

# **City of Highland Park Illinois**



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**Comprehensive Annual  
Financial Report**  
For year ended  
December 31, 2011

CITY OF HIGHLAND PARK, ILLINOIS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

For the Year Ended  
December 31, 2011

CITY OF HIGHLAND PARK, ILLINOIS  
TABLE OF CONTENTS

---

	<u>Page(s)</u>
 INTRODUCTORY SECTION  	
Principal Officials .....	i
Organization Chart.....	ii
Certificate of Achievement for Excellence in Financial Reporting.....	iii
Letter of Transmittal .....	iv-viii
 FINANCIAL SECTION  	
INDEPENDENT AUDITOR’S REPORT .....	1-2
 GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS	
Management’s Discussion and Analysis.....	MD&A 1-11
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets.....	3
Statement of Activities .....	4-5
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	6-7
Reconciliation of Fund Balances of Governmental Funds to the Governmental Activities in the Statement of Net Assets .....	8
Statement of Revenues, Expenditures, and Changes in Fund Balances ..	9-10
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Governmental Activities in the Statement of Activities .....	11-12

CITY OF HIGHLAND PARK, ILLINOIS  
TABLE OF CONTENTS (Continued)

---

Page(s)

FINANCIAL SECTION (Continued)

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS (Continued)

Basic Financial Statements (Continued)

Fund Financial Statements (Continued)

Proprietary Funds

Statement of Net Assets .....	13-14
Statement of Revenues, Expenses, and Changes in Net Assets .....	15-16
Statement of Cash Flows .....	17-18

Fiduciary Funds

Statement of Fiduciary Net Assets .....	19
Statement of Changes in Fiduciary Net Assets.....	20

Notes to Financial Statements .....	21-60
-------------------------------------	-------

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
General Fund .....	61-62
Public Safety Pension Levy Fund.....	63
Schedule of Funding Progress	
Illinois Municipal Retirement Fund .....	64
Police Pension Fund .....	65
Firefighters' Pension Fund .....	66
Other Postemployment Benefit Plan .....	67
Schedule of Employer Contributions	
Illinois Municipal Retirement Fund .....	68
Police Pension Fund .....	69
Firefighters' Pension Fund .....	70
Other Postemployment Benefit Plan .....	71
Notes to Required Supplementary Information .....	72

CITY OF HIGHLAND PARK, ILLINOIS  
TABLE OF CONTENTS (Continued)

---

Page(s)

FINANCIAL SECTION (Continued)

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

MAJOR GOVERNMENTAL FUNDS

Schedule of Detailed Expenditures - Budget and Actual General Fund .....	73-77
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Debt Service Fund .....	78
Capital Projects Fund .....	79

NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet .....	80-81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	82
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Motor Fuel Tax Fund.....	83
Emergency 911 System Fund .....	84
Highland Park Theater Fund .....	85
Environmental Sustainability Fund .....	86
Multi-Modal Transportation Fund.....	87
Tax Increment Financing Fund .....	88

MAJOR ENTERPRISE FUNDS

Schedule of Revenues, Expenses, and Changes in Net Assets - Budget and Actual Motor Vehicle Parking System Fund .....	89
Water Fund .....	90
Sewer Fund .....	91
Highland Park Country Club Fund.....	92

INTERNAL SERVICE FUNDS

Combining Statement of Net Assets .....	93
Combining Statement of Revenues, Expenses, and Changes in Net Assets .....	94
Combining Statement of Cash Flows .....	95
Schedule of Revenues, Expenses, and Changes in Net Assets - Budget and Actual Equipment Maintenance and Replacement Fund .....	96
Insurance Fund .....	97

CITY OF HIGHLAND PARK, ILLINOIS  
TABLE OF CONTENTS (Continued)

---

Page(s)

FINANCIAL SECTION (Continued)

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES (Continued)

FIDUCIARY FUNDS

Combining Statement of Plan Net Assets - Pension Trust Funds .....	98
Combining Statement of Changes in Plan Net Assets - Pension Trust Funds ..	99
Combining Statement of Changes in Assets and Liabilities - Agency Funds.....	100-101

STATISTICAL SECTION

Financial Trends

Statement of Net Assets by Component .....	102
Fund Balances of Governmental Funds .....	103
Change in Net Assets .....	104-106
Changes in Fund Balances of Governmental Funds .....	107-108

Revenue Capacity

Assessed Value and Actual Value of Taxable Property .....	109
Property Tax Rates - All Direct and Overlapping Governments .....	110
Principal Taxpayers .....	111
Property Tax Levies and Collections.....	112
Sales Tax Analysis by SIC Code .....	113
Sales Tax Rates - All Direct and Overlapping Governments .....	114

Debt Capacity

Ratio of General Bonded Debt to Equalized Assessed Valuation and Net General Obligation Bonded Debt Per Capita .....	115
Outstanding Debt by Type and Ratio of Total Debt .....	116
Schedule of Direct and Overlapping Debt .....	117
Schedule of Legal Debt Margin .....	118

Demographic and Economic Information

Demographic Statistics .....	119
Principal Employers.....	120

Operating Information

Operating Information and Indicators.....	121
Capital Asset Statistics.....	122
Full-Time Equivalent Employees .....	123

