)
Principal payments on bonds	-	(635,000)	(170,000)	(805,000)
Intergovernmental grants	(12,898)	-	-	(12,898)
Interest paid	-	(537,181)	(60,404)	(597,585)
Sale of capital assets	-	-	-	58,848
Purchase of capital assets	-	(921,068)	-	(921,068)
Net cash from capital and related financing activities	(12,898)	(2,093,249)	(230,404)	(2,336,551)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	15,449	375,042	3,195	393,686
Purchase of investments	-	(407,212)	-	(407,212)
Net cash from investing activities	15,449	(32,170)	3,195	(13,526)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	174,595	(147,998)	(772,183)	(745,586)
CASH AND CASH EQUIVALENTS, JANUARY 1	897,192	3,252,034	1,161,602	5,310,828
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 1,071,787	\$ 3,104,036	\$ 389,419	\$ 4,565,242

(This statement is continued on the following page.)

CITY OF HIGHLAND PARK, ILLINOIS
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS

For the Year Ended December 31, 2008

	Business-Type Activities				Governmental Activities Internal Service
	Motor Vehicle Parking System	Water	Highland Park Country Club	Total	
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ (89,847)	\$ 296,322	\$ (173,653)	\$ 32,822	\$ 139,091
Adjustments to reconcile operating income (loss) to net cash from operating activities					
Depreciation	241,319	1,293,345	374,202	1,908,866	875,308
Changes in assets and liabilities					
Accounts receivable	-	(61,842)	20,381	(41,461)	169,294
Prepaid expenses	-	-	(11,619)	(11,619)	(454,171)
Inventory	-	-	18,457	18,457	-
Accrued expenses	-	-	-	-	(633,786)
Accounts payable	38,051	201,626	(2,507)	237,170	32,769
Net other postemployment benefit obligation	-	236,634	-	236,634	-
Refundable deposits	-	-	(24,182)	(24,182)	-
Accrued payroll	1,271	11,336	3,947	16,554	(4,829)
Due to other funds	-	-	-	-	(2,812)
Unearned revenue	(18,750)	-	-	(18,750)	-
NET CASH FROM OPERATING ACTIVITIES	\$ 172,044	\$ 1,977,421	\$ 205,026	\$ 2,354,491	\$ 120,864

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

December 31, 2008

	Pension Trust	Agency
<hr/>		
ASSETS		
Cash and cash equivalents	\$ 1,999,526	\$ 3,328,875
Investments		
U.S. Government and agency obligations	30,206,131	-
Mutual funds	9,497,804	-
Common stock	8,556,238	-
Receivables		
Accounts	-	15,916
Accrued interest	251,100	-
	<hr/>	
Total assets	50,510,799	\$ 3,344,791
	<hr/>	
LIABILITIES		
Accounts payable	37,383	439,037
Accrued payroll	-	395
Due to others	-	1,516,539
Deposits payable	-	1,388,820
	<hr/>	
Total liabilities	37,383	\$ 3,344,791
	<hr/>	
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 50,473,416</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 December 31, 2008

ADDITIONS

Contributions - employer	
Taxes	\$ 2,344,563
Contributions - plan members	858,967
Contributions - other	<u>825</u>
Total contributions	<u>3,204,355</u>
Investment income	
Net appreciation (depreciation) in fair value of investments	(10,536,270)
Interest earned on investments	<u>2,145,700</u>
Total investment income	(8,390,570)
Less investment expenses	<u>(202,335)</u>
Net investment income	<u>(8,592,905)</u>
Total additions	<u>(5,388,550)</u>

DEDUCTIONS

Pension and refunds	4,696,908
Miscellaneous	<u>57,068</u>
Total deductions	<u>4,753,976</u>

NET INCREASE (DECREASE) (10,142,526)

NET ASSETS HELD IN TRUST FOR
PENSION BENEFITS

January 1	<u>60,615,942</u>
December 31	<u>\$ 50,473,416</u>

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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 GAAP, 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, 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. PPERS is reported as a pension trust fund. 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 five member pension board. Two members appointed by the City's Mayor, one pension beneficiary elected by the membership, and two firefighter 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, 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. FPERS is reported as a pension trust fund. FPERS does not issue a separate annual financial report.

Highland Park Public Library (the Library)

This component unit has a nine member board appointed by the City's Mayor 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.

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, 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, other than interfund services, 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 to support operations.

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, street maintenance, maintenance of storm and sanitary sewers, forestry, 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 Capital Projects Fund is used to account for costs incurred to alleviate storm drainage problems, finance street improvements, and provide other facility and infrastructure improvements.

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, except for the agency funds which do not have a measurement focus. 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 nonoperating.

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 statement of net assets. 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 use 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 include 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/unearned revenue on its financial statements. Deferred/unearned revenues arise when a potential revenue does not meet both the “measurable” and “available” or “earned” criteria for recognition in the current period. Deferred/unearned revenues also arise when resources are received by the 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/unearned 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 December 31 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.” Short-term interfund loans, if any, are classified as “interfund receivables/payables.”

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

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 with a cost 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 as they are earned.

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. None of the City's net assets are restricted as a result of enabling legislation adopted by the City. 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, *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

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 the 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.

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.

a. Permitted Deposits and Investments

The City's investment policy authorizes 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 debt 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 Funds' share price \$(1), 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)

a. Permitted Deposits and Investments (Continued)

Illinois Metropolitan Investment Fund (IMET) is a not-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.

b. City Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank 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 with the collateral held by the City or in safekeeping on behalf of the City.

c. City Investments

The following table presents the investments and maturities of the City's debt securities as of December 31, 2008:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
IMET	\$ 10,301,489	\$ -	\$ 10,301,489	\$ -	\$ -
Illinois Funds	24,735,769	24,735,769	-	-	-
Local government bonds	22,309,500	215,450	973,000	1,515,100	19,605,950
Money market mutual funds	5,468,631	5,468,631	-	-	-
TOTAL	\$ 62,815,389	\$ 30,419,850	\$ 11,274,489	\$ 1,515,100	\$ 19,605,950

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 three years from date of purchase, unless specific authority is given to exceed. Investments in reserve 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)

c. 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 and the other securities noted above. The IMET 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. The City's investment policy does not address custodial credit risk. In addition, the U.S. Treasury obligations are held in safekeeping at the bank where they are purchased. Illinois Funds and IMET are not subject to custodial credit risk.

d. 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 bank failure, the Police and Firefighters' Pension Funds' deposits may not be returned to them. The Police Pension Fund's investment policies do not require pledging of collateral for all bank balances in excess of federal depository insurance, since flow through FDIC insurance may be available for the Police Pension Fund's deposits with financial institutions. The Firefighters' Pension Fund's investment policy requires pledging of collateral with a fair value of 110% of all bank balances in excess of federal depository insurance with the collateral held by the Firefighters' Pension Fund or its agent in the name of the Firefighters' Pension Fund.

e. Police Pension Fund Investments

The following table presents the investments and maturities of the Police Pension Fund's debt securities as of December 31, 2008:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 4,455,347	\$ -	\$ 2,513,781	\$ 1,484,915	\$ 456,651
U.S. agency obligations	9,721,429	-	3,003,482	2,795,416	3,922,531
Money market mutual funds	382,477	382,477	-	-	-
TOTAL	\$ 14,559,253	\$ 382,477	\$ 5,517,263	\$ 4,280,331	\$ 4,379,182

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

3. DEPOSITS AND INVESTMENTS (Continued)

e. 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 U.S. agency obligation are rated AAA, the money market funds are rated AAA.

Custodial credit risk for investments is the risk that, in the event of the failure of the counter-party 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. The Police Pension Fund's investment policy does not address custodial credit risk. However, the investments are held by a custodian separate from where they are purchased. The money market mutual funds are not subject to custodial credit risk.

At December 31, 2008, the Police Pension Fund had greater than 5% of its overall portfolio invested in U.S Treasury obligations (18%) and U.S. agency obligations (40%). 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. Firefighters' Pension Fund Investments

The following table presents the investments and maturities of the Firefighters' Pension Fund's debt securities as of December 31, 2008:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 9,195,992	\$ -	\$ 963,434	\$ 2,898,235	\$ 5,334,323
U.S. agency obligations	6,833,363	-	1,332,280	1,927,573	3,573,510
Money market mutual funds	1,058,726	1,058,726	-	-	-
TOTAL	\$ 17,088,081	\$ 1,058,726	\$ 2,295,714	\$ 4,825,808	\$ 8,907,833

3. DEPOSITS AND INVESTMENTS (Continued)

f. 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, but does require that the portfolio be structured to provide sufficient cash flows to avoid selling debt securities before maturity.

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 counter-party 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. The investment policy requires that all security transactions that are exposed to custodial credit risk are processed on a delivery versus payment (DVP) basis with the underlying investment held by a third-party acting as the Fund's agent separate from where the investment was purchased. Illinois Funds, money market mutual funds, and mutual funds are not subject to custodial credit risk.

At December 31, 2008, the Firefighters' Pension Fund had greater than 5% of its overall portfolio invested in U.S. Treasury obligations (38%) and U.S. agency obligations (29%). To limit the Firefighters' Pension Fund's exposure to concentration of credit risk, the investment policy requires that no more than 20% of the portfolio be invested in any single issuer, excluding U.S. Treasury or U.S. agency securities. In addition, the investment policy requires that investments in the Illinois Funds or brokered certificates of deposit not exceed 5% of the portfolio.

4. RECEIVABLES - TAXES

Property taxes for 2008 attach as an enforceable lien on January 1, 2008 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, 2009 and August 1, 2009 and are payable in two installments, on June 1, 2009 and September 1, 2009. The County collects such taxes and remits them periodically. The allowance for uncollectible taxes has been stated at 0.5% of the tax levy to reflect actual collection experience. The 2008 taxes are intended to finance the 2009 fiscal year and are not considered available for current operations and are, therefore, reported as deferred revenue.

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

5. CAPITAL ASSETS

Primary Government

	Beginning Balances	Increases	Decreases	Ending Balances
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 8,484,176	\$ 178,836	\$ -	\$ 8,663,012
Land right of way	260,190	-	-	260,190
Total capital assets not being depreciated	8,744,366	178,836	-	8,923,202
Capital assets being depreciated				
Buildings and land improvements	70,098,600	-	-	70,098,600
Machinery and equipment	14,178,979	1,146,700	679,285	14,646,394
Infrastructure	112,596,713	976,019	-	113,572,732
Total capital assets being depreciated	196,874,292	2,122,719	679,285	198,317,726
Less accumulated depreciation for				
Buildings and land improvements	16,484,408	1,481,303	-	17,965,711
Machinery and equipment	9,216,015	1,269,702	599,370	9,886,347
Infrastructure	55,427,437	2,831,500	-	58,258,937
Total accumulated depreciation	81,127,860	5,582,505	599,370	86,110,995
Total capital assets being depreciated, net	115,746,432	(3,459,786)	79,915	112,206,731
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$124,490,798	\$ (3,280,950)	\$ 79,915	\$121,129,933
GOVERNMENTAL ACTIVITIES				
General government				\$ 106,153
Public safety				785,946
Public works				3,471,722
Economic development				94,302
Commissions				249,074
Total depreciation expense before internal service funds				4,707,197
INTERNAL SERVICE FUNDS				
General government				234,819
Public safety				167,416
Public works				449,563
Economic Development				23,510
Total depreciation expense for internal service funds				875,308
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES				\$ 5,582,505

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

5. CAPITAL ASSETS (Continued)

Primary Government (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 4,981,323	\$ -	\$ -	\$ 4,981,323
Construction in progress	-	100,303	-	100,303
Total capital assets not being depreciated	4,981,323	100,303	-	5,081,626
Capital assets being depreciated				
Building	27,158,340	-	-	27,158,340
Infrastructure	26,732,033	1,090,167	-	27,822,200
Machinery and equipment	4,946,429	19,683	-	4,966,112
Total capital assets being depreciated	58,836,802	1,109,850	-	59,946,652
Less accumulated depreciation for				
Building	10,978,248	770,825	-	11,749,073
Infrastructure	12,613,128	898,770	-	13,511,898
Machinery and equipment	3,567,999	239,271	-	3,807,270
Total accumulated depreciation	27,159,375	1,908,866	-	29,068,241
Total capital assets being depreciated, net	31,677,427	(799,016)	-	30,878,411
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ 36,658,750	\$ (698,713)	\$ -	\$ 35,960,037

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. Effective December 31, 2007, the City withdrew from its participation in a public entity risk pool. Effective January 1, 2008, the City is self-insured for general liability and worker's compensation and has recorded the self-insurance liability in the General Fund for those risks.

Property Insurance

The City has purchased third-party indemnity coverage for property and casualty losses. The City is covered up to 100% of cash value for property, with a self-insured retention of \$100,000 per occurrence.

6. RISK MANAGEMENT (Continued)

Liability Insurance

The City is self-insured for general liability insurance up to \$25,000. The City has purchased specific stop-loss coverage for claims to \$11,000,000. The City's liability insurance carrier administers claims as directed by the City's Finance Director.

Workers' Compensation

The City is self-insured for workers' compensation. In order to limit its exposure to losses, the City has purchased specific stop-loss coverage limiting its exposure to \$250,000 per occurrence with specific excess coverage providing insurance above \$250,000 per occurrence up to the statutory maximum. The City has hired a third-party administrator to review, process, and pay claims as directed by the City's Human Resources Director. Claims incurred are charged to the City's General Fund.

The Parking and Water Funds of the City participate and make payments to the General Fund based upon estimates of the amounts needed to pay prior and current year claims. Liabilities 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 fiscal year is as follows:

A reconciliation of the claims liability is as follows (only one year is presented as 2008 was the first year of self-insurance for property, liability, and workers' compensation):

	December 31, 2008
CLAIMS PAYABLE, BEGINNING OF YEAR	\$ -
Add claims incurred	474,974
Less claims paid	(170,832)
CLAIMS PAYABLE, END OF YEAR	<u>\$ 304,142</u>

Effective December 31, 2007, the City has withdrawn its membership from the Intergovernmental Risk Management Agency (IRMA) and is instead purchasing third-party indemnity coverage to limit its exposures to various risks of loss. In accordance with the IRMA by-laws, the City will be paid out its share of funds remaining with IRMA over a number of years as claim years are closed out. The City has recorded a receivable of \$1,051,916 as the amount it estimates to receive from IRMA.

6. RISK MANAGEMENT (Continued)

Health Care and Insurance Benefits

Effective January 1, 2008, the City is no longer self-insured for health insurance. Instead, the City has joined the Intergovernmental Personnel Benefit Cooperative, a public entity risk pool.

Changes in the balances of claims liabilities during the past two fiscal years of the self-insurance plan are as follows:

	Eight Months Ended	
	December 31, 2007	December 31, 2008
CLAIMS PAYABLE, BEGINNING OF YEAR	\$ 467,774	\$ 633,786
Add claims incurred	4,155,346	-
Less claims paid	(3,989,334)	(633,786)
CLAIMS PAYABLE, END OF YEAR	<u>\$ 633,786</u>	<u>\$ -</u>

Intergovernmental Personnel Benefit Cooperative

The City participates in the Intergovernmental Personnel Benefit Cooperative (IPBC). IPBC is a public entity risk pool established by certain units of local government in Illinois to administer some or all of the personnel benefit programs (primarily medical, dental, and life insurance coverage) offered by these members to their officers and employees and to the officers and employees of certain other governmental, quasi governmental, and nonprofit public service entities.

The IPBC receives, processes, and pays such claims as may come within the benefit program of each member. Management consists of a Board of Directors comprised of one appointed representative from each member. In addition, there are two officers, a Benefit Administrator and a Treasurer. The City does not exercise any control over the activities of the IPBC beyond its representation on the Board of Directors.

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/funds. These bonds, therefore, are reported in the proprietary activities/funds if they are expected to be repaid from proprietary revenues.

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

7. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

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 January 1	Issuances	Retirements	Balances December 31	Current
\$3,030,000, 1998 General Obligation Corporate Purpose Bonds, due in annual installments of \$50,000 to \$800,000 through December 31, 2008, interest at 4.000% to 4.125%	Debt Service	\$ 205,000	\$ -	\$ 205,000	\$ -	\$ -
\$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	3,490,000	-	515,000	2,975,000	540,000
\$8,500,000, 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%	Debt Service	4,815,000	-	700,000	4,115,000	715,000
\$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	6,345,000	-	705,000	5,640,000	725,000
\$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	9,817,637	-	95,873	9,721,764	101,155
\$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	6,183,807	-	63,657	6,120,150	63,833

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

7. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

Issue	Fund Debt Retired by	Balances January 1	Issuances	Retirements	Balances December 31	Current
\$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	\$ 9,510,000	\$ -	\$ 385,000	\$ 9,125,000	\$ 620,000
\$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	600,000	-	200,000	400,000	200,000
\$2,500,000 2007 General Obligation Bonds due in annual installments of \$25,000 to \$250,000 through 2021, interest at 3.50% to 4.25%	Debt Service	2,500,000	-	90,000	2,410,000	25,000
TOTAL		\$ 43,466,444	\$ -	\$ 2,959,530	\$ 40,506,914	\$ 2,989,988

Water Fund General Obligation Bonds

Issue	Fund Debt Retired by	Balances January 1	Issuances	Retirements	Balances December 31	Current
\$1,100,000, 1998 General Obligation Corporate Purpose Bonds, due in annual installments of \$25,000 to \$100,000, through December 31, 2021, interest at 4.00% to 4.25%	Water Fund	\$ 820,000	\$ -	\$ 35,000	\$ 785,000	\$ 30,000
\$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	845,000	-	20,000	825,000	135,000
\$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	1,205,000	-	70,000	1,135,000	70,000

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 January 1	Issuances	Retirements	Balances December 31	Current
\$3,715,000, 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%	Water Fund	\$ 215,000	\$ -	\$ 215,000	\$ -	\$ -
\$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	1,295,000	-	65,000	1,230,000	70,000
\$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	945,000	-	70,000	875,000	75,000
\$7,500,000 2007 General Obligation Bonds due in annual installments of \$160,000 to \$485,000 through 2031, interest at 3.50% to 4.25%	Water Fund	7,500,000	-	160,000	7,340,000	195,000
TOTAL		\$ 12,825,000	\$ -	\$ 635,000	\$ 12,190,000	\$ 575,000

Country Club Fund General Obligation Bonds

Issue	Fund Debt Retired by	Balances January 1	Issuances	Retirements	Balances December 31	Current
\$170,000, 1998 General Obligation Corporate Purpose Bonds, due in annual installments of \$5,000 to \$25,000 through December 31, 2013, interest at 4.10% to 4.125%	Country Club Fund	\$ 125,000	\$ -	\$ 10,000	\$ 115,000	\$ 20,000
\$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	555,000	-	80,000	475,000	85,000

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 (Continued)

Issue	Fund Debt Retired by	Balances January 1	Issuances	Retirements	Balances December 31	Current
\$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	\$ 555,000	\$ -	\$ 80,000	\$ 475,000	\$ 85,000
TOTAL		\$ 1,235,000	\$ -	\$ 170,000	\$ 1,065,000	\$ 190,000

b. Debt Service Requirements to Maturity

Fiscal Year Ending	Governmental Activities			Business-Type Activities			Total Principal and Interest
	Principal	Interest	Total	Principal	Interest	Total	
2009	\$ 2,989,988	\$ 1,670,154	\$ 4,660,142	\$ 765,000	\$ 532,187	\$ 1,297,187	\$ 5,957,329
2010	3,215,468	1,570,099	4,785,567	795,000	494,539	1,289,539	6,075,106
2011	3,345,970	1,460,743	4,806,713	845,000	455,009	1,300,009	6,106,722
2012	3,466,497	1,336,564	4,803,061	890,000	421,040	1,311,040	6,114,101
2013	3,392,048	1,205,320	4,597,368	935,000	385,214	1,320,214	5,917,582
2014	3,057,626	1,074,672	4,132,298	550,000	347,485	897,485	5,029,783
2015	3,188,233	957,810	4,146,043	575,000	329,059	904,059	5,050,102
2016	1,853,868	834,250	2,688,118	615,000	309,798	924,798	3,612,916
2017	1,029,534	759,537	1,789,071	640,000	288,730	928,730	2,717,801
2018	475,231	714,522	1,189,753	690,000	266,144	956,144	2,145,897
2019	495,962	689,878	1,185,840	610,000	242,357	852,357	2,038,197
2020	521,728	667,912	1,189,640	635,000	216,377	851,377	2,041,017
2021	542,531	644,789	1,187,320	530,000	190,057	720,057	1,907,377
2022	308,373	620,747	929,120	450,000	169,708	619,708	1,548,828
2023	319,255	605,945	925,200	350,000	152,857	502,857	1,428,057
2024	335,179	590,621	925,800	365,000	138,858	503,858	1,429,658
2025	356,148	574,532	930,680	380,000	124,257	504,257	1,434,937
2026	367,163	557,437	924,600	395,000	109,058	504,058	1,428,658
2027	383,227	539,813	923,040	410,000	93,257	503,257	1,426,297
2028	404,342	521,418	925,760	430,000	76,448	506,448	1,432,208
2029	425,510	502,010	927,520	450,000	58,817	508,817	1,436,337
2030	441,735	481,585	923,320	465,000	40,143	505,143	1,428,463
2031	468,017	460,383	928,400	485,000	20,612	505,612	1,434,012
2032	489,362	437,918	927,280	-	-	-	927,280
2033	515,772	414,428	930,200	-	-	-	930,200
2034	8,118,147	389,671	8,507,818	-	-	-	8,507,818
TOTAL	\$ 40,506,914	\$ 20,282,758	\$ 60,789,672	\$ 13,255,000	\$ 5,462,011	\$ 18,717,011	\$ 79,506,683

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

7. LONG-TERM DEBT (Continued)

c. Capital Leases

The City entered into 21 capital leases for vehicles.

	Fund Debt Retired By	Balances January 1	Additions	Reductions	Balances December 31	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	\$ 18,689	\$ -	\$ 18,689	\$ -	\$ -

d. Changes in Long-Term Liabilities

During the fiscal year the following changes occurred in liabilities reported in the governmental and business-type activities:

	Balances January 1	Additions	Reductions	Balances December 31	Current
<u>Primary Government</u>					
GOVERNMENTAL ACTIVITIES					
Compensated absences*	\$ 2,217,544	\$ 1,258,524	\$ 1,298,504	\$ 2,177,564	\$ 1,275,701
Net other postemployment benefit obligation*	1,913,041	861,376	-	2,774,417	-
Capital lease obligations	18,689	-	18,689	-	-
General obligation bonds	43,466,444	-	2,959,530	40,506,914	2,989,988
Unamortized bond discount	(28,177)	-	(2,704)	(25,473)	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 47,587,541	\$ 2,119,900	\$ 4,274,019	\$ 45,433,422	\$ 4,265,689
BUSINESS-TYPE ACTIVITIES					
Net other postemployment benefit obligation	\$ -	\$ 236,634	\$ -	\$ 236,634	\$ -
General obligation bonds	14,060,000	-	805,000	13,255,000	765,000
Unamortized bond discount	(115,597)	-	(85,845)	(29,752)	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 13,944,403	\$ 236,634	\$ 719,155	\$ 13,461,882	\$ 765,000

* Retired primarily by the General Fund

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

7. LONG-TERM DEBT (Continued)

e. 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.

8. INTERFUND ACCOUNTS

Due From/To Other Funds

Fund	Due From	Due To
MAJOR GOVERNMENTAL		
General		
Highland Park Country Club	\$ 450,000	\$ -
Street and Bridge		
Motor Fuel Tax	65,000	-
NON-MAJOR GOVERNMENTAL		
Motor Fuel Tax		
Street and Bridge	-	65,000
BUSINESS-TYPE ACTIVITIES		
Highland Park Country Club		
General	-	450,000
TOTAL	\$ 515,000	\$ 515,000

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

- \$450,000 owed to the General Fund by the Highland Park Country Club Fund for short-term cash deficit. Repayment is expected within one year.

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

8. INTERFUND ACCOUNTS (Continued)

Due From/To Other Funds (Continued)

- \$65,000 owed to the Street and Bridge Fund by the Motor Fuel Tax Fund for short-term cash deficit. Repayment is expected within one year.

Transfers

	Transfers In	Transfers (Out)
MAJOR GOVERNMENTAL		
General		
Debt Service	\$ -	\$ 1,351,660
Capital Projects	-	1,655,000
Total General	-	3,006,660
Debt Service		
General	1,351,660	-
Highland Park Country Club	100,000	-
Total Debt Service	1,451,660	-
Capital Projects		
General	1,655,000	-
Public Facilities	500,000	-
Total Capital Projects	2,155,000	-
NON-MAJOR GOVERNMENTAL		
Public Facilities		
Capital Projects	-	500,000
BUSINESS-TYPE ACTIVITIES		
Highland Park Country Club		
Debt Service	-	100,000
TOTAL	\$ 3,606,660	\$ 3,606,660

The purpose of the significant transfers is as follows:

- \$1,351,660 transferred from the General Fund to the Debt Service Fund to pay debt service obligations.
- \$1,655,000 and \$500,000 transferred from the General Fund and Public Facilities Fund, respectively, to the Capital Projects Fund to fund capital outlay and capital projects.
- \$100,000 transferred from the Highland Park Country Club to the Debt Service Fund to pay debt service obligations.

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.

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 City is unaware of and anticipates no expenditures to be disallowed.

c. Economic Incentive Agreements

The City has entered into economic development agreements with companies in the City to provide sales tax rebates. The agreements require the City to rebate to the companies different levels of additional sales tax generated by the facilities through the year 2019, with potential rebates totaling \$10,988,589, including interest through December 31, 2008. The total expenditures incurred to date in rebates as of December 31, 2008 is \$5,411,783.

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 (ILCS) 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, 2008 was 7.62% 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 ILCS (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 December 31, 2007, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	52
Terminated employees entitled to benefits but not yet receiving them	-
Current employees	
Vested	35
Nonvested	24
	<hr/>
TOTAL	111
	<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 December 31, 2007, the City's contribution was 26.38% 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 ILCS (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 December 31, 2007, the Firefighters' Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	47
Terminated employees entitled to benefits but not yet receiving them	1
Current employees	
Vested	34
Nonvested	18
	<hr/>
TOTAL	<hr/> <hr/> 100

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 December 31, 2007, the City's contribution was 24.97% 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, 2006	January 1, 2008	January 1, 2008
Actuarial cost method	Entry-age Normal	Entry-age Normal	Entry-age Normal
Asset valuation method	5 Year Smoothed Market	Market	Market
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll
Amortization period	24 Years, Closed	26 Years, Closed	26 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	7.50% 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 Period	Police Pension	Firefighters' Pension
Annual pension cost (APC)	2006	\$ 1,036,901	*2006	\$ 799,419	\$ 799,800
	2007	1,100,000	*2007	1,008,341	936,100
	2008	1,033,371	**2007	1,169,513	1,003,067
Actual contribution	2006	\$ 1,036,901	*2006	\$ 873,533	\$ 854,298
	2007	1,100,000	*2007	1,078,760	1,007,738
	2008	1,033,371	**2007	1,223,513	1,048,156
Percentage of APC contributed	2006	100.00%	*2006	109.30%	106.80%
	2007	100.00%	*2007	106.98%	107.65%
	2008	100.00%	**2007	104.60%	104.50%
NPO (asset)	2006	\$ -	*2006	\$(1,546,095)	\$(1,641,156)
	2007	-	*2007	(1,616,514)	(1,712,794)
	2008	-	**2007	(1,670,514)	(1,757,883)

* - for the fiscal year ended April 30.

** - for the fiscal year ended December 31.

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

c. Annual Pension Costs (Continued)

The NPO (asset) at December 31, 2007 has been calculated as follows:

	Police Pension	Firefighters' Pension
Annual required contributions	\$ 1,211,426	\$ 1,049,890
Interest on net pension obligation	(121,239)	(128,460)
Adjustment to annual required contribution	79,326	81,637
Annual pension cost	1,169,513	1,003,067
Contributions made	1,223,513	1,048,156
Increase (decrease) in net pension obligation (asset)	(54,000)	(45,089)
Net pension obligation (asset) beginning of year	(1,616,514)	(1,712,794)
NET PENSION OBLIGATION (ASSET) END OF YEAR	<u>\$ (1,670,514)</u>	<u>\$ (1,757,883)</u>

d. Summary Financial Information

Summary financial information at December 31, 2008 for the Police and Firefighters' Pension Plans is as follows:

Statement of Fiduciary Net Assets

	Pension Trust		
	Police Pension	Firefighters' Pension	Total
ASSETS			
Cash and short-term investments	\$ 625,256	\$ 1,374,270	\$ 1,999,526
Investments, at fair value			
U.S. Treasury and agency securities	14,176,776	16,029,355	30,206,131
Mutual funds	5,598,332	3,899,472	9,497,804
Common stock	4,539,669	4,016,569	8,556,238
Receivables			
Accrued interest on investments	118,099	133,001	251,100
Total assets	<u>25,058,132</u>	<u>25,452,667</u>	<u>50,510,799</u>
LIABILITIES			
Accounts payable	<u>15,862</u>	<u>21,521</u>	<u>37,383</u>
Total liabilities	<u>15,862</u>	<u>21,521</u>	<u>37,383</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 25,042,270</u>	<u>\$ 25,431,146</u>	<u>\$ 50,473,416</u>

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

d. Summary Financial Information (Continued)

Statement of Changes in Plan Net Assets

	Pension Trust		
	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions			
Employer	\$ 1,254,016	\$ 1,090,547	\$ 2,344,563
Employee	457,608	401,359	858,967
Other	-	825	825
Total Contributions	1,711,624	1,492,731	3,204,355
Investment income			
Net appreciation (depreciation) in fair value of investments	(5,545,703)	(4,990,567)	(10,536,270)
Interest	1,267,616	878,084	2,145,700
Total investment income	(4,278,087)	(4,112,483)	(8,390,570)
Less investment expenses	(114,966)	(87,369)	(202,335)
Net investment income	(4,393,053)	(4,199,852)	(8,592,905)
Total additions	(2,681,429)	(2,707,121)	(5,388,550)
DEDUCTIONS			
Pension benefits	2,538,193	2,158,715	4,696,908
Miscellaneous	32,539	24,529	57,068
Total deductions	2,570,732	2,183,244	4,753,976
NET INCREASE	(5,252,161)	(4,890,365)	(10,142,526)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
January 1	30,294,431	30,321,511	60,615,942
December 31	\$ 25,042,270	\$ 25,431,146	\$ 50,473,416

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

e. Funded Status

The funded status of the plans as of December 31, 2008, based on actuarial valuations performed as of the same date for IMRF and as of December 31, 2007 for the Police and Firefighters' pension, is as follows. The actuarial assumptions used to determine the funded status of the plans are the same actuarial assumptions used to determine the employer APC of the plans as disclosed in Note 10-C:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial accrued liability (AAL)	\$ 37,678,583	\$ 46,252,815	\$ 42,254,697
Actuarial value of plan assets	30,448,995	30,294,432	30,321,512
Unfunded actuarial accrued liability (UAAL)	7,229,588	15,958,383	11,933,185
Funded ratio (actuarial value of plan assets/AAL)	80.81%	65.50%	71.76%
Covered payroll (active plan members)	\$ 13,561,301	\$ 4,637,171	\$ 4,197,306
UAAL as a percentage of covered payroll	53.31%	344.14%	284.31%

Information as of December 31, 2008 was not available at the time of printing for the Police and Firefighters' pension funds. However, as noted in the financial statements the fair value of assets has declined significantly from that reported above due to conditions in the financial markets.