CITY OF HIGHLAND PARK, ILLINOIS

PRINCIPAL OFFICIALS

December 31, 2011

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LEGISLATIVE

Nancy R. Rotering, Mayor

City Council

Anthony E. Blumberg

James R. Kirsch

Paul Frank

Steven W. Mandel

Daniel A. Kaufman

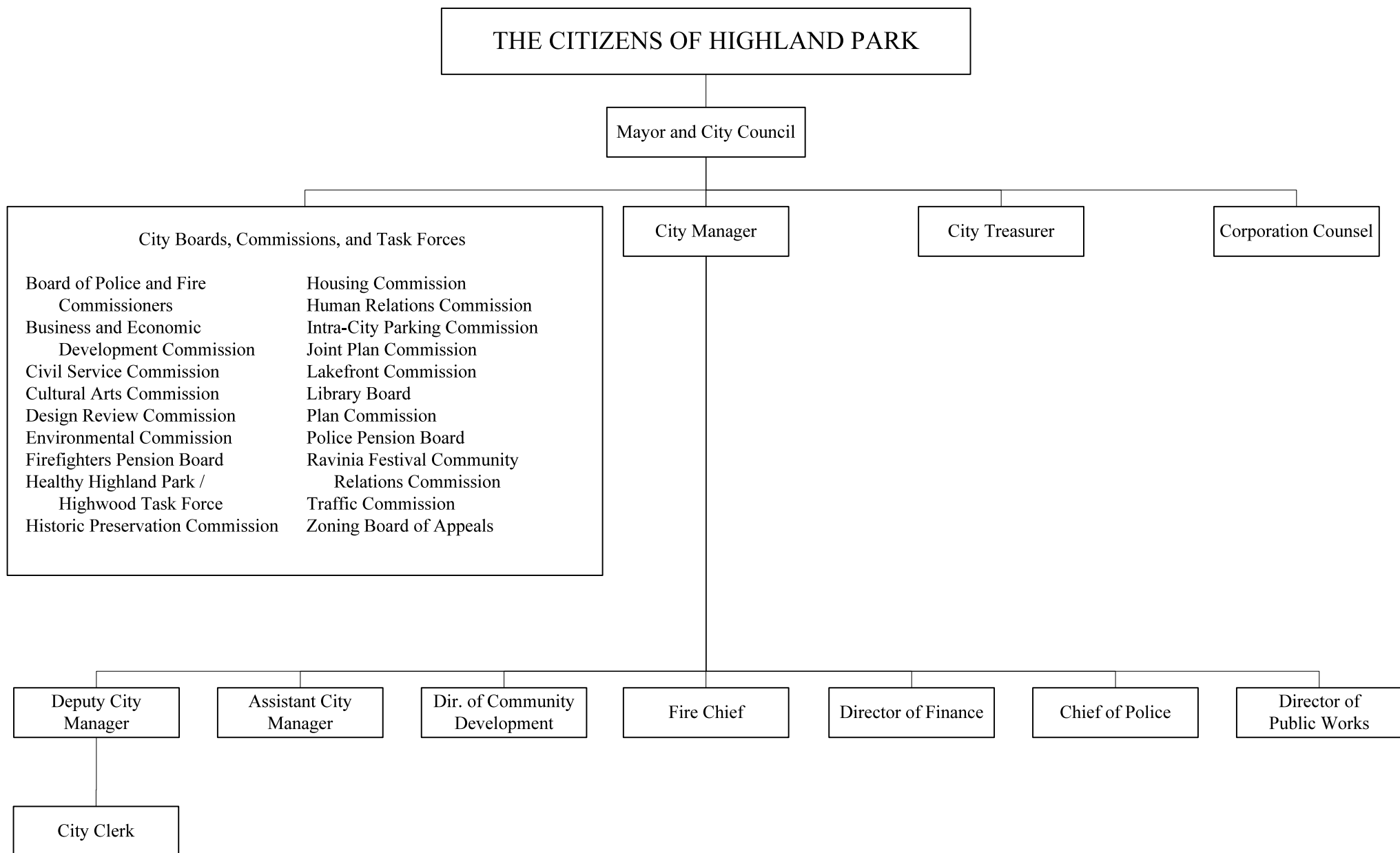
David Naftzger

ADMINISTRATIVE

David M. Limardi, City Manager

Elizabeth A. Holleb, Finance Director

Shirley A. Fitzgerald, City Clerk





# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Highland Park  
Illinois

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2010

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.



*Linda C. Sandison*

President

*Jeffrey R. Emen*

Executive Director



## CITY OF HIGHLAND PARK

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

June 11, 2012

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, 2011.

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, 2011. 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 29,763. 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 October. 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 impact of national economic conditions continued to impact the City in 2011, although some improvement was realized over the prior year. Economic conditions over the past four years have 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.

Construction and real estate activity remained well below pre-recession levels in 2007. However, building permit revenues were up 20.0% compared to calendar year 2010. Real estate transfer tax revenues posted a .24% increase over 2010, with the number of real estate transfer tax transactions decreasing by 1.7%, indicating an increase in housing prices in 2011. The City's assessed valuation decreased 8.9% from 2010 to 2011 as the impacts of the County's triennial

reassessments reflect lower property values for a greater proportion of properties within the City's tax base.