See the schedules of funding progress in the required supplementary information immediately following the notes to financial statements for additional information related to the funded status of the plans.

11. OTHER POSTEMPLOYMENT BENEFITS

In addition to providing the pension benefits described, the City provides postemployment health care and insurance benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by the City and approved annually by a City Council resolution. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. However, a designation of fund balance has been recorded in the General Fund, which represents resources earmarked by the City to fund the net OPEB obligation. The plan does not issue a separate report. The activity of the plan is reported in the City's Insurance Fund, an internal service fund.

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided

The City provides postemployment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans. Elected officials are eligible for benefits of one year health care for each year of service on the City Council, at a selected commencement date upon completion of service as an elected official of the City. Elected officials are also eligible for one year of life insurance coverage at their outgoing salary level for each year of service on the City Council.

All health care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous, and substance abuse care; vision care; dental care; and prescriptions. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the City's plan becomes secondary.

Membership

At December 31, 2008, membership consisted of:

Retirees and beneficiaries currently receiving benefits	120
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>278</u>
TOTAL	<u><u>398</u></u>
Participating employers	<u><u>1</u></u>

Funding Policy

The City Council approves by an annual resolution the contribution percentage between the City and retirees. For the year ended December 31, 2008, retirees contributed 70%-90% of the actuarially determined premium to the plan and the City contributes the remainder to cover the cost of providing the benefits to the retirees via the self-insured plan (pay as you go). Since the City is self-insured, this amount fluctuates on an annual basis. For the year ended December 31, 2008, retirees contributed \$1,000,356 and the City contributed \$329,904. Active employees do not contribute to the plan until retirement.

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

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Costs and Net OPEB Obligation

The City first had an actuarial valuation performed for the plan as of April 30, 2006 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended April 30, 2007. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows:

Period Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2007	\$ 1,444,072	\$ 304,490	21.09%	\$ 1,139,582
December 31, 2007	941,623	168,165	17.86	1,913,040
December 31, 2008	1,427,915	329,904	22.29	3,011,051

The net OPEB obligation (NOPEBO) as December 31, 2008, was calculated as follows:

Annual required contribution	\$ 1,389,209
Interest on net OPEB obligation	116,117
Adjustment to annual required contribution	<u>(77,411)</u>
Annual OPEB cost	1,427,915
Contributions made	<u>329,904</u>
Increase in net OPEB obligation	1,098,011
Net OPEB obligation beginning of year	<u>1,913,040</u>
NET OPEB OBLIGATION END OF YEAR	<u>\$ 3,011,051</u>

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Costs and Net OPEB Obligation (Continued)

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2008 was as follows:

Actuarial accrued liability (AAL)	\$ 13,016,948
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	13,016,948
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 19,041,396
UAAL as a percentage of covered payroll	68.36%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AALs for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in AALs and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included a 5.00% investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 8.00% with an incremental reduction each year to arrive at an ultimate healthcare cost trend rate of 6.00%. Both rates include a 3.00% inflation assumption. The actuarial value of assets was not determined as the City has not advanced funded its obligation. The plan's UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008 was thirty years.

12. HIGHLAND PARK COUNTRY CLUB FUND

The Highland Park Country Club Fund (the Fund) was created in fiscal 1993 pursuant to City ordinance and classified as an enterprise fund. The 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 Fund. It is being retired by the Debt Service Fund.

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

13. MAJOR CUSTOMERS

The Village of Deerfield, Illinois and the Village of Lincolnshire, Illinois purchase water from the City's available supply. During the year ended December 31, 2008, these purchases amounted to \$1,879,942 or 28.7% and \$1,011,331 or 15.4%, respectively, of total water sales in the Water Fund.

14. COMPONENT UNIT - HIGHLAND PARK LIBRARY

a. Financial Information

Financial statements for the Highland Park Public Library (the Library), including government-wide and fund financial statements, are available in the Library's separately audited financial statements as of December 31, 2008 which can be obtained by written request to Highland Park Public Library, 494 Laurel Avenue, Highland Park, Illinois 60035.

b. Deposits and 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 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 Funds' share price, which is the price for which the investment could be sold.

14. COMPONENT UNIT - HIGHLAND PARK LIBRARY (Continued)

b. Deposits and Investments (Continued)

Permitted Deposits and Investments (Continued)

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 bank failure, the Library’s deposits may not be returned to it. The Library’s investment policy is silent regarding collateral for all bank balances in excess of federal depository insurance.

Library Investments

The following table presents the investments and maturities of the Library’s debt securities as of December 31, 2008:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
Money market mutual funds	\$ 1,469,626	\$ 1,469,626	\$ -	\$ -	\$ -
TOTAL	\$ 1,469,626	\$ 1,469,626	\$ -	\$ -	\$ -

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 money market funds and Illinois Funds are rated AAA by Standard and Poor’s.

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

14. COMPONENT UNIT - HIGHLAND PARK LIBRARY (Continued)

b. Deposits and Investments (Continued)

Library Investments (Continued)

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, money market mutual funds, and equity mutual fund are not subject to custodial credit risk.

c. Capital Assets

Capital assets of the Library at December 31, 2008 are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
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	69,249	-	-	69,249
Buildings and improvements	4,235,733	-	-	4,235,733
Machinery	448,344	20,353	-	468,697
Total capital assets being depreciated	4,753,326	20,353	-	4,773,679
Less accumulated depreciation for				
Land improvements	33,357	2,157	-	35,514
Buildings and improvements	1,831,419	86,572	-	1,917,991
Machinery	288,476	24,020	-	312,496
Total accumulated depreciation	2,153,252	112,749	-	2,266,001
Total capital assets being depreciated, net	2,600,074	(92,396)	-	2,507,678
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 3,100,074	\$ (92,396)	\$ -	\$ 3,007,678

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

GOVERNMENTAL ACTIVITIES

Public Library

\$ 112,749

CITY OF HIGHLAND PARK, ILLINOIS

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

For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual
REVENUES			
Property taxes	\$ 3,737,448	\$ 3,940,084	\$ 3,943,447
Illinois state replacement taxes	339,400	304,400	345,105
Licenses	265,500	265,500	279,219
Permits	1,983,620	1,983,620	1,055,539
Charges for current services	1,085,112	1,151,112	1,607,216
Municipal sales tax	14,457,780	14,457,780	12,451,204
Fines and forfeitures	275,000	275,000	399,803
Utility tax	3,350,000	3,350,000	3,106,464
Cable television franchise tax	396,000	396,000	523,939
Real estate transfer tax	2,550,000	2,550,000	1,202,395
Intergovernmental	22,101	97,101	100,237
Illinois state income tax	2,632,800	2,632,800	2,864,722
PACE RTA fare reimbursement	1,030,000	1,030,000	1,077,078
Franchise tax	2,094,000	2,094,000	2,088,142
Other taxes	1,332,050	1,332,050	1,435,960
Reimbursements	209,450	209,450	357,586
Investment income			
Interest income	290,000	290,000	1,037,028
Net appreciation in fair value of investments	100,000	100,000	5,475,734
Miscellaneous			
Other	90,840	90,840	1,627,555
Total revenues	36,241,101	36,549,737	40,978,373
EXPENDITURES			
Current			
General government	7,709,298	7,740,548	5,456,559
Public safety	18,559,211	18,907,728	18,599,802
Public works	2,034,828	2,046,427	1,904,724
Economic and physical development	4,156,248	4,497,055	3,885,286
Transit	1,239,433	1,339,433	1,340,683
Commissions	355,740	392,620	179,815
Total expenditures	34,054,758	34,923,811	31,366,869
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,186,343	1,625,926	9,611,504

(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 December 31, 2008

	Original Budget	Final Budget	Actual
OTHER FINANCING SOURCES (USES)			
Transfers (out)	\$ (1,969,200)	\$ (2,079,060)	\$ (3,006,660)
Total other financing sources (uses)	(1,969,200)	(2,079,060)	(3,006,660)
NET CHANGE IN FUND BALANCE	\$ 217,143	\$ (453,134)	6,604,844
FUND BALANCE, JANUARY 1			34,190,443
FUND BALANCE, DECEMBER 31			\$ 40,795,287

(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 December 31, 2008

	Original Budget	Final Budget	Actual
REVENUES			
Property taxes	\$ 1,920,000	\$ 1,930,000	\$ 1,939,219
Vehicle licenses	825,000	825,000	821,570
Charges for current services	1,826,000	1,826,000	1,815,075
Fines and forfeitures	10,000	10,000	11,830
Other taxes	440,000	440,000	287,104
Investment income	15,800	15,800	7,943
Miscellaneous	49,366	98,866	168,140
Total revenues	5,086,166	5,145,666	5,050,881
EXPENDITURES			
Public works			
Personal services	2,845,216	2,845,215	2,880,404
Contractual services	1,187,809	1,392,308	1,538,767
Material and supplies	937,272	1,313,270	1,255,196
Capital outlay	179,200	263,450	163,435
Total expenditures	5,149,497	5,814,243	5,837,802
NET CHANGE IN FUND BALANCE	\$ (63,331)	\$ (668,577)	(786,921)
FUND BALANCE, JANUARY 1			1,148,022
FUND BALANCE, DECEMBER 31			\$ 361,101

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2008

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)
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%)
2006	34,082,425	32,596,794	104.56%	(1,485,631)	12,242,039	(12.14%)
2007	37,354,706	35,603,461	104.92%	(1,751,245)	13,002,361	(13.47%)
2008	30,448,995	37,678,583	80.81%	7,229,588	13,561,301	53.31%

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
POLICE PENSION FUND

December 31, 2008

Actuarial Valuation Date	(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)
April 30, 2003	\$ 23,253,511	\$ 32,806,570	70.88%	\$ 9,553,059	\$ 3,623,625	263.63%
April 30, 2004	25,348,683	34,743,385	72.96%	9,394,702	3,851,458	243.93%
April 30, 2005	25,963,903	39,169,778	66.29%	13,205,875	3,941,448	335.05%
April 30, 2006	27,264,859	42,270,819	64.50%	15,005,960	4,467,545	335.89%
April 30, 2007	29,108,328	43,793,342	66.47%	14,685,014	4,242,439	346.15%
December 31, 2007	30,294,432	46,252,815	65.50%	15,958,383	4,637,171	344.14%

The actuarial value of assets shown above does not include \$9,850,000 of general obligation bonds currently held by the General Fund and pledged to the Pension Fund valued at par.

Note: The City changed its fiscal year to December 31 in 2007.

Information as of December 31, 2008 was not available at the time of printing for the Police Pension Fund. However, as noted in the financial statements the fair value of assets has declined significantly from that reported above due to conditions in the financial markets.

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
FIREFIGHTERS' PENSION FUND

December 31, 2008

Actuarial Valuation Date	(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)
April 30, 2003	\$ 22,742,428	\$ 29,463,243	77.19%	\$ 6,720,815	\$ 3,491,412	192.50%
April 30, 2004	23,426,216	30,620,533	76.50%	7,194,317	3,487,039	206.32%
April 30, 2005	24,713,720	35,801,064	69.03%	11,087,344	3,702,202	299.48%
April 30, 2006	26,750,745	38,197,366	70.03%	11,446,621	4,062,139	281.79%
April 30, 2007	29,399,319	40,154,765	73.22%	10,755,446	4,122,230	260.91%
December 31, 2007	30,321,512	42,254,697	71.76%	11,933,185	4,197,306	284.31%

The actuarial value of assets shown above does not include \$6,200,000 of general obligation bonds currently held by the General Fund and pledged to the Pension Fund valued at par.

Note: The City changed its fiscal year to December 31 in 2007.

Information as of December 31, 2008 was not available at the time of printing for the Fire Pension Fund. However, as noted in the financial statements the fair value of assets has declined significantly from that reported above due to conditions in the financial markets.

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN

December 31, 2008

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Active Members Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
April 30, 2007	\$ -	\$ 14,825,979	0.00%	\$ 14,825,979	\$ 18,999,500	78.03%
December 31, 2007	-	13,016,948	0.00%	13,016,948	19,041,396	68.36%

The City implemented GASB Statement No. 45 for the fiscal year ended April 30, 2007. Information for prior years is not available.

The City has designated \$3,575,495 in the general fund for other postemployment benefit obligations.

Note: The City changed its fiscal year to December 31 in 2007.

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2008

<u>Actuarial Valuation Date December 31,</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2003	\$ 689,166	\$ 689,166	100.00%
2004	804,791	804,791	100.00%
2005	1,027,032	1,027,032	100.00%
2006	1,036,901	1,036,901	100.00%
2007	1,100,000	1,100,000	100.00%
2008	1,033,371	1,033,371	100.00%

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND

December 31, 2008

<u>Actuarial Valuation Date</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
April 30, 2004	\$ 817,102	\$ 795,690	102.69%
April 30, 2005	905,379	914,463	99.01%
April 30, 2006	873,533	841,581	103.80%
April 30, 2007	1,078,760	1,050,606	102.68%
December 31, 2007	1,223,513	1,211,426	101.00%
December 31, 2008	1,254,016	N/A	N/A

Note: The City changed its fiscal year to December 31 in 2007.

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' PENSION FUND

December 31, 2008

Actuarial Valuation Date	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
April 30, 2004	\$ 870,890	\$ 854,462	101.92%
April 30, 2005	872,952	852,558	102.39%
April 30, 2006	854,298	845,246	101.07%
April 30, 2007	1,007,738	980,964	102.73%
December 31, 2007	1,048,156	1,049,890	99.83%
December 31, 2008	1,090,547	N/A	N/A

Note: The City changed its fiscal year to December 31 in 2007.

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN

December 31, 2008

Actuarial Valuation Date	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
April 30, 2007	\$ 304,490	\$ 1,444,072	21.09%
December 31, 2007	168,165	941,623	17.86%
December 31, 2008	329,904	1,389,209	23.75%

The City implemented GASB Statement No. 45 for the fiscal year ended April 30, 2007. Information for prior years is not available.

Note: The City changed its fiscal year to December 31 in 2007.

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2008

BUDGETS

Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted (at the fund/department 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 line items within any fund; however, any revisions that alter the total expenditures of any department and/or fund must be approved by the governing body.

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

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.

Capital Projects - to account for costs incurred to alleviate storm drainage problems, finance street improvements, and provide other facility and infrastructure improvements.

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual
GENERAL GOVERNMENT			
City Council			
Personal services	\$ 225,435	\$ 225,435	\$ 223,242
Contractual services	31,666	31,666	31,666
Materials and supplies	33,870	33,870	31,839
Total City Council	290,971	290,971	286,747
Administration			
Personal services	648,016	648,016	601,495
Contractual services	29,760	29,760	30,234
Materials and supplies	38,938	38,937	36,949
Total administration	716,714	716,713	668,678
Human resources			
Personal services	211,640	241,640	246,414
Contractual services	86,414	91,627	90,687
Materials and supplies	88,200	88,200	74,447
Capital outlay	6,072	6,072	6,426
Total human resources	392,326	427,539	417,974
Communications			
Personal services	286,343	274,743	298,302
Contractual services	60,716	75,354	61,351
Materials and supplies	142,373	142,374	130,554
Total communications	489,432	492,471	490,207
City Clerk			
Personal services	184,125	184,125	187,193
Contractual services	15,347	15,347	6,562
Materials and supplies	2,770	2,770	3,069
Total City Clerk	202,242	202,242	196,824
Youth and senior services			
Youth			
Operations			
Personal services	266,935	266,935	241,916
Contractual services	32,250	32,250	31,303
Materials and supplies	34,692	34,692	32,613
Total youth operations	333,877	333,877	305,832

(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 December 31, 2008

	Original Budget	Final Budget	Actual
GENERAL GOVERNMENT (Continued)			
Youth and senior services (Continued)			
Senior			
Operations			
Personal services	\$ 479,140	\$ 479,140	\$ 465,761
Contractual services	32,288	32,288	32,288
Materials and supplies	144,954	184,953	131,116
Capital outlay	5,000	5,000	575
Total senior operations	661,382	701,381	629,740
Facilities			
Personal services	60,585	60,585	70,159
Contractual services	19,364	19,364	14,377
Materials and supplies	2,400	2,400	3,203
Capital outlay	6,000	6,000	3,683
Total facilities	88,349	88,349	91,422
Total youth and senior services	1,083,608	1,123,607	1,026,994
Legal department			
Contractual services	912,287	1,042,287	976,537
Materials and supplies	1,250	1,250	1,132
Total legal department	913,537	1,043,537	977,669
Finance administration and accounting			
Personal services	1,357,559	1,177,559	805,961
Contractual services	2,880,060	2,880,060	1,247,722
Materials and supplies	90,550	90,550	79,492
Total finance administration and accounting	4,328,169	4,148,169	2,133,175
Facilities			
Personal services	93,373	93,373	95,143
Contractual services	100,310	100,310	49,326
Materials and supplies	42,366	42,366	52,138
Capital outlay	10,000	13,000	(439)
Total facilities	246,049	249,049	196,168

(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 December 31, 2008

	Original Budget	Final Budget	Actual
GENERAL GOVERNMENT (Continued)			
Other charges			
Contractual services	\$ 17,250	\$ 17,250	\$ 27,612
Capital outlay	15,000	15,000	20,511
Total other charges	32,250	32,250	48,123
Subtotal general government	8,695,298	8,726,548	6,442,559
Less administrative reimbursements	(986,000)	(986,000)	(986,000)
TOTAL GENERAL GOVERNMENT	\$ 7,709,298	\$ 7,740,548	\$ 5,456,559
PUBLIC SAFETY			
Police department			
Operations			
Personal services	\$ 9,268,000	\$ 9,357,528	\$ 9,317,229
Contractual services	756,514	669,514	619,040
Materials and supplies	408,155	417,155	353,560
Capital outlay	-	2,500	-
Total operations	10,432,669	10,446,697	10,289,829
Facilities			
Personal services	108,673	108,673	45,205
Contractual services	46,500	46,500	69,294
Materials and supplies	25,500	25,500	15,980
Capital outlay	5,000	5,000	326
Total facilities	185,673	185,673	130,805
Total police department	10,618,342	10,632,370	10,420,634
Fire department			
Operations			
Personal services	7,181,061	7,510,551	7,403,234
Contractual services	435,712	435,712	479,867
Materials and supplies	187,072	192,071	199,215
Capital outlay	39,100	39,100	42,387
Total operations	7,842,945	8,177,434	8,124,703

(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 December 31, 2008

	Original Budget	Final Budget	Actual
PUBLIC SAFETY (Continued)			
Fire department (Continued)			
Facilities			
Personal services	\$ 14,859	\$ 14,859	\$ 13,992
Contractual services	29,615	29,615	26,208
Materials and supplies	12,950	12,950	11,312
Capital outlay	40,500	40,500	2,953
Total facilities	97,924	97,924	54,465
Total fire department	7,940,869	8,275,358	8,179,168
TOTAL PUBLIC SAFETY	\$ 18,559,211	\$ 18,907,728	\$ 18,599,802
PUBLIC WORKS			
Public works administration			
Personal services	\$ 493,294	\$ 493,293	\$ 467,813
Contractual services	45,001	45,001	45,172
Materials and supplies	26,168	26,168	20,420
Total public works administration	564,463	564,462	533,405
Facilities			
Personal services	56,079	56,079	105,537
Contractual services	97,399	97,399	88,457
Materials and supplies	40,000	40,000	45,215
Capital outlay	84,700	84,700	60,010
Total facilities	278,178	278,178	299,219
Engineering			
Personal services	1,094,837	1,106,437	978,796
Contractual services	90,418	90,418	88,709
Materials and supplies	5,732	5,732	4,020
Capital outlay	1,200	1,200	574.98
Total engineering	1,192,187	1,203,787	1,072,100
TOTAL PUBLIC WORKS	\$ 2,034,828	\$ 2,046,427	\$ 1,904,724

(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 December 31, 2008

	Original Budget	Final Budget	Actual
ECONOMIC AND PHYSICAL DEVELOPMENT			
Community development department			
Personal services	\$ 2,691,156	\$ 2,691,156	\$ 2,518,149
Contractual services	267,835	267,834	249,604
Materials and supplies	100,670	107,230	86,844
Total community development department	3,059,661	3,066,220	2,854,597
Economic development			
Personal services	37,820	72,068	69,473
Contractual services	16,347	16,347	14,696
Materials and supplies	92,420	392,420	374,086
Revenue sharing	950,000	950,000	572,434
Total economic development	1,096,587	1,430,835	1,030,689
TOTAL ECONOMIC AND PHYSICAL DEVELOPMENT	\$ 4,156,248	\$ 4,497,055	\$ 3,885,286
TRANSIT			
Operations			
Personal services	\$ 1,083,346	\$ 1,108,346	\$ 1,139,975
Contractual services	61,307	61,307	60,778
Materials and supplies	32,400	32,400	24,730
Total operations	1,177,053	1,202,053	1,225,483
Facilities			
Personal services	14,864	14,864	13,992
Contractual services	30,016	30,016	25,625
Materials and supplies	1,500	1,500	1,077
Capital outlay	16,000	91,000	74,506
Total facilities	62,380	137,380	115,200
TOTAL TRANSIT	\$ 1,239,433	\$ 1,339,433	\$ 1,340,683
COMMISSIONS			
Contractual services	\$ 208,060	\$ 239,940	\$ 69,432
Materials and supplies	147,680	152,680	110,383
TOTAL COMMISSIONS	\$ 355,740	\$ 392,620	\$ 179,815

(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 December 31, 2008

	Final Budget	Actual
REVENUES		
Property taxes	\$ 3,267,917	\$ 3,320,576
Investment income	65,000	25,282
Miscellaneous	927,600	671
Total revenues	4,260,517	3,346,529
EXPENDITURES		
Debt service		
Principal	2,959,535	2,959,531
Interest and fiscal charges	1,763,052	1,758,795
Total expenditures	4,722,587	4,718,326
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(462,070)	(1,371,797)
OTHER FINANCING SOURCES (USES)		
Transfers in	524,060	1,451,660
Total other financing sources (uses)	524,060	1,451,660
NET CHANGE IN FUND BALANCE	\$ 61,990	79,863
FUND BALANCE, JANUARY 1		824,562
FUND BALANCE, DECEMBER 31		\$ 904,425

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

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

For the Year Ended December 31, 2008

	Final Budget	Actual
REVENUES		
Property taxes	\$ 1,256,523	\$ 1,284,717
Reimbursements	415,000	423,931
Investment income		
Interest income	10,000	47,367
Net appreciation in fair value of investments	-	95,786
Total revenues	<u>1,681,523</u>	<u>1,851,801</u>
EXPENDITURES		
Capital outlay	<u>7,279,690</u>	<u>4,574,927</u>
Total expenditures	<u>7,279,690</u>	<u>4,574,927</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,598,167)</u>	<u>(2,723,126)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	2,700,000	2,155,000
Transfers (out)	<u>(172,400)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,527,600</u>	<u>2,155,000</u>
NET CHANGE IN FUND BALANCES	<u><u>\$ (3,070,567)</u></u>	(568,126)
FUND BALANCES, JANUARY 1		<u>5,181,203</u>
FUND BALANCES, DECEMBER 31		<u><u>\$ 4,613,077</u></u>

(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 - to account for tax increment financing (TIF) property tax revenues and expenditures in accordance with redevelopment plans approved for each applicable TIF district.

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

December 31, 2008

	Special Revenue			Capital Projects		
	Motor Fuel Tax	Emergency 911 System	Foreign Fire Insurance Tax	Tax Increment Financing	Working Capital Public Facility and Improvement	Totals
ASSETS						
Cash and cash equivalents	\$ 1,503	\$ 295,594	\$ 232,609	\$ 320,059	\$ 3,602	\$ 853,367
Investments	-	-	213,394	-	50,000	263,394
Receivables						
Property tax	-	-	-	100,000	-	100,000
Intergovernmental	73,501	59,432	-	-	-	132,933
Loans	-	-	-	-	375,000	375,000
TOTAL ASSETS	\$ 75,004	\$ 355,026	\$ 446,003	\$ 420,059	\$ 428,602	\$ 1,724,694
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ -	\$ 2,751	\$ -	\$ -	\$ -	\$ 2,751
Accrued payroll	-	8,277	-	-	-	8,277
Deferred revenue	-	-	-	100,000	-	100,000
Due to other funds	65,000	-	-	-	-	65,000
Total liabilities	65,000	11,028	-	100,000	-	176,028
FUND BALANCES						
Reserved for loans receivable	-	-	-	-	375,000	375,000
Reserved for public facilities	-	-	-	-	53,602	53,602
Reserved for public safety	-	343,998	446,003	-	-	790,001
Reserved for streets	10,004	-	-	-	-	10,004
Unreserved						
Undesignated	-	-	-	320,059	-	320,059
Total fund balances	10,004	343,998	446,003	320,059	428,602	1,548,666
TOTAL LIABILITIES AND FUND BALANCES	\$ 75,004	\$ 355,026	\$ 446,003	\$ 420,059	\$ 428,602	\$ 1,724,694

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

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

For the Year Ended December 31, 2008

	Special Revenue			Capital Projects		Totals
	Motor Fuel Tax	Emergency 911 System	Foreign Fire Insurance Tax	Tax Increment Financing	Working Capital Public Facility and Improvement	
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ 140,616	\$ -	\$ 140,616
Intergovernmental	-	-	95,838	-	-	95,838
Motor fuel tax allotments	794,755	-	-	-	-	794,755
Investment income	7,134	6,323	9,958	2,549	9,729	35,693
Miscellaneous	-	535,901	-	-	-	535,901
Total revenues	801,889	542,224	105,796	143,165	9,729	1,602,803
EXPENDITURES						
Current						
Public safety	-	565,368	57,829	-	-	623,197
Public works	890,000	-	-	-	-	890,000
Capital outlay	-	289,791	-	-	-	289,791
Total expenditures	890,000	855,159	57,829	-	-	1,802,988
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(88,111)	(312,935)	47,967	143,165	9,729	(200,185)
OTHER FINANCING SOURCES (USES)						
Transfers (out)	-	-	-	-	(500,000)	(500,000)
Total other financing sources (uses)	-	-	-	-	(500,000)	(500,000)
NET CHANGE IN FUND BALANCES	(88,111)	(312,935)	47,967	143,165	(490,271)	(700,185)
FUND BALANCES, JANUARY 1	98,115	656,933	398,036	176,894	918,873	2,248,851
FUND BALANCES, DECEMBER 31	\$ 10,004	\$ 343,998	\$ 446,003	\$ 320,059	\$ 428,602	\$ 1,548,666

(See independent auditor's report.)