Retail sales for 2011 increased over the prior year for the second year in a row since 2006. Total sales tax revenue increased 2.7% over 2010, with the resurgence of the auto market contributing the greatest dollar increase over the prior year. Municipal sales tax revenue, exclusive of home rule sales tax revenue, provides a better measure of the change in total retail sales in the City and increased 2.58% over calendar year 2010. Increases were posted in the General Merchandise (6.0%), Drinking and Eating Places (4.8%), Apparel (1.6%), Furniture, Household and Radio (1.6%), Lumber, Building and Hardware (1.8%) and Auto (7.2%) sales categories, while continued declines were reported in the following categories: Food (-2.8%), Agriculture (-4.6%) and Manufacturers (-5.3%). The fourth quarter of 2011 showed even greater positive trends in consumer spending and consumer confidence.

Business spending has remained stable in 2011; retail/commercial vacancies increased from 35 spaces at the start of the year to 37 at the close of 2011. However, this number is down from the 65 retail/commercial vacancies that existed at the start of calendar year 2010. Commercial property inquiries remain strong and the City's economic development office is working to attract and retain businesses in all of the City's business districts. A 2008 partnership of the downtown Property Owners Association, the Highland Park Chamber of Commerce, and the City of Highland Park continues efforts 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. The CBD Alliance launched several marketing efforts in 2011 to promote retail business in the Central Business District.

Deliberate action by the City's elected and appointed officials in times of economic growth have ensured adequate reserves to sustain service levels during this period of economic decline. With a clear emphasis on maintaining healthy reserves and a desire to ensure that operating expenditures can be sustained at the current level of revenues, the 2011 budget was developed under a revised comprehensive set of Financial and Budgetary Policies. While many of the previous policies were retained, additional budgetary policies were added to enhance the budget process and ensure long-term sustainability. Significant effort has been made to enhance transparency, clarity and financial sustainability, as well as to improve the connectivity between revenue sources and expenditures within the fund structure. These efforts resulted in several restructuring changes within the existing framework. The Comprehensive Annual Report for 2011 is the first financial report that reflects the results of these modifications.

The City's long-term economic outlook remains favorable. The 2011 average unemployment rate for the City was 6.0% compared to the State of Illinois rate of 9.7% and Lake County rate of 10.5%. The per capita income of the City's labor force was \$61,287 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 2012. Expenditures are being reduced and deferred whenever possible, and privatization of services is being considered when a cost savings and consistent level of service can be achieved.

### *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 approximately \$3.9 million in additional sales tax revenue per year, and has been used to fund infrastructure improvements and the abatement of the debt service property tax levy planned for various capital projects.

The City continues an aggressive capital plan for infrastructure improvements, committing in excess of \$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. As of January 1, 2011, these annual amounts are scheduled to be increased annually by the Construction Cost Index to ensure that the funding commitments keep pace with inflationary construction cost increases. 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*

Unassigned fund balance in the general fund at December 31, 2011, is \$15,762,287, which represents 55% of 2012 general fund operating expenditures, exceeding the City's policy guidelines set by the Council for budgetary and planning purposes. These reserves are vital to ensuring the City's ability to weather the current national economic conditions, address growing pension funding requirements and maintain services in the event of unanticipated revenue shortfalls. In 2012, the City plans on drawing down fund balance reserves by \$2.1 million in accordance with the City's financial and budgetary policies.

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 \$4.4 million to meet future requirements associated with other postemployment benefits. Please refer to the notes to the financial statements for additional information.

### *Major initiatives*

The City is continuing efforts to improve its water treatment plant, which was originally constructed in 1929. The project calls for replacement of aging infrastructure as well as other plant improvements. Based on the initial design for the project, the City completed a public bid process for the project in 2011. Due to an unfavorable bidding environment, the Mayor and

City Council are now considering various options to amend the project scope as presented by the City's engineering and design consultants.

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, in anticipation of this project to ensure that these contracts are secured through the expected term of the bonds.

### *Awards and Acknowledgements*

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Highland Park for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2010. This was the twenty-seventh 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, 2011. 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 professional 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, most notably David Limardi and Elizabeth Holleb, who served in 2011 as City Manager and Finance Director, respectively. 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 W. Knapp  
City Manager

  
Nikki Winikates  
Deputy Finance Director



1415 W. Diehl Road, Suite 400 • Naperville, IL 60563

## 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, 2011, 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 basic 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, 2011, 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 City of Highland Park, Illinois adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended December 31, 2011. The statement changed the classifications of governmental fund balances and clarified the definitions of existing fund types. The adoption of this statement had no effect on the any of the City of Highland Park, Illinois' governmental funds' assets or liabilities nor was there any effect to the total amount of any of the City of Highland Park, Illinois' governmental fund balances as of and for the year ended December 31, 2011.

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.

The required supplementary information listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Highland Park, Illinois' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink, appearing to be 'A. M. 28' or similar, written in a cursive style.

Naperville, Illinois  
April 17, 2012



## 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, 2011. 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, 2011 by \$159 million (net assets).
- The government's total net assets increased by \$3,127,111 during the twelve months ended December 31, 2011. Business-type activities resulted in a \$24,016,310 increase, while net assets of governmental activities decreased by \$20,889,199. These changes are primarily attributable to a transfer of capital assets from governmental activities to business type activities to report the City's sanitary and storm sewer services as a business type activity.
- As of December 31, 2011, the City's governmental funds reported combined ending fund balances of \$43.1 million, an increase of \$2.9 million in comparison with the prior fiscal year. This increase is due in part to a \$964,461 appreciation in the fair market value of investments in the general fund.
- At the end of the current fiscal year, unrestricted and unassigned fund balance of the general fund was \$15,762,287, or 54.6% of 2012 general fund projected operating expenditures, exceeding the City's policy to maintain a minimum balance of 35%.