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 December 31, 2008

	Final Budget	Actual
REVENUES		
Motor fuel tax allotments	\$ 865,000	\$ 794,755
Investment income	25,000	7,134
Total revenues	890,000	801,889
EXPENDITURES		
Contractual services	890,000	890,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	890,000	890,000
NET CHANGE IN FUND BALANCE	\$ -	(88,111)
FUND BALANCE, JANUARY 1		98,115
FUND BALANCE, DECEMBER 31		\$ 10,004

(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 December 31, 2008

	Final Budget	Actual
REVENUES		
Investment income	\$ 19,250	\$ 6,323
Miscellaneous	420,000	535,901
Total revenues	439,250	542,224
EXPENDITURES		
Public safety		
Personal services	379,950	361,062
Contractual services	217,309	204,306
Capital outlay	331,455	289,791
Total expenditures	928,714	855,159
NET CHANGE IN FUND BALANCE	<u>\$ (489,464)</u>	(312,935)
FUND BALANCE, JANUARY 1		<u>656,933</u>
FUND BALANCE, DECEMBER 31		<u>\$ 343,998</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 FUND

For the Year Ended December 31, 2008

	Final Budget	Actual
REVENUES		
Property taxes	\$ 45,000	\$ 140,616
Investment income	-	2,549
Total revenues	45,000	143,165
EXPENDITURES		
Contractual services	45,000	-
Total expenditures	45,000	-
NET CHANGE IN FUND BALANCE	\$ -	143,165
FUND BALANCE, JANUARY 1		176,894
FUND BALANCE, DECEMBER 31		\$ 320,059

(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 December 31, 2008

	Final Budget	Actual
REVENUES		
Investment income	\$ -	\$ 9,729
Total revenues	-	9,729
EXPENDITURES		
None	-	-
Total expenditures	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	9,729
OTHER FINANCING SOURCES (USES)		
Transfers (out)	(500,000)	(500,000)
Total other financing sources (uses)	(500,000)	(500,000)
NET CHANGE IN FUND BALANCE	<u>\$ (500,000)</u>	(490,271)
FUND BALANCE, JANUARY 1		<u>918,873</u>
FUND BALANCE, DECEMBER 31		<u>\$ 428,602</u>

(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 December 31, 2008

	Final Budget	Actual
OPERATING REVENUES		
Parking collections	\$ 630,640	\$ 650,788
Parking violations	300,000	420,156
Total operating revenues	930,640	1,070,944
OPERATING EXPENSES		
Personal services	310,231	308,990
Contractual services	395,325	406,944
Materials and supplies	11,400	24,274
Repairs and maintenance	16,315	(1,473)
Small tools and equipment	88,515	89,737
Administrative reimbursements	91,000	91,000
Total operating expenses	912,786	919,472
OPERATING INCOME (LOSS)	17,854	151,472
NONOPERATING REVENUES (EXPENSES)		
Investment income	90,000	15,449
Total nonoperating revenues (expenses)	90,000	15,449
NET INCOME (LOSS) - BUDGET BASIS	107,854	166,921
ADJUSTMENTS TO GAAP BASIS		
Depreciation	-	(241,319)
Total adjustments to GAAP basis	-	(241,319)
CHANGE IN NET ASSETS	\$ 107,854	(74,398)
NET ASSETS, JANUARY 1		5,232,397
NET ASSETS, DECEMBER 31		\$ 5,157,999

(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 December 31, 2008

	Final Budget	Actual
OPERATING REVENUES		
Water sales	\$ 6,760,000	\$ 6,561,177
Water permit fees	195,750	75,408
Miscellaneous	22,380	119,663
Total operating revenues	6,978,130	6,756,248
OPERATING EXPENSES		
Personal services	2,310,960	2,419,341
Contractual services	1,112,071	1,137,589
Materials and supplies	425,240	398,422
Repairs and maintenance	77,200	79,317
Capital outlay	6,657,400	1,157,981
Administrative reimbursements	895,000	895,000
Total operating expenses	11,477,871	6,087,650
OPERATING INCOME (LOSS)	(4,499,741)	668,598
NONOPERATING REVENUES (EXPENSES)		
Investment income		
Interest income	618,000	70,690
Net appreciation in fair value of investments	-	304,352
Bonds issued at par	7,750,000	-
Debt service		
Principal	(635,000)	(635,000)
Interest and fiscal charges	(537,045)	(533,887)
Total nonoperating revenues (expenses)	7,195,955	(793,845)
NET INCOME BEFORE CONTRIBUTIONS	2,696,214	(125,247)
CONTRIBUTIONS		
Developer contributions	-	289,084
NET INCOME - BUDGET BASIS	2,696,214	163,837
ADJUSTMENTS TO GAAP BASIS		
Capital assets capitalized	-	921,069
Depreciation	-	(1,293,345)
Principal paid	-	635,000
Total adjustments to GAAP basis	-	262,724
CHANGE IN NET ASSETS	\$ 2,696,214	426,561
NET ASSETS, JANUARY 1		18,847,698
NET ASSETS, DECEMBER 31		\$ 19,274,259

(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 December 31, 2008

	Final Budget	Actual
OPERATING REVENUES		
Charges for goods and services	\$ 3,045,602	\$ 2,798,983
Other	165,000	146,866
Total operating revenues	3,210,602	2,945,849
OPERATING EXPENSES		
Contractual services	2,826,487	2,741,032
Small tools and equipment	-	4,268
Total operating expenses	2,826,487	2,745,300
OPERATING INCOME	384,115	200,549
NONOPERATING REVENUES (EXPENSES)		
Investment income	-	3,195
Debt service		
Principal	(170,000)	(170,000)
Interest expense and fiscal charges	(60,404)	(62,846)
Total nonoperating revenues (expenses)	(230,404)	(229,651)
NET INCOME BEFORE TRANSFERS	153,711	(29,102)
TRANSFERS		
Transfers (out)	(100,000)	(100,000)
Total transfers	(100,000)	(100,000)
NET INCOME - BUDGET BASIS	53,711	(129,102)
ADJUSTMENTS TO GAAP BASIS		
Depreciation	-	(374,202)
Principal paid	-	170,000
Total adjustments to GAAP basis	-	(204,202)
CHANGE IN NET ASSETS	\$ 53,711	(333,304)
NET ASSETS, JANUARY 1		10,706,353
NET ASSETS, DECEMBER 31		\$ 10,373,049

(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

December 31, 2008

	Equipment Maintenance and Replacement	Insurance	Totals
CURRENT ASSETS			
Cash	\$ 1,412,578	\$ 390,149	\$ 1,802,727
Accounts receivable	678	23,364	24,042
Prepaid expenses	-	454,171	454,171
Total current assets	1,413,256	867,684	2,280,940
CAPITAL ASSETS			
Equipment	10,556,584	-	10,556,584
Accumulated depreciation	(7,656,543)	-	(7,656,543)
Net capital assets	2,900,041	-	2,900,041
Total assets	4,313,297	867,684	5,180,981
CURRENT LIABILITIES			
Accounts payable	61,113	59,474	120,587
Accrued payroll	91,240	-	91,240
Unearned revenue	-	15,897	15,897
Total current liabilities	152,353	75,371	227,724
LONG-TERM LIABILITIES			
None	-	-	-
Total liabilities	152,353	75,371	227,724
NET ASSETS			
Invested in capital assets, net of related debt	2,900,041	-	2,900,041
Unrestricted	1,260,903	792,313	2,053,216
TOTAL NET ASSETS	\$ 4,160,944	\$ 792,313	\$ 4,953,257

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

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

For the Year Ended December 31, 2008

	Equipment Maintenance and Replacement	Insurance	Totals
<hr/>			
OPERATING REVENUES			
Charges for services	\$ 3,346,315	\$ 6,148,191	\$ 9,494,506
Miscellaneous	75,813	-	75,813
	<hr/>		
Total operating revenues	3,422,128	6,148,191	9,570,319
	<hr/>		
OPERATING EXPENSES			
Personal services	1,283,776	110,838	1,394,614
Contractual services	266,134	5,781,603	6,047,737
Materials and supplies	771,306	1,899	773,205
Repairs and maintenance	280,689	-	280,689
Small tools and equipment	59,675	-	59,675
	<hr/>		
Total operating expenses	2,661,580	5,894,340	8,555,920
	<hr/>		
OPERATING INCOME BEFORE DEPRECIATION	760,548	253,851	1,014,399
	<hr/>		
Depreciation	875,308	-	875,308
	<hr/>		
OPERATING INCOME (LOSS)	(114,760)	253,851	139,091
	<hr/>		
NONOPERATING REVENUES (EXPENSES)			
Gain (loss) on sale of capital assets	(21,067)	-	(21,067)
Investment income	18,529	150	18,679
	<hr/>		
Total nonoperating revenues (expenses)	(2,538)	150	(2,388)
	<hr/>		
CHANGE IN NET ASSETS	(117,298)	254,001	136,703
	<hr/>		
NET ASSETS, JANUARY 1	4,278,242	538,312	4,816,554
	<hr/>		
NET ASSETS, DECEMBER 31	\$ 4,160,944	\$ 792,313	\$ 4,953,257
	<hr/>		

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2008

	Equipment Maintenance and Replacement	Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 76,814	\$ 1,414,690	\$ 1,491,504
Receipts from interfund services	3,346,315	4,898,982	8,245,297
Payments to suppliers	(1,396,346)	(6,820,148)	(8,216,494)
Payments to employees	(1,275,233)	(124,210)	(1,399,443)
Net cash from operating activities	751,550	(630,686)	120,864
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
None	-	-	-
Net cash from noncapital financing activities	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on capital lease obligation	(18,689)	-	(18,689)
Sale of capital assets	58,848	-	58,848
Purchase of capital assets	(685,849)	-	(685,849)
Net cash from capital and related financing activities	(645,690)	-	(645,690)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	18,529	150	18,679
Net cash from investing activities	18,529	150	18,679
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	124,389	(630,536)	(506,147)
CASH AND CASH EQUIVALENTS, JANUARY 1	1,288,189	1,020,685	2,308,874
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 1,412,578</u>	<u>\$ 390,149</u>	<u>\$ 1,802,727</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (114,760)	\$ 253,851	\$ 139,091
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation	875,308	-	875,308
Changes in assets and liabilities			
Accounts receivable	1,001	168,293	169,294
Prepaid expenses	-	(454,171)	(454,171)
Accrued expenses	-	(633,786)	(633,786)
Accounts payable	(18,542)	51,311	32,769
Accrued payroll	8,543	(13,372)	(4,829)
Unearned revenue	-	(2,812)	(2,812)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 751,550</u>	<u>\$ (630,686)</u>	<u>\$ 120,864</u>

(See independent auditor's report.)

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 December 31, 2008

	Final Budget	Actual
OPERATING REVENUES		
Charges for services	\$ 3,346,514	\$ 3,346,315
Miscellaneous	-	75,813
Total operating revenues	3,346,514	3,422,128
OPERATING EXPENSES		
Personal services	1,319,871	1,283,776
Contractual services	277,870	266,134
Materials and supplies	918,051	771,306
Repairs and maintenance	323,461	280,689
Capital outlay	818,287	745,524
Total operating expenses	3,657,540	3,347,429
OPERATING INCOME	(311,026)	74,699
NONOPERATING REVENUE (EXPENSES)		
Gain (loss) on sale of capital assets	-	(21,067)
Investment income	40,000	18,529
Total nonoperating revenues (expenses)	40,000	(2,538)
NET INCOME - BUDGET BASIS	(271,026)	72,161
ADJUSTMENTS TO GAAP BASIS		
Capital assets capitalized	-	685,849
Depreciation	-	(875,308)
Total adjustments to GAAP basis	-	(189,459)
CHANGE IN NET ASSETS	<u>\$ (271,026)</u>	(117,298)
NET ASSETS, JANUARY 1		<u>4,278,242</u>
NET ASSETS, DECEMBER 31		<u>\$ 4,160,944</u>

(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 December 31, 2008

	Final Budget	Actual
OPERATING REVENUES		
Charges for current services	\$ 6,247,418	\$ 6,148,191
Total operating revenues	6,247,418	6,148,191
OPERATING EXPENSES		
Personal services	125,720	110,838
Contractual services	6,391,953	5,781,603
Materials and supplies	2,120	1,899
Small tools and equipment	500	-
Total operating expenses	6,520,293	5,894,340
OPERATING INCOME (LOSS)	(272,875)	253,851
NONOPERATING REVENUES (EXPENSES)		
Investment income	-	150
Total nonoperating revenues (expenses)	-	150
CHANGE IN NET ASSETS	\$ (272,875)	254,001
NET ASSETS, JANUARY 1		538,312
NET ASSETS, DECEMBER 31		\$ 792,313

(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

December 31, 2008

	Police Pension	Firefighters' Pension	Totals
ASSETS			
Cash and cash equivalents	\$ 625,256	\$ 1,374,270	\$ 1,999,526
Investments, at fair value			
U.S. Government obligations	14,176,776	16,029,355	30,206,131
Mutual funds	5,598,332	3,899,472	9,497,804
Common stock	4,539,669	4,016,569	8,556,238
Total investments	24,314,777	23,945,396	48,260,173
Receivables			
Accrued interest	118,099	133,001	251,100
Total receivables	118,099	133,001	251,100
Total assets	25,058,132	25,452,667	50,510,799
LIABILITIES			
Accounts payable	15,862	21,521	37,383
Total liabilities	15,862	21,521	37,383
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 25,042,270</u>	<u>\$ 25,431,146</u>	<u>\$ 50,473,416</u>

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS

For the Year Ended December 31, 2008

	Police Pension	Firefighters' Pension	Totals
ADDITIONS			
Contributions - employer			
Property taxes	\$ 1,254,016	\$ 1,090,547	\$ 2,344,563
Contributions - plan members	457,608	401,359	858,967
Contributions - other	-	825	825
Total contributions	1,711,624	1,492,731	3,204,355
Investment income			
Net appreciation (depreciation) in fair value of investments	(5,545,703)	(4,990,567)	(10,536,270)
Interest earned on investments	1,267,616	878,084	2,145,700
Total investment income	(4,278,087)	(4,112,483)	(8,390,570)
Less investment expense	(114,966)	(87,369)	(202,335)
Net investment income	(4,393,053)	(4,199,852)	(8,592,905)
Total additions	(2,681,429)	(2,707,121)	(5,388,550)
DEDUCTIONS			
Pensions and refunds	2,538,193	2,158,715	4,696,908
Miscellaneous			
Contractual professional services	32,539	24,529	57,068
Total deductions	2,570,732	2,183,244	4,753,976
NET INCREASE (DECREASE)	(5,252,161)	(4,890,365)	(10,142,526)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
January 1	30,294,431	30,321,511	60,615,942
December 31	\$ 25,042,270	\$ 25,431,146	\$ 50,473,416

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Year Ended December 31, 2008

	Balances January 1	Additions	Deductions	Balances December 31
ALL FUNDS				
ASSETS				
Cash and cash equivalents	\$ 5,656,502	\$ 2,499,916	\$ 4,827,543	\$ 3,328,875
Accounts receivable	13,791	2,024,288	2,022,163	15,916
TOTAL ASSETS	\$ 5,670,293	\$ 4,524,204	\$ 6,849,706	\$ 3,344,791
LIABILITIES				
Accounts payable	\$ 433,297	\$ 881,529	\$ 875,789	\$ 439,037
Accrued payroll	112	283	-	395
Due to others	2,276,604	143,749	903,814	1,516,539
Deposits payable	2,960,280	1,071,413	2,642,873	1,388,820
TOTAL LIABILITIES	\$ 5,670,293	\$ 2,096,974	\$ 4,422,476	\$ 3,344,791
GENERAL DEPOSIT FUND				
ASSETS				
Cash	\$ 2,946,489	\$ 1,700,701	\$ 3,274,286	\$ 1,372,904
Accounts receivable	13,791	2,024,288	2,022,163	15,916
TOTAL ASSETS	\$ 2,960,280	\$ 3,724,989	\$ 5,296,449	\$ 1,388,820
LIABILITIES				
Deposits payable	\$ 2,960,280	\$ 1,071,413	\$ 2,642,873	\$ 1,388,820
TOTAL LIABILITIES	\$ 2,960,280	\$ 1,071,413	\$ 2,642,873	\$ 1,388,820

(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 December 31, 2008

	Balances January 1	Additions	Deductions	Balances December 31
SPECIAL ASSESSMENT FUND				
ASSETS				
Cash and cash equivalents	\$ 433,297	\$ 4,740	\$ -	\$ 438,037
TOTAL ASSETS	\$ 433,297	\$ 4,740	\$ -	\$ 438,037
LIABILITIES				
Accounts payable	\$ 433,297	\$ 4,740	\$ -	\$ 438,037
TOTAL LIABILITIES	\$ 433,297	\$ 4,740	\$ -	\$ 438,037
HOUSING TRUST FUND				
ASSETS				
Cash and cash equivalents	\$ 2,276,716	\$ 794,475	\$ 1,553,257	\$ 1,517,934
TOTAL ASSETS	\$ 2,276,716	\$ 794,475	\$ 1,553,257	\$ 1,517,934
LIABILITIES				
Accounts payable	\$ -	\$ 876,789	\$ 875,789	\$ 1,000
Accrued payroll	112	283	-	395
Due to others	2,276,604	143,749	903,814	1,516,539
TOTAL LIABILITIES	\$ 2,276,716	\$ 1,020,821	\$ 1,779,603	\$ 1,517,934

(See independent auditor's report.)



City of Highland Park, Illinois

Statistical Section

(Unaudited)

This part of the City of Highland Park, Illinois' Comprehensive Annual Financial Report presents detailed information as a context for understanding this year's financial statements, note disclosures, and supplementary information. This section includes data for the City only and does not include the City's component units except where noted. In 2007, the City changed its fiscal year end to December 31. Where applicable the tables will only contain data for the eight months ending December 31, 2007. This information has not been audited by independent auditors.

Contents

Financial Trends

These tables contain trend information that may assist the reader in assessing the City's current financial performance by placing it in a historical prospective.

Revenue Capacity

These tables contain information that may assist the reader in understanding and assessing the City's two most significant sources of "own-source" revenue, property tax, and sales tax.

Debt Capacity

These tables contain information intended to assist the reader in understanding and assessing the City's debt burden and ability to issue additional debt.

Demographic and Economic

These tables are intended to provide the reader an understanding of the environment within which the City operates, and provide comparisons of information over time.

Operating Information

These tables are intended to provide information on the City's operations and resources to assist the reader in using the financial statements to understand and assess the City's economic condition.



Financial Trends

CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF NET ASSETS BY COMPONENT

Last Six Fiscal Years

	2004	2005	2006	2007	2007*	2008
GOVERNMENTAL ACTIVITIES						
Invested in capital assets, net of related debt	\$ 34,615,233	\$ 94,907,427	\$ 90,605,742	\$ 93,387,691	\$ 96,339,097	\$ 96,490,406
Restricted	2,549,447	10,706,878	11,419,596	10,461,157	9,225,744	7,107,210
Unrestricted	14,711,532	9,454,256	12,850,494	15,590,474	21,208,977	26,827,748
TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS	\$ 51,876,212	\$ 115,068,561	\$ 114,875,832	\$ 119,439,322	\$ 126,773,818	\$ 130,425,364
BUSINESS-TYPE ACTIVITIES						
Invested in capital assets, net of related debt	\$ 32,604,103	\$ 24,967,935	\$ 27,575,451	\$ 28,707,758	\$ 29,931,296	\$ 30,126,135
Unrestricted	2,071,930	1,969,534	3,177,220	4,117,114	4,855,152	4,679,172
TOTAL BUSINESS-TYPE ACTIVITIES NET ASSETS	\$ 34,676,033	\$ 26,937,469	\$ 30,752,671	\$ 32,824,872	\$ 34,786,448	\$ 34,805,307
PRIMARY GOVERNMENT						
Invested in capital assets, net of related debt	\$ 67,219,336	\$ 119,875,362	\$ 118,181,193	\$ 122,095,449	\$ 118,822,250	\$ 126,616,541
Restricted	2,549,447	10,706,878	11,419,596	10,461,157	9,225,744	7,107,210
Unrestricted	16,783,462	11,423,790	16,027,714	19,707,588	33,512,272	31,506,920
TOTAL PRIMARY GOVERNMENT	\$ 86,552,245	\$ 142,006,030	\$ 145,628,503	\$ 152,264,194	\$ 161,560,266	\$ 165,230,671

Note: Information not available for years prior to 2004.

* Eight months ended December 31, 2007

CITY OF HIGHLAND PARK, ILLINOIS
FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2007*	2008
GENERAL FUND										
Reserved	\$ 607,787	\$ 579,676	\$ 300,000	\$ -	\$ 43,436	\$ 17,793,436	\$ 16,518,436	\$ 16,340,000	\$ 17,128,260	\$ 22,309,500
Unreserved	7,884,620	6,287,134	6,334,700	8,638,274	11,751,196	10,188,720	11,945,951	14,652,292	17,062,183	18,485,787
Subtotal general fund	8,492,407	6,866,810	6,634,700	8,638,274	11,794,632	27,982,156	28,464,387	30,992,292	34,190,443	40,795,287
% Change from prior year	-1.6%	-19.1%	-3.4%	30.2%	36.5%	137.2%	1.7%	8.9%	10.3%	19.3%
ALL OTHER GOVERNMENTAL FUNDS										
Reserved	92,631	1,037,714	-	1,752,438	2,974,447	8,342,737	11,819,596	7,273,906	9,225,744	7,107,210
Unreserved, reported in										
Capital Projects Fund	3,043,724	3,482,397	2,242,190	4,868,117	6,237,450	-	-	-	176,894	320,059
Special Revenue Funds	932,445	725,768	898,624	361,738	(508,917)	(493,701)	-	-	-	-
Debt Service Funds	-	-	(62,041)	-	-	-	-	-	-	-
Subtotal all other funds	4,068,800	5,245,879	3,078,773	6,982,293	8,702,980	7,849,036	11,819,596	7,273,906	9,402,638	7,427,269
TOTAL GOVERNMENTAL FUNDS	\$ 12,561,207	\$ 12,112,689	\$ 9,713,473	\$ 15,620,567	\$ 20,497,612	\$ 35,831,192	\$ 40,283,983	\$ 38,266,198	\$ 43,593,081	\$ 48,222,556
% Change from prior year	-24.6%	-3.6%	-19.8%	60.8%	31.2%	74.8%	12.4%	-5.0%	13.9%	10.6%

* Eight months ended December 31, 2007

CITY OF HIGHLAND PARK, ILLINOIS

CHANGE IN NET ASSETS

Last Six Fiscal Years

	2004	2005	2006	2007	2007*	2008
GOVERNMENTAL ACTIVITIES						
Program Revenues						
Charges for services						
General government	\$ 940,539	\$ 949,822	\$ 983,609	\$ 1,742,176	\$ 1,240,959	\$ 1,394,081
Public safety	1,160,238	1,112,236	1,359,838	1,408,280	1,050,636	1,678,097
Public works	1,967,664	3,577,575	2,484,809	2,980,597	2,786,680	3,099,321
Economic/physical development	2,359,148	1,659,090	1,813,053	1,830,329	942,267	2,240,709
Transit	920,879	951,361	1,069,354	1,055,305	778,569	1,077,078
Operating grants	858,067	884,766	872,489	891,528	652,180	796,375
Capital grants	556,361	551,346	537,489	2,450,790	408,052	780,469
General Revenues						
Property taxes	9,887,448	10,001,506	10,207,239	9,376,023	9,952,745	10,628,574
Sales taxes	12,038,527	12,092,028	12,790,251	13,335,043	9,397,328	12,451,204
Other taxes	9,575,549	9,887,466	12,062,977	13,089,692	8,011,821	11,959,642
Other	838,019	329,109	960,346	1,911,975	2,609,554	6,470,264
Total revenues	41,102,439	41,996,305	45,141,454	50,071,738	37,830,791	52,575,814
Expenses						
General government	6,841,255	7,709,170	9,423,178	5,430,237	3,291,348	5,682,525
Public safety	18,632,313	16,671,814	18,056,277	19,286,651	13,931,034	20,358,646
Public works	7,489,204	11,784,555	10,133,409	12,824,653	9,309,655	15,695,342
Economic/physical development	5,889,721	4,093,676	5,034,721	4,341,647	2,929,461	3,765,001
Transit	1,148,215	1,219,866	1,227,855	1,199,521	967,852	1,325,557
Commissions	1,450,664	640,026	1,050,967	650,680	354,650	432,611
Interest	676,833	858,741	1,629,285	1,874,859	1,161,404	1,764,586
Total expenses	42,128,205	42,977,848	46,555,692	45,608,248	31,945,404	49,024,268
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS AND SPECIAL ITEM	(1,025,766)	(981,543)	(1,414,238)	4,463,490	5,885,387	3,551,546
Transfers	491,097	774,800	987,300	100,000	100,000	100,000
Special item	-	-	-	-	1,306,489	-
INCREASE (DECREASE) IN NET ASSETS	\$ (534,669)	\$ (206,743)	\$ (426,938)	\$ 4,563,490	\$ 7,291,876	\$ 3,651,546
BUSINESS-TYPE ACTIVITIES						
Program Revenues						
Charges for services						
Parking system	\$ 741,581	\$ 901,451	\$ 898,751	\$ 950,111	\$ 599,376	\$ 1,070,944
Water	6,768,646	6,737,818	7,753,939	7,016,692	5,361,021	6,756,248
Country Club	3,322,558	3,047,470	2,868,895	3,049,689	2,636,911	2,945,849
Capital grants	-	-	-	214,392	297,608	289,084
Other	16,958	(20,818)	2,120,460	337,866	127,500	393,686
Total revenues	10,849,743	10,665,921	13,642,045	11,568,750	9,022,416	11,455,811
Expenses						
Parking	927,189	857,921	736,329	893,709	568,121	1,160,791
Water	5,285,414	4,533,636	5,111,901	5,613,619	4,387,664	6,993,813
Country Club	2,540,970	3,106,734	3,252,180	3,223,794	2,414,382	3,182,348
Total expenses	8,753,573	8,498,291	9,100,410	9,731,122	7,370,167	11,336,952
INCREASE IN NET ASSETS BEFORE TRANSFERS AND CONTRIBUTIONS	2,096,170	2,167,630	4,541,635	1,837,628	1,652,249	118,859
Transfers	(491,097)	(774,800)	(987,300)	(100,000)	(100,000)	(100,000)
Contributions	-	-	-	-	409,327	-
INCREASE IN NET ASSETS	\$ 1,605,073	\$ 1,392,830	\$ 3,554,335	\$ 1,737,628	\$ 1,961,576	\$ 18,859

CITY OF HIGHLAND PARK, ILLINOIS

CHANGE IN NET ASSETS (Continued)

Last Six Fiscal Years

	2004	2005	2006	2007	2007*	2008
TOTAL NET ASSETS						
Program Revenues						
Charges for services	\$ 18,181,253	\$ 18,936,823	\$ 19,232,248	\$ 20,033,179	\$ 15,396,419	\$ 20,262,327
Operating grants	858,067	884,766	872,489	891,528	652,180	796,375
Capital grants	556,361	551,346	537,489	2,665,182	705,660	1,069,553
General Revenues						
Property taxes	9,887,448	10,001,506	10,207,239	9,376,023	9,952,745	10,628,574
Sales taxes	12,038,527	12,092,028	12,790,251	13,335,043	9,397,328	12,451,204
Other taxes	9,575,549	9,887,466	12,062,977	13,089,692	8,011,821	11,959,642
Other	854,977	308,291	3,080,806	2,249,841	2,737,054	6,863,950
Total revenues	51,952,182	52,662,226	58,783,499	61,640,488	46,853,207	64,031,625
Expenses						
General government	6,841,255	7,709,170	9,423,178	5,430,237	3,291,348	5,682,525
Public safety	18,632,313	16,671,814	18,056,277	19,286,651	13,931,034	20,358,646
Public works	7,489,204	11,784,555	10,133,409	12,824,653	9,309,655	15,695,342
Economic/physical development	5,889,721	4,093,676	5,034,721	4,341,647	2,929,461	3,765,001
Transit	1,148,215	1,219,866	1,227,855	1,199,521	967,852	1,325,557
Commissions	1,450,664	640,026	1,050,967	650,680	354,650	432,611
interest	676,833	858,741	1,629,285	1,874,859	1,161,404	1,764,586
Parking	927,189	857,921	736,329	893,709	568,121	1,160,791
Water	5,285,414	4,533,636	5,111,901	5,613,619	4,387,664	6,993,813
Country Club	2,540,970	3,106,734	3,252,180	3,223,794	2,414,382	3,182,348
Total expenses	50,881,778	51,476,139	55,656,102	55,339,370	39,315,571	60,361,220
INCREASE (DECREASE) IN NET ASSETS	\$ 1,070,404	\$ 1,186,087	\$ 3,127,397	\$ 6,301,118	\$ 7,537,636	\$ 3,670,405

Note: Information not available for years prior to 2004.

* Eight months ended December 31, 2007

CITY OF HIGHLAND PARK, ILLINOIS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2007*	2008
REVENUES										
Property taxes	\$ 11,514,538	\$ 9,277,927	\$ 9,467,517	\$ 9,864,155	\$ 9,887,448	\$ 10,001,506	\$ 10,207,240	\$ 9,376,024	\$ 9,952,746	\$ 10,628,575
Illinois state replacement taxes	220,690	202,102	197,481	147,631	212,981	208,941	311,520	339,577	250,779	345,105
Licenses and permits	2,996,934	2,288,820	2,122,644	2,264,264	3,080,069	2,724,895	2,776,953	2,730,449	1,999,361	2,156,328
Charges for current services	1,665,892	1,580,716	1,809,531	1,914,404	1,983,841	2,028,915	2,422,280	3,154,137	2,208,303	3,422,291
Municipal sales tax	10,060,364	10,492,993	10,706,499	10,014,358	12,038,527	12,092,027	12,790,251	13,335,043	9,397,327	12,451,204
Fines and forfeitures	324,101	250,070	265,609	346,179	360,475	259,806	387,891	315,385	214,996	411,633
Utility tax	3,301,140	3,648,778	3,921,731	3,743,805	3,469,014	2,785,652	3,114,634	3,120,499	1,684,513	3,106,464
Cable television franchise tax	267,931	319,456	376,300	359,946	333,133	369,172	407,637	451,132	331,936	523,939
Real estate transfer tax	1,734,500	1,938,210	1,787,298	2,000,860	2,174,270	2,420,485	2,919,960	2,809,795	1,267,630	1,202,395
Motor fuel tax allotment	830,957	890,950	863,746	974,586	858,067	884,766	872,489	878,063	571,450	794,755
Intergovernmental	-	-	-	-	498,679	457,372	363,846	784,245	486,513	196,075
Illinois state income tax	2,260,531	2,420,065	1,872,494	1,913,363	1,823,033	2,048,727	2,312,384	2,550,586	1,787,461	2,864,722
Regional Transportation Authority reimbursement	768,874	839,264	813,974	892,506	920,879	951,361	1,069,354	1,055,305	778,569	1,077,078
Franchise tax	123,532	128,218	114,529	44,385	503,542	1,703,043	1,807,586	2,040,791	1,457,558	2,088,142
Other taxes	-	-	-	-	572,140	2,165	938,110	1,222,126	913,627	1,723,064
Fire insurance tax	45,855	-	-	-	-	-	-	-	-	-
Grants	-	-	-	3,251,623	-	-	-	-	-	-
Reimbursements-other agencies	184,446	165,505	4,052	-	383,390	2,113,977	372,481	1,265,655	1,436,917	781,517
Investment income	1,317,693	1,265,945	769,792	518,514	159,640	329,106	960,347	1,911,974	2,609,552	1,153,313
Net appreciation in fair value of investments	-	-	-	-	-	-	-	-	-	5,571,520
Miscellaneous	2,876,689	1,224,027	1,431,870	1,572,770	1,005,293	614,389	1,106,491	1,004,510	481,553	2,332,267
Total revenues	40,494,667	36,933,046	36,525,067	39,823,349	40,264,421	41,996,305	45,141,454	48,345,296	37,830,791	52,830,387
EXPENDITURES										
General government	6,329,254	7,475,502	7,803,267	8,338,055	6,308,791	7,027,043	7,591,557	5,625,763	3,087,130	5,456,559
Public safety	12,452,890	11,699,586	12,155,248	12,849,750	14,926,595	15,589,024	16,919,612	17,781,459	13,635,023	19,222,999
Public works	6,755,788	8,570,979	7,212,971	7,758,732	6,742,600	6,756,359	7,065,885	7,297,877	5,482,463	8,469,091
Employee retirement benefits	1,358,117	1,561,815	1,807,131	1,618,747	-	-	-	-	-	-
Other	2,405,133	937,909	1,682,339	1,078,801	-	-	-	-	-	-
Capital outlay	15,058,101	4,600,374	5,487,318	10,961,100	10,969,429	6,790,817	11,206,922	8,851,103	4,678,095	5,028,153
Economic and physical development	-	-	-	-	3,339,672	3,467,023	3,862,701	3,786,103	2,538,460	3,885,286
Transit	-	-	-	-	1,128,989	1,212,533	1,185,939	1,210,370	962,584	1,340,683
Bond issuance costs	-	-	-	-	29,939	-	-	-	-	-
Commissions	-	-	-	-	271,750	280,372	263,188	402,459	190,504	179,815
Reserves and contingencies	9,525	-	-	-	-	-	-	-	-	-
Debt service	3,642,742	3,175,152	4,107,476	4,464,514	4,419,720	-	-	-	-	-
Principal	-	-	-	-	-	2,680,000	2,495,784	2,618,678	2,769,094	2,959,531
Interest and fiscal charges	-	-	-	-	-	898,711	1,326,275	1,845,057	1,760,555	1,758,795
Total expenditures	48,011,550	38,021,317	40,255,750	47,069,699	48,137,485	44,701,882	51,917,863	49,418,869	35,103,908	48,300,912
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,516,883)	(1,088,271)	(3,730,683)	(7,246,350)	(7,873,064)	(2,705,577)	(6,776,409)	(1,073,573)	2,726,883	4,529,475