### 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, sewer 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 reports eleven individual governmental funds in 2011. 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, public safety pension levy 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 80 - 88 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 - 10 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, sewer 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, sewer 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 88 - 92 in this report.

The basic proprietary fund financial statements can be found on pages 13 - 18 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 19 - 20 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 21 - 60 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 major special revenue funds 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 61 - 72 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 80 - 101 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 \$159 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (79.0%) 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 (1.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*

(20.0% 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, 2011**

	Governmental Activities		Business-Type Activities		Total	
	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011
Current and Other Assets	\$61,840,238	\$65,598,317	13,155,761	15,282,286	74,995,999	80,880,603
Capital Assets	114,247,731	\$87,546,651	37,840,509	64,390,942	152,088,240	151,937,593
<b>Total Assets</b>	176,087,969	153,144,968	50,996,270	79,673,228	227,084,239	232,818,196
Long-Term Liabilities Outstanding	40,919,711	39,438,911	15,149,329	19,736,105	56,069,040	59,175,016
Other Liabilities	14,422,339	13,849,337	686,611	760,483	15,108,950	14,609,820
<b>Total Liabilities</b>	55,342,050	53,288,248	15,835,940	20,496,588	71,177,990	73,784,836
Net Assets:						
Capital Assets, net of Debt	95,361,548	71,825,055	29,534,781	54,109,919	124,896,329	125,934,974
Restricted	5,746,288	1,676,953	0	0	5,746,288	1,676,953
Unrestricted	19,638,083	26,354,712	5,625,549	5,066,721	25,263,632	31,421,433
<b>Total Net Assets</b>	120,745,919	99,856,720	35,160,330	59,176,640	155,906,249	159,033,360

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 receivables. "Capital Assets" decreased primarily as a result of depreciation and reclassification of assets to the sewer utility fund.

A breakdown of the change in net assets follows:

Water Utility	\$ 845,250
Sewer Utility	23,495,747
Parking System	(328,212)
Country Club	3,525
Governmental Activities	<u>(20,889,199)</u>
Change in Net Assets	\$ 3,127,111

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

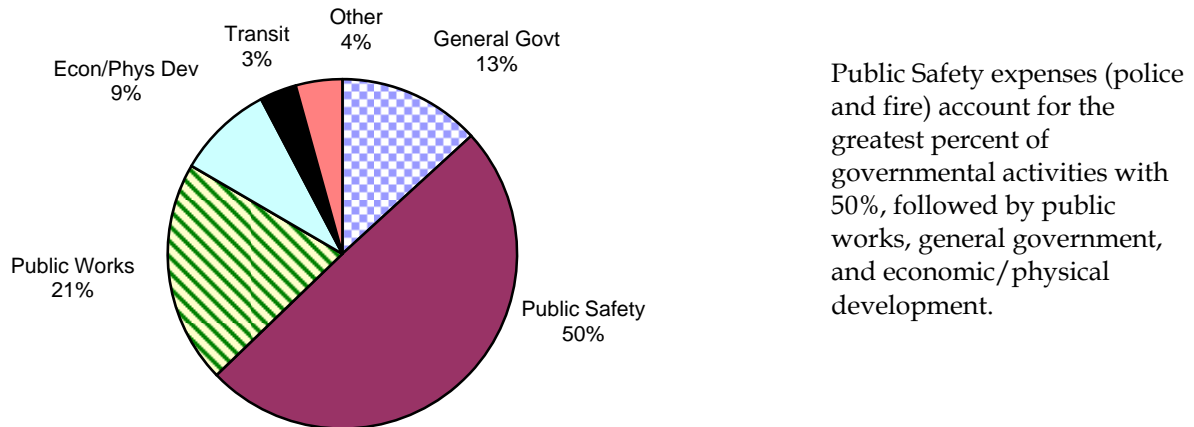
### City of Highland Park's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011
Program Revenues						
Charges for Services	\$9,120,909	\$8,374,511	10,403,243	12,852,413	19,524,152	21,226,924
Operating Grants	938,199	1,007,110	74,800	137,100	1,012,999	1,144,210
Capital Grants	538,369	565,452	0	167,331	538,369	732,783
General Revenues						
Property Taxes	11,209,516	11,478,560	0	0	11,209,516	11,478,560
Sales Taxes	11,471,636	11,785,806	0	0	11,471,636	11,785,806
Other Taxes	11,107,857	10,501,464	0	0	11,107,857	10,501,464
Payment in Lieu of Taxes	530,676	546,459	0	0	530,676	546,459
Other	1,873,021	1,182,558	192,935	41,652	2,065,956	1,224,210
<b>TOTAL REVENUES</b>	<b>46,790,183</b>	<b>45,441,920</b>	<b>10,670,978</b>	<b>13,198,496</b>	<b>57,461,161</b>	<b>58,640,416</b>
Expenses						
General Government	6,022,181	5,362,741	0	0	6,022,181	5,362,741
Public Safety	20,825,900	20,181,540	0	0	20,825,900	20,181,540
Public Works	12,159,891	8,377,575	0	0	12,159,891	8,377,575
Economic/Physical Dev	5,002,364	3,612,168	0	0	5,002,364	3,612,168
Transit	1,301,811	1,379,050	0	0	1,301,811	1,379,050
Commissions	413,921	331,347	0	0	413,921	331,347
Interest	1,491,630	1,409,557	0	0	1,491,630	1,409,557
Parking	0	0	995,796	1,156,266	995,796	1,156,266
Water	0	0	7,232,335	6,407,020	7,232,335	6,407,020
Sewer	0	0	0	4,518,395	0	4,518,395
Country Club	0	0	2,814,729	2,777,646	2,814,729	2,777,646
<b>TOTAL EXPENSES</b>	<b>47,217,698</b>	<b>40,653,978</b>	<b>11,042,860</b>	<b>14,859,327</b>	<b>58,260,558</b>	<b>55,513,305</b>
Increase in Net Assets before Transfers, Special Items and Contributions						
Contributions	(427,515)	4,787,942	(371,882)	(1,660,831)	(799,397)	3,127,111
Transfers	100,000	(25,677,141)	(100,000)	25,677,141	0	0
<b>Increase in Net Assets</b>	<b>(327,515)</b>	<b>(20,889,199)</b>	<b>(471,882)</b>	<b>24,016,310</b>	<b>(799,397)</b>	<b>3,127,111</b>