CITY OF HIGHLAND PARK, ILLINOIS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Continued)

Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2007*	2008
OTHER FINANCING SOURCES (USES)										
Bonds issued	\$ 2,977,500	\$ -	\$ 6,295,733	\$ 8,413,730	\$ 9,000,000	\$ 16,590,000	\$ 11,000,000	\$ -	\$ 2,500,000	\$ -
Proceeds from sale of capital assets	-	-	-	-	3,876,013	492,061	8,200	455,788	-	-
Payments to escrow agent	-	-	(6,291,679)	7,078,471	-	-	(1,000,509)	-	-	-
Transfers in	5,578,377	6,903,683	3,621,796	(6,031,075)	5,560,657	6,928,355	3,691,254	3,070,800	2,978,550	3,606,660
Transfers (out)	(5,143,154)	(6,263,930)	(2,772,902)	-	(5,069,560)	(6,153,555)	(2,703,954)	(4,470,800)	(2,878,550)	(3,506,660)
Total other financing sources (uses)	3,412,723	639,753	852,948	9,461,126	13,367,110	17,856,861	10,994,991	(944,212)	2,600,000	100,000
NET CHANGES IN FUND BALANCES	(4,104,160)	(448,518)	(2,877,735)	2,214,776	5,494,046	15,151,284	4,218,582	(2,017,785)	5,326,883	4,629,475
FUND BALANCES, BEGINNING OF YEAR	16,665,367	12,561,207	12,112,689	9,713,473	15,593,666	20,497,612	35,831,192	40,283,983	38,266,198	43,593,081
Prior period adjustment	-	-	478,519	3,852,295	(590,100)	182,296	234,209	-	-	-
FUND BALANCES, BEGINNING OF YEAR, RESTATED	16,665,367	12,561,207	12,591,208	13,565,768	15,003,566	20,679,908	36,065,401	40,283,983	38,266,198	43,593,081
Residual equity transfer in	-	1,309,289	41,633	151,729	-	-	-	-	-	-
Residual equity transfer (out)	-	(1,309,289)	(41,633)	(311,706)	-	-	-	-	-	-
FUND BALANCES, END OF YEAR	\$ 12,561,207	\$ 12,112,689	\$ 9,713,473	\$ 15,620,567	\$ 20,497,612	\$ 35,831,192	\$ 40,283,983	\$ 38,266,198	\$ 43,593,081	\$ 48,222,556
DEBT SERVICE AS A % OF NONCAPITAL EXPENDITURES	8.4%	10.2%	9.5%	9.2%	8.0%	7.4%	9.0%	9.0%	12.9%	9.8%

* Eight months ended December 31, 2007



Revenue Capacity

CITY OF HIGHLAND PARK, ILLINOIS

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Levy Years
(Cents per hundred dollars)

Levy Year	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Railroad Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Tax Rate	Estimated Actual Value	Annual % Change	Ratio of Total Assessed Valuation to Estimated Actual Value of Real Property
1999	\$ 1,233,581,123	\$ 136,971,426	\$ 1,990,160	\$ 980,639	\$ 506,220	n/a	\$ 1,374,029,568	0.885	\$ 4,122,088,704	8.9%	33%
2000	1,328,590,213	143,475,204	2,127,005	1,070,829	524,343	n/a	1,475,787,594	0.812	4,427,362,782	7.4%	33%
2001	1,510,686,423	158,582,154	2,533,031	1,169,589	547,054	n/a	1,673,518,251	0.776	5,020,554,753	13.4%	33%
2002	1,579,524,820	165,789,879	2,607,170	1,207,347	649,027	n/a	1,749,778,243	0.701	5,249,334,729	4.6%	33%
2003	1,763,725,693	141,268,775	1,672,521	440,178	701,090	n/a	1,907,808,257	0.681	5,723,424,771	9.0%	33%
2004	1,889,593,213	149,974,820	1,803,869	482,657	789,193	n/a	2,042,643,752	0.640	6,127,931,256	7.1%	33%
2005	2,108,875,142	181,409,394	8,230	1,083,297	743,528	n/a	2,292,119,591	0.624	6,876,358,773	12.2%	33%
2006	2,304,476,442	203,809,524	8,984	1,172,950	934,925	n/a	2,510,402,825	0.561	7,531,208,475	9.5%	33%
2007	2,441,739,607	232,316,880	430,159	343	1,007,223	n/a	2,675,494,212	0.517	8,026,482,636	6.6%	33%
2007	n/a	n/a	n/a	n/a	1,082,378	n/a	2,780,479,845	0.515	8,341,439,535	3.9%	33%

Source: Lake County Clerk

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
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	0.210	0.045	0.132	0.197	1.686	2.312	0.012	0.561	0.397	6.006
2007*	2006	0.450	0.204	0.044	0.125	0.195	1.635	2.225	0.012	0.517	0.378	5.785
2008	2007	0.444	0.201	0.044	0.120	0.192	1.619	2.186	0.011	0.517	0.377	5.711

* Eight months ended December 31, 2007

Source: Lake County Clerk

CITY OF HIGHLAND PARK, ILLINOIS

PRINCIPAL TAXPAYERS

Current Year and Nine Years Prior

		December 31, 2008	
		(1)	
(2)		Equalized	
Taxpayer	Business/Service	Assessed	as a % of
		Valuation	Total EAV
Renaissance Place, LLC	Business/Retail Center	\$ 16,871,246	0.61%
Federal Realty Investment Trust	Business/Retail Center	8,446,179	0.30%
Solo Cup Company	Business	5,630,284	0.20%
Klaimont Family Associates	Business/Retail Center	5,475,193	0.20%
Sunset Food Mart, Inc.	Retail Store	5,301,625	0.19%
Highland Park Associates II LLC	Business	4,859,481	0.17%
Americana Apartments	Real Property	4,686,918	0.17%
Semersky, Ernie D.	Business/Retail Center	3,777,312	0.14%
First Highland, LLC	Real Property	3,606,368	0.13%
Target Corporation	Retail Store	3,499,650	0.13%
American Stores Company	Business/Retail Center	3,428,227	0.12%
RSV Partners	Real Estate	3,373,306	0.12%
		<u>\$ 68,955,789</u>	<u>2.48%</u>
2008 Total EAV		\$ 2,780,479,845	
Percentage of Total			2.48%
		Fiscal year end April 30, 1999	
		Equalized	
(2)		Assessed	as a % of
Taxpayer	Business/Service	Valuation	Total EAV
Federal Realty Investment Trust	Business/Retail Center	\$ 4,531,533	0.36%
Americana Apartments	Real Property	4,175,214	0.33%
Dayton Hudson Corporation	Retail Store	3,903,220	0.31%
Port Clinton Associates	Business/Retail Center	3,698,894	0.29%
American National Bank & Trust	Real Property	3,147,113	0.25%
Toys R Us - Delaware Inc.	Retail Store	2,572,328	0.20%
Highland Park Convalescent Center Assoc.	Senior Care Facility	2,512,996	0.20%
Lucky Stores Properties, Inc.	Retail Store	1,926,534	0.15%
First Street Associates	Business/Retail Center	1,740,656	0.14%
NBD Bank	Financial Institution	1,890,822	0.15%
		<u>\$ 30,099,310</u>	<u>2.39%</u>
1999 Total EAV		\$ 1,262,012,239	
Percentage of Total			2.39%

Notes:

(1) Source: Lake County Clerk

(2) 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 2008 EAV is the most current available for all taxpayers.

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				
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	12,800,096	99.54%	-	12,800,096	99.54%
2006	13,355,343	2007*	13,284,616	99.47%	1,543	13,286,159	99.48%
2007	13,832,305	2008	13,733,907	99.29%	-	13,733,907	99.29%

* Eight months ended December 31, 2007

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.

CITY OF HIGHLAND PARK, ILLINOIS

SALES TAX ANALYSIS BY SIC CODE

Last Ten Calendar Years

Municipal Sales Tax

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General merchandise	284,148.61	319,813.57	425,279.15	449,665.88	495,645.02	483,101.68	488,887.52	561,889.62	578,850.88	519,738.54
Food	1,037,729.29	1,045,214.00	1,057,093.91	1,049,456.64	996,333.95	908,731.12	900,575.70	968,252.22	975,243.48	998,425.45
Drinking and eating places	370,684.71	393,596.89	438,213.34	428,680.96	443,253.30	464,391.63	483,989.43	513,234.89	536,748.62	539,963.94
Apparel	360,994.90	485,948.21	463,386.91	448,783.05	449,310.31	428,544.43	459,303.72	446,822.39	427,183.57	367,146.15
Furniture and HH and radio	384,588.36	413,226.26	397,260.15	361,498.57	280,803.36	336,237.36	421,026.36	400,070.84	306,445.48	265,038.43
Lumber, building, and hardware	372,854.36	388,495.82	392,682.99	414,207.09	420,770.86	395,287.27	428,668.18	495,305.88	457,644.14	419,233.32
Automotive and filling stations	3,285,288.71	3,287,445.77	3,400,502.06	2,870,392.68	2,947,007.37	2,907,331.85	3,045,355.39	3,466,798.13	3,345,996.52	2,897,031.58
Drugs and misc retail	915,980.70	956,981.32	986,440.34	1,000,857.24	1,031,035.81	1,043,398.73	1,084,501.52	1,136,443.88	1,192,348.19	1,204,089.23
Agriculture and all others	552,370.12	565,944.76	545,330.56	542,659.56	512,833.13	514,686.22	514,611.38	551,571.92	582,260.19	523,773.28
Manufacturers	150,737.19	127,566.57	119,841.36	103,825.57	118,355.31	182,909.10	196,068.11	192,174.44	209,486.51	212,642.53

TOTAL	7,715,376.95	7,984,233.17	8,226,030.77	7,670,027.24	7,695,348.42	7,664,619.39	8,022,987.31	8,732,564.21	8,612,207.58	7,947,082.45
% increase/decrease from previous year	10.24%	3.48%	3.03%	-6.76%	0.33%	-0.40%	4.68%	8.84%	-1.38%	-7.72%

Home Rule Sales Tax

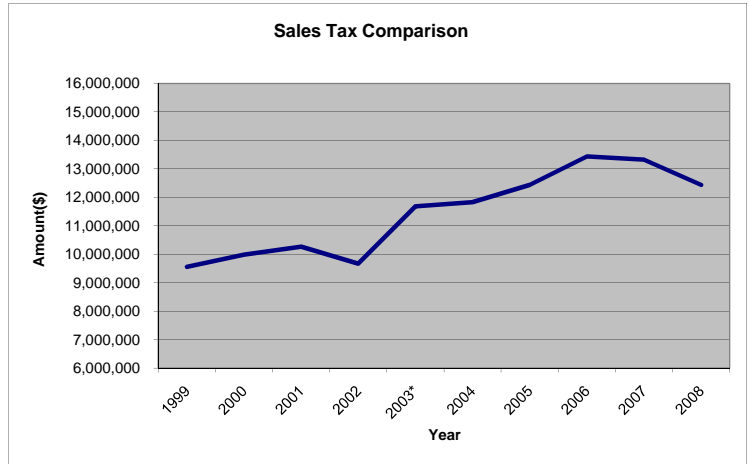
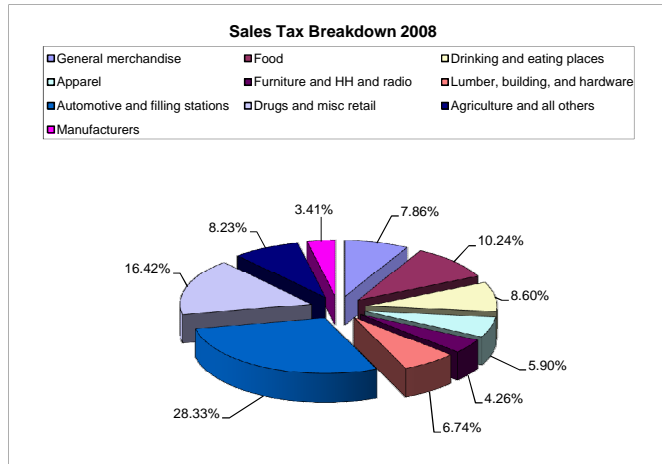
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003*</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General merchandise	124,809.01	141,096.08	191,973.30	206,227.76	451,891.46	442,089.88	444,293.03	507,279.50	514,612.17	457,733.57
Food	110,136.61	121,815.34	119,120.40	124,776.93	241,057.42	229,527.48	237,389.05	300,356.54	286,502.27	275,568.13
Drinking and eating places	180,368.35	191,486.39	213,169.16	207,363.35	425,754.98	448,153.40	471,251.05	500,828.97	519,602.47	529,679.63
Apparel	176,381.85	238,848.75	227,107.09	220,713.52	448,256.13	427,557.95	459,231.92	446,779.33	426,900.16	367,145.46
Furniture and HH and radio	192,070.30	206,295.03	198,573.04	180,728.09	279,444.74	335,499.50	421,246.27	399,675.94	305,964.82	265,027.54
Lumber, building, and hardware	184,575.30	193,761.67	196,272.11	207,071.50	414,049.24	395,136.23	428,066.60	495,189.16	457,616.68	418,345.40
Automotive and filling stations	176,193.19	201,325.17	204,120.24	188,510.92	385,171.45	440,118.24	471,626.60	527,071.86	596,428.55	626,500.77
Drugs and misc retail	358,912.85	371,839.24	369,634.45	366,992.07	740,058.43	772,698.91	789,769.98	810,848.75	833,105.42	837,883.04
Agriculture and all others	266,352.06	274,553.59	260,570.32	246,684.21	482,850.94	485,600.53	487,999.61	523,550.81	555,993.49	500,027.03
Manufacturers	73,169.46	62,441.52	56,174.62	50,514.93	114,880.46	180,751.54	195,637.67	191,768.93	209,332.03	210,913.69