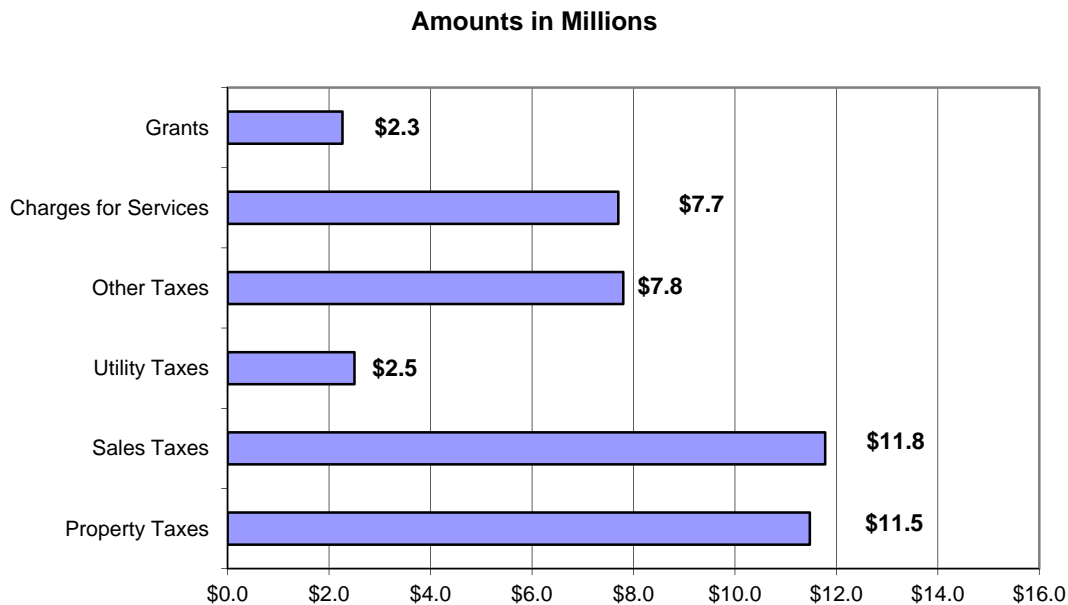
- Property tax revenue increased by \$269,044 (2.4%) over the prior year, due to a 3.5% increase in the annual levy. The City is a home-rule municipality and not subject to property tax limitations.
- Sales tax revenue for calendar year 2011, compared to calendar year 2010, increased by \$314,170 (2.74%). Comparison of other taxes for the period ending December 31, 2011, compared to 2010, reveal an increase in local use taxes (16.54%), hotel taxes (6.05%) and cable television franchise fees (.63%). Declines were reported in replacement taxes (11.88%), utility taxes (2.90%), and income tax (1.63%).
- The change in other revenues is attributable in large part to an unrealized gain of \$1,124,266 in 2010 to reflect General Fund investments at fair market value, as compared to a \$964,461 unrealized gain in 2011.

- The transfer of \$25,677,141 is primarily related to the transfer of assets that was necessary to create a new enterprise fund for sewer operations in 2011.
- Expenses decreased by \$2,747,253 due primarily to adjustments in personnel and other cost containment measures that have been implemented by the City to offset declining revenues.

### Expenses and Program Revenues – Governmental Activities



### Revenues by Source – Governmental Activities

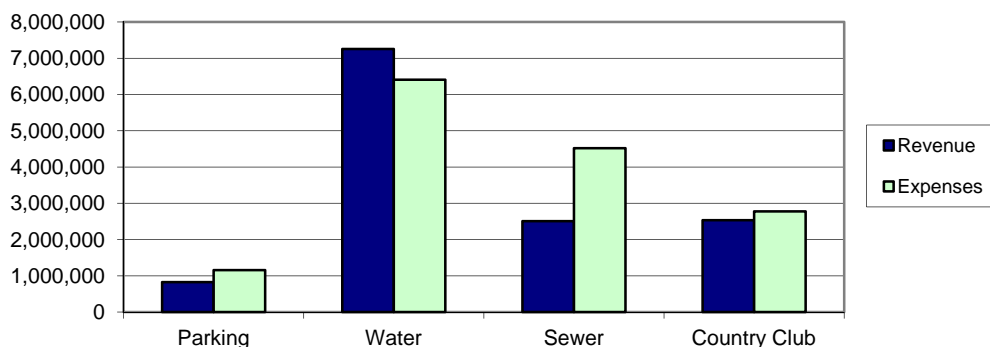


Sales taxes account for the greatest proportion of funding for governmental activities on an annualized basis, followed by property taxes and other taxes. Growth in expenses has been closely monitored for eleven consecutive years, with operating departments mandated to contain non-personnel related operating costs. However, the City has continued an aggressive

capital improvement plan, investing more than \$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 \$24,016,310. This increase is primarily due to the transfer of assets from governmental activities to business-type activities that was necessary to create a new enterprise fund for sewer operations in 2011. 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 (the Sewer Fund contribution is excluded for the presentation below):



- Net assets of the parking fund decreased by \$328,212 in the current fiscal year, the majority of which is due to depreciation.
- The water utility fund net assets increased by \$845,250 which is attributable primarily to a decrease in capital outlay expenditures in the water fund in 2011.
- The sewer utility fund was created in 2011. Net assets in the sewer utility fund are \$23,495,747 which is primarily attributable to an operating loss of \$817,438 that is offset by contributions from other funds in the amount of \$25,066,837 and transfers in of \$438,777. The operating loss was due in part to higher than anticipated personal services costs and lower than anticipated revenues from storm water management fees. As part of the 2012 budget process, the City developed long term rate projections and elected to implement a plan that includes rate adjustments to be phased in over five years to ensure the sustainability of this fund.
- Net assets of the country club fund increased by \$3,525, the majority of which is due to an increase in revenue from charges for services and a transfer in from other funds of \$345,100.
- Revenue of business-type activities is almost exclusively charges for services. During the current fiscal year, non-operating revenues/expenses totaled (\$497,864).

### 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, *unrestricted or unassigned 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, 2011, the City's governmental funds reported combined ending fund balances of \$43.1 million, an increase of \$2.9 million in comparison with the prior fiscal year. As noted previously, a portion of this increase is the result of an unrealized gain of \$964,461 included in investment income of the General Fund associated with the reporting of investments at fair market value. Of the total fund balance, \$15.8 million constitutes *unassigned fund balance* in the General Fund, which is available for spending at the government's discretion. *Committed fund balance* totaling \$17.6 million is not available for discretionary spending because it has already been committed for police and fire pension obligations. The City also reports an *assigned fund balance* of \$4.4 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 assigned and committed fund balance.

The general fund is the primary operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$15.8 million. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 55% of total general fund operating expenditures for the 2012 fiscal year.

The public safety pension levy fund has a total fund balance of \$0. This fund was created in 2011 for the purpose of tracking property tax revenues that are restricted to fund the City's public safety pension liability.

The debt service fund has a total fund balance of \$1,028,066, all of which is assigned for the payment of debt service. During the current fiscal year, the fund posted a \$35,922 increase in fund balance.

The capital projects fund has a fund balance of \$2,166,250 at December 31, 2011. During the current fiscal year, the fund posted a \$396,510 decrease in fund balance due primarily to a decreased allocation of property tax revenue.

Nonmajor governmental funds combined for a total fund balance of \$2.2 million at year end.

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

Net assets of the parking system totaled \$4.7 million at December 31, 2011. Net assets of the water utility fund amounted to \$21.6 million. Net assets of the sewer utility fund amounted to \$23.5 million. Net assets of the country club operation amounted to \$9.4 million. The total reduction in net assets for all proprietary funds was \$1,050,527 before the impact of the \$25,066,837 contribution to the Sewer Fund. 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 year to transfer appropriations between operating departments and to provide for unanticipated expenditures. Actual



revenues exceeded budget by \$2,691,983, due primarily to a \$964,461 adjustment of the fair market value of investments, a financial reporting adjustment that is not budgeted and the receipt of sales taxes in excess of budget by \$481,700. Positive variances of significance were reported in permits, fines and forfeitures, real estate transfer tax and reimbursements. Shortfalls were reported in property taxes, payment in lieu of taxes and franchise fees. Total General Fund expenditures were 93% of budget, resulting in a budgetary savings of \$2.2 million. General fund transfers out totaled \$1.3 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, 2011, amounts to \$125.9 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:

- Construction in Progress of \$2.65 million pertaining to the Water Treatment Plant improvement project.