TOTAL	1,842,968.98	2,003,462.78	2,036,714.73	1,999,583.28	3,983,415.25	4,157,133.66	4,406,511.78	4,703,349.79	4,706,058.06	4,488,824.26
% increase/decrease from previous year	13.22%	8.71%	1.66%	-1.82%	99.21%	4.36%	6.00%	6.74%	0.06%	-4.62%

Total Sales Tax

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003*</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General merchandise	408,957.62	460,909.65	617,252.45	655,893.64	947,536.48	925,191.56	933,180.55	1,069,169.12	1,093,463.05	977,472.11
Food	1,147,865.90	1,167,029.34	1,176,214.31	1,174,233.57	1,237,391.37	1,138,258.60	1,137,964.75	1,268,608.76	1,261,745.75	1,273,993.58
Drinking and eating places	551,053.06	585,083.28	651,382.50	636,044.31	869,008.28	912,545.03	955,240.48	1,014,063.86	1,056,351.09	1,069,643.57
Apparel	537,376.75	724,796.96	690,494.00	669,496.57	897,566.44	856,102.38	918,535.64	893,601.72	854,083.73	734,291.61
Furniture and HH and radio	576,658.66	619,521.29	595,833.19	542,226.66	560,248.10	671,736.86	842,272.63	799,746.78	612,410.30	530,065.97
Lumber, building, and hardware	557,429.66	582,257.49	588,955.10	621,278.59	834,820.10	790,423.50	856,734.78	990,495.04	915,260.82	837,578.72
Automotive and filling stations	3,461,481.90	3,488,770.94	3,604,622.30	3,058,903.60	3,332,178.82	3,347,450.09	3,516,981.99	3,993,869.99	3,942,425.07	3,523,532.35
Drugs and misc retail	1,274,893.55	1,328,820.56	1,356,074.79	1,367,849.31	1,771,094.24	1,816,097.64	1,874,271.50	1,947,292.63	2,025,453.61	2,041,972.27
Agriculture and all others	818,722.18	840,498.35	805,900.88	789,343.77	995,684.07	1,000,286.75	1,002,610.99	1,075,122.73	1,138,253.68	1,023,800.31
Manufacturers	223,906.65	190,008.09	176,015.98	154,340.50	233,235.77	363,660.64	391,705.78	383,943.37	418,818.54	423,556.22

TOTAL	9,558,345.93	9,987,695.95	10,262,745.50	9,669,610.52	11,678,763.67	11,821,753.05	12,429,499.09	13,435,914.00	13,318,265.64	12,435,906.71
% increase/decrease from previous year	10.80%	4.49%	2.75%	-5.78%	20.78%	1.22%	5.14%	8.10%	-0.88%	-6.63%



Source: Illinois Department of Revenue

* Note: Home Rule Sales Tax Rate increased from .50% to 1.00% effective January 1, 2003

CITY OF HIGHLAND PARK, ILLINOIS

SALES TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years
(Rates shown in %)

Fiscal Year	Direct			Overlapping			Total Tax
	City Home Rule	City	Total Direct	State of Illinois	Lake County	Regional Transit Authority	
2000	0.50	1.00	1.50	5.00	0.25	0.25	7.00
2001	0.50	1.00	1.50	5.00	0.25	0.25	7.00
2002	0.50	1.00	1.50	5.00	0.25	0.25	7.00
2003 (1)	1.00	1.00	2.00	5.00	0.25	0.25	7.50
2004	1.00	1.00	2.00	5.00	0.25	0.25	7.50
2005	1.00	1.00	2.00	5.00	0.25	0.25	7.50
2006	1.00	1.00	2.00	5.00	0.25	0.25	7.50
2007	1.00	1.00	2.00	5.00	0.25	0.25	7.50
2007*	1.00	1.00	2.00	5.00	0.25	0.25	7.50
2008	1.00	1.00	2.00	5.00	0.25	0.75	8.00

(1) Increase in home rule tax rate effective January 1, 2003

*Eight months ended December 31, 2007



Debt Capacity

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
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
2007	30,262	(2)	2,510,402,825	43,735,538	0.0174	1,445.23
2007*	30,262	(2)	2,675,494,212	43,466,444	0.0162	1,436.34
2008	31,457	(2)	2,780,479,845	40,506,914	0.0146	1,287.69

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

*Eight months ended December 31, 2007

CITY OF HIGHLAND PARK, ILLINOIS

OUTSTANDING DEBT BY TYPE AND RATIO OF TOTAL DEBT

Last Ten Fiscal Years

Fiscal Year	Governmental Activities						Business-Type Activities	Component Unit		Total Debt	EAV	Debt to EAV Ratio	Estimated Population	Per Capita
	General Obligation Bonds	Other Payable	Capital Leases	Net Other Post Employment Benefit Obligation (NOPEBO)	Compensated Absences	General Obligation Bonds and NOPEBO	Library							

2000	\$	20,506,480	\$	55,000	(1)	\$	-	\$	-	\$	1,345,771	\$	9,808,520	\$	522,266	(2)	\$	32,238,037	\$	1,374,029,568	0.0235	30,575	\$	1,054
2001		18,316,480		-			-		-		1,254,680		11,573,520		313,813	(2)		31,458,493		1,475,787,574	0.0213	30,262		1,040
2002		15,013,477		-			-		-		1,294,347		10,615,000		187,278	(2)		27,110,102		1,673,518,251	0.0162	30,262		896
2003		19,625,635		189,515	(4)		-		-		1,232,985		11,150,000		69,661	(2)		32,267,796		1,749,778,243	0.0184	30,262		1,066
2004		24,940,000		1,282,276	(4)		-		-		2,129,307		10,115,000		74,187	(3)		38,540,770		1,907,808,257	0.0202	30,262		1,274
2005		38,850,000		1,160,000	(2)		369,779		-		2,517,684		8,926,573		85,744	(3)		51,909,780		2,042,643,752	0.0254	30,262		1,715
2006		46,354,216		1,160,000	(2)		238,114		-		2,243,874		7,726,778		92,749	(3)		57,815,731		2,292,119,591	0.0252	30,262		1,911
2007		43,735,538		-			106,459		1,139,582		2,367,410		7,134,308		199,028	(5)		54,682,325		2,510,402,825	0.0218	30,262		1,807
2007*		43,466,444		-			18,689		1,913,041		2,217,544		13,944,403		277,336	(5)		61,837,457		2,675,494,212	0.0231	30,262		2,043
2008		40,506,914		-			-		2,774,417		2,177,564		13,461,882		293,416	(5)		59,214,193		2,780,479,845	0.0213	31,457		1,882

Note: Details of the City's debt can be found in the notes to the financial statements.

(1) Special service area bonds

(2) Note payable

(3) Compensated absences

(4) Net pension obligations

(5) Compensated absences and net other post employment benefit obligation

*Eight months ended December 31, 2007

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF DIRECT AND OVERLAPPING DEBT

December 31, 2008

Governmental Unit	General Bonded Debt	Percentage Debt Applicable to the City of Highland Park (1)	City of Highland Park Share of Debt
City of Highland Park	\$ 40,506,914	100.00%	\$ 40,506,914
Lake County	38,945,000	10.04%	3,910,078
Lake County Forest Preserve District	222,400,000	10.04%	22,328,960
North Shore Sanitary District	5,475,992	26.88%	1,471,947
Deerfield Park District	3,840,000	0.005%	192
Park District of Highland Park	1,270,000	98.68%	1,253,236
School Districts			
District No. 106	1,255,000	3.50%	43,925
District No. 109	17,900,000	4.72%	844,880
District No. 112	39,535,000	94.17%	37,230,110
District No. 113	39,690,000	57.36%	22,766,184
College of Lake County	9,397,481	9.59%	901,218
	<u>379,708,473</u>		<u>90,750,730</u>
	<u>\$ 420,215,387</u>		<u>\$ 131,257,644</u>

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

Data Source

Lake County Clerk's office, phone survey

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF LEGAL DEBT MARGIN

December 31, 2008

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



Demographic and Economic Information

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
2000	30,575	\$ 43,394	5,919	1.8%	38.1	47.0%
2001	30,262	55,331	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%
2007	30,262	55,331	6,256	2.9%	40.6	61.6%
2007*	30,262	55,331	6,212	3.3%	40.6	61.6%
2008	31,457	55,331	6,259	4.4%	40.6	61.6%

Notes:

(1) U.S. Census Bureau

(2) Highland Park School Districts

(3) Illinois Department of Employment Security

*Eight months ended December 31, 2007

CITY OF HIGHLAND PARK, ILLINOIS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Prior

Employer	2008	
	Employees	Percentage of Total Municipal Employment
Highland Park Hospital	1,200	7.15%
Solo Cup Co	844	5.03%
School District 112	740 (1)	4.41%
Ravinia Festival	690	4.11%
Northern Suburban Special Education District	506	3.01%
School District 113	398 (1)	2.37%
City of Highland Park	328 (1)	1.95%
Manor Care of Highland Park	120	0.71%
Guy Scopelliti Landscaping	90 (1)	0.54%
Highland Park Post Office	85	0.51%
	<u>5,001</u>	<u>29.79%</u>
Employer	1999	
	Employees	Percentage of Total Municipal Employment
Highland Park Hospital	1,200	7.02%
Solo Cup Co	600	3.51%
Ravinia Festival	540 (1)	3.16%
City of Highland Park	316	1.85%
Sunset Food Mart	350	2.05%
Opportunity Inc.	200	1.17%
Mutual Building Materials	70	0.41%
Columbia Audio/Video	65	0.38%
Highland Park Volvo	60	0.35%
	<u>3,401</u>	<u>19.90%</u>

Note: (1) Includes full-time and seasonal employees

Data Source

1999 IL Manufacturers Directory, 1999 IL Services Directory, City records, and phone survey



Operating Information

CITY OF HIGHLAND PARK, ILLINOIS
OPERATING INFORMATION AND INDICATORS

Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2007*	2008
FIRE PROTECTION										
Emergency responses	n/a	4,699	4,449	4,464	4,439	4,432	4,419	3,098	1,764	4,673
Fires extinguished	n/a	64	40	50	32	42	24	26	29	34
PUBLIC WORKS										
Asphalt placed (square yards)	1,206	1,038	1,010	880	951	1,467	1,996	1,500	2,608	1,963
Crack sealing (street miles)	24	12	12	21	-	5	-	5	7	5
Street-sweeping (hours)	n/a	n/a	790	1,113	1,061	1,664	1,894	2,000	1,650	2,109
Number of mainbreaks repaired	83	89	71	89	61	104	99	75	39	64
POLICE PROTECTION										
Parking violations	n/a	n/a	n/a	6,562	11,448	15,345	14,059	13,894	8,403	12,643
Number of arrests	1,084	1,069	1,274	1,298	1,152	1,117	1,258	1,369	509	1,139
Number of traffic citations	6089	6420	6,925	7,876	6,886	6,867	7,331	7,098	2,589	9,442
FINANCE										
Number of water bills	41,368	41,568	41,568	41,568	41,568	41,568	41,016	41,016	25,973	41,267
Number of vendor checks	7,311	7,736	7,049	7,085	7,500	7,645	7,697	7,700	5,087	6,809
MUNICIPAL WATER SYSTEM										
Number of customers	10,342	10,392	10,392	10,392	10,392	10,392	10,254	10,254	10,254	10,300
Average daily consumption (gallons)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	11,856,000	11,856,000	11,856,000	9,618,000
Plant capacity (rated) - per day (gallons)	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000
Miles of water mains (approximate)	150	150	150	150	150	150	168	168	168	168
Number of fire hydrants (approximate)	1,900	1,900	1,650	1,650	1,650	1,650	1,680	1,680	1,680	1,680

Data Source

U.S. Census Bureau and City records

*Eight months ended December 31, 2007

CITY OF HIGHLAND PARK, ILLINOIS

CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2007*	2008
AREA - SQUARE MILES	12	12	12	12	12	12	12	12	12	12
FIRE PROTECTION										
Number of stations	3	3	3	3	3	3	3	3	3	3
Fire engines	3	3	3	3	3	3	3	3	3	3
Ambulances	3	3	3	3	3	3	3	3	3	3
POLICE PROTECTION										
Number of stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	14	14	14	14	14	14	14	14	14
PUBLIC WORKS										
Miles of water mains (approximate)	150	150	150	150	150	150	168	168	168	168
Number of fire hydrants (approximate)	1,900	1,900	1,650	1,650	1,650	1,650	1,680	1,680	1,680	1,680
Miles of storm sewer (approximate)	150	150	150	150	150	150	178	178	178	178
Number of street lights (approximate)	1,420	1,420	1,420	1,420	1,420	1,420	1,420	1,420	1,420	1,420
Miles of sanitary sewer (approximate)	117	117	117	117	117	117	130	130	130	130
MILES OF STREET										
Paved	154	154	154	154	154	154	154	154	154	154
Graded	2	2	2	2	2	2	2	2	2	2
TOTAL	156	156	156	156	156	156	156	156	156	156

Data Source

U.S. Census Bureau and City records

* Eight months ended December 31, 2007

CITY OF HIGHLAND PARK, ILLINOIS
FULL-TIME EQUIVALENT EMPLOYEES

Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2007*	2008
GENERAL GOVERNMENT	20.80	20.25	20.25	21.25	20.40	24.40	24.40	22.50	23.25	23.25
COMMUNITY DEVELOPMENT	26.65	27.50	26.50	27.75	28.25	29.25	29.75	29.75	29.50	29.50
FINANCE	18.10	15.50	15.50	15.50	17.50	14.00	13.50	13.50	13.50	13.50
FIRE										
Firefighters and officers	52.50	53.00	53.00	53.00	53.00	53.00	53.00	53.00	53.00	53.00
Civilians	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
POLICE										
Sworn personnel	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00
Civilians	28.30	28.75	32.75	33.75	33.75	33.75	33.75	33.75	30.25	30.25
PUBLIC WORKS										
Maintenance workers	59.05	62.75	62.75	68.25	68.75	68.75	69.25	67.75	66.25	66.25
Engineering	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Administration	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00

Data Source

City budgets

* Eight months ended December 31, 2007