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

	Governmental activities		Business-type activities		Total	
	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011
Land	\$8,923,202	\$8,923,202	\$4,981,323	\$4,981,323	\$13,904,525	\$13,904,525
Buildings and improvements	51,300,045	49,782,955	13,903,894	13,401,836	65,203,939	63,184,791
Machinery and equipment	3,630,128	3,477,567	792,464	645,848	4,422,592	4,123,415
Infrastructure	50,394,356	25,251,927	14,799,964	39,301,330	65,194,320	64,553,257
Construction in progress	-	111,000	3,362,864	6,060,605	3,362,864	\$6,171,605
Total	\$114,247,731	\$87,546,651	\$37,840,509	\$64,390,942	\$152,088,240	\$151,937,593

Additional information on the City's capital assets can be found in note 5 on pages 35 - 36 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total general obligation bonded debt outstanding of \$49,146,458. Of this amount, \$34,326,458 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	
	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011
Total	\$34,326,458	\$30,920,488	\$14,820,000	\$18,895,000	\$49,146,458	\$49,815,488

The City's total bonded debt decreased by \$.67 million during the current fiscal year. The City's general obligation bonds maintain a "Aaa" rating from Moody's Investors Service. In 2011, the City refunded a portion of its outstanding debt, achieving a cash flow savings of approximately \$371,000. Additional detail of the refunding can be found in note 7.

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 \$49.8 million represents 2.14% 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 consists of 92% residential property. Economic trends in the second half of 2009 began to stabilize, and the City began to see slight increases in revenues driven by the economic climate. As predicted, the City has experienced measurable growth in sales tax, building permit and real estate transfer tax revenues. Due to the County's triennial cycle of property assessments, it is anticipated that assessed valuations will decline for at least one additional year, which has increased the property tax rate but not impacted property tax revenues for the City. With sales tax being the primary revenue source for general fund operations, the City continues to monitor this revenue closely and take further steps to promote retail sales in the City. Other economic factors impacting the City's budget are as follows:

- The unemployment rate for the City is consistently lower than that of Lake County and the State of Illinois. The 2011 average unemployment rate for the City was 6.0%, compared to 10.5% for Lake County and 9.7% for the State of Illinois.
- Sales taxes continue to show monthly growth over the same period in the prior year, indicating sustained growth in retail sales within the City.
- The per capita income of the City's labor force was \$61,287 according to the latest census, which placed the City among the nation's wealthiest communities with populations of 25,000 or more.

The City monitors sales tax, building permit and real estate transfer tax revenue on a monthly basis, as these three revenue sources are impacted by national economic conditions. This practice allows the City to continually assess the need for reduced expenditures to offset revenue shortfalls.

The City is mindful of the ongoing budget crisis at the State of Illinois and its projected year end operating deficit of \$5 billion. The Mayor and City Council continue to express opposition to potential legislation that would minimize or eliminate revenues that would otherwise be shared with local municipalities. The City has evaluated several budget scenarios to prepare for the potential loss of these revenues.

In response to national economic conditions, the City has taken several steps to ensure fiscal sustainability in preparing the 2012 budget, including the reduction of 5 full-time positions, targeted expenditure reductions, deferring non-essential capital expenditures and analyzing fees to achieve greater cost recovery. The 2012 budget projects that general fund operating revenues will exceed operating expenditures by \$937,618.

### **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, 2011

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Highland Park Public Library
<b>ASSETS</b>				
Cash	\$ 23,320,131	\$ 9,085,288	\$ 32,405,419	\$ 681,405
Investments	19,335,284	4,807,157	24,142,441	2,274,272
Receivables (net, where applicable, of allowances for uncollectibles)				
Property taxes	11,467,005	-	11,467,005	4,059,000
Motor fuel tax allotments	126,888	-	126,888	-
Intergovernmental	5,118,260	47,840	5,166,100	-
Loans	337,500	-	337,500	-
Accounts	1,508,383	1,282,016	2,790,399	123
Accrued interest	62,240	-	62,240	-
Prepaid expenses	176,279	452,160	628,439	30,688
Inventory	1,972	36,746	38,718	-
Due to/from other funds	550,000	(550,000)	-	-
Deferred charges	72,916	121,079	193,995	-
Net pension asset	3,521,459	-	3,521,459	-
Capital assets not being depreciated	9,034,202	11,041,928	20,076,130	500,000
Capital assets being depreciated, net of accumulated depreciation	78,512,449	53,349,014	131,861,463	2,260,525
<b>Total assets</b>	<b>153,144,968</b>	<b>79,673,228</b>	<b>232,818,196</b>	<b>9,806,013</b>
<b>LIABILITIES</b>				
Accounts payable	1,803,563	434,735	2,238,298	118,666
Accrued payroll	417,600	256,734	674,334	44,754
Accrued interest payable	62,698	2,025	64,723	-
Unearned revenues	11,507,671	66,989	11,574,660	4,062,600
Refundable deposits	57,805	-	57,805	-
Noncurrent liabilities				
Due within one year	4,537,102	1,137,824	5,674,926	17,056
Due in more than one year	34,901,809	18,598,281	53,500,090	431,566
<b>Total liabilities</b>	<b>53,288,248</b>	<b>20,496,588</b>	<b>73,784,836</b>	<b>4,674,642</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	71,825,055	54,109,919	125,934,974	2,760,525
Restricted for				
Streets	139,740	-	139,740	-
Public safety	714,346	-	714,346	-
Economic development	822,867	-	822,867	-
Culture and recreation	-	-	-	452,833
Unrestricted	26,354,712	5,066,721	31,421,433	1,918,013
<b>TOTAL NET ASSETS</b>	<b>\$ 99,856,720</b>	<b>\$ 59,176,640</b>	<b>\$ 159,033,360</b>	<b>\$ 5,131,371</b>

See accompanying notes to financial statements.

## CITY OF HIGHLAND PARK, ILLINOIS

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities				
General government	\$ 5,362,741	\$ 1,558,688	\$ -	\$ -
Public safety	20,181,540	2,714,368	30,204	26,000
Public works	8,377,575	2,232,936	976,906	539,452
Economic and physical development	3,612,168	1,868,519	-	-
Transit	1,379,050	-	-	-
Commissions	331,347	-	-	-
Interest	1,409,557	-	-	-
Total governmental activities	40,653,978	8,374,511	1,007,110	565,452
Business-Type Activities				
Parking system	1,156,266	805,363	22,053	-
Water	6,407,020	7,033,638	83,860	93,758
Sewer	4,518,395	2,477,341	31,187	73,573
Country club	2,777,646	2,536,071	-	-
Total business-type activities	14,859,327	12,852,413	137,100	167,331
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 55,513,305</b>	<b>\$ 21,226,924</b>	<b>\$ 1,144,210</b>	<b>\$ 732,783</b>
<b>COMPONENT UNIT</b>				
Highland Park Public Library	\$ 4,324,379	\$ 97,830	\$ 105,677	\$ -

	Net (Expense) Revenue and Change in Net Assets			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Highland Park Public Library
	\$ (3,804,053)	\$ -	\$ (3,804,053)	\$ -
	(17,410,968)	-	(17,410,968)	-
	(4,628,281)	-	(4,628,281)	-
	(1,743,649)	-	(1,743,649)	-
	(1,379,050)	-	(1,379,050)	-
	(331,347)	-	(331,347)	-
	(1,409,557)	-	(1,409,557)	-
	(30,706,905)	-	(30,706,905)	-
	-	(328,850)	(328,850)	-
	-	804,236	804,236	-
	-	(1,936,294)	(1,936,294)	-
	-	(241,575)	(241,575)	-
	-	(1,702,483)	(1,702,483)	-
	(30,706,905)	(1,702,483)	(32,409,388)	-
	-	-	-	(4,120,872)
General Revenues				
Taxes				
Property	11,478,560	-	11,478,560	4,063,760
Replacement	276,627	-	276,627	40,783
Home rule sales	4,109,072	-	4,109,072	-
Sales	7,676,734	-	7,676,734	-
Utility	2,422,569	-	2,422,569	-
Franchise	2,385,686	-	2,385,686	-
Real estate transfer	1,136,595	-	1,136,595	-
Income	2,354,555	-	2,354,555	-
Other	1,925,432	-	1,925,432	-
Payment in lieu of taxes	546,459	-	546,459	-
Investment income				
Interest income	715,602	1,683	717,285	4,635
Net appreciation in fair value of investments	466,956	39,969	506,925	-
Transfers	(25,677,141)	25,677,141	-	-
Total	9,817,706	25,718,793	35,536,499	4,109,178
CHANGE IN NET ASSETS	(20,889,199)	24,016,310	3,127,111	(11,694)
NET ASSETS, JANUARY 1	120,745,919	35,160,330	155,906,249	5,143,065
NET ASSETS, DECEMBER 31	\$ 99,856,720	\$ 59,176,640	\$ 159,033,360	\$ 5,131,371

See accompanying notes to financial statements.

## CITY OF HIGHLAND PARK, ILLINOIS

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2011

	General	Public Safety Pension Levy	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<hr/>						
ASSETS						
Cash	\$ 15,796,967	\$ -	\$ 49,647	\$ 1,298,352	\$ 2,151,137	\$ 19,296,103
Investments	17,582,800	-	978,419	774,065	-	19,335,284
Receivables						
Property taxes	3,091,576	2,954,371	3,580,245	180,813	1,660,000	11,467,005
Motor fuel tax allotments	-	-	-	-	126,888	126,888
Intergovernmental	5,091,287	-	-	26,973	-	5,118,260
Loans	-	-	-	337,500	-	337,500
Accounts	1,336,797	-	-	100,900	45,985	1,483,682
Accrued interest	62,240	-	-	-	-	62,240
Prepaid items	-	-	-	4,800	5,713	10,513
Inventory	-	-	-	-	1,972	1,972
Due from other funds	576,978	-	-	-	-	576,978
	<hr/>					
TOTAL ASSETS	\$ 43,538,645	\$ 2,954,371	\$ 4,608,311	\$ 2,723,403	\$ 3,991,695	\$ 57,816,425
	<hr/>					

	General	Public Safety Pension Levy	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 1,215,089	\$ -	\$ -	\$ 373,340	\$ 75,432	\$ 1,663,861
Accrued payroll	310,175	-	-	-	28,138	338,313
Deferred revenue	4,237,994	2,954,371	3,580,245	180,813	1,660,000	12,613,423
Refundable deposits	54,805	-	-	3,000	-	57,805
Due to other funds	-	-	-	-	26,978	26,978
Total liabilities	5,818,063	2,954,371	3,580,245	557,153	1,790,548	14,700,380
FUND BALANCES						
Nonspendable						
Prepaid items	-	-	-	4,800	5,713	10,513
Inventory	-	-	-	-	1,972	1,972
Long-term loans receivable	-	-	-	337,500	-	337,500
Restricted						
Streets	-	-	-	-	139,740	139,740
Public safety	-	-	-	-	714,346	714,346
Economic development	-	-	-	-	822,867	822,867
Unrestricted						
Committed						
Employee retirement	17,582,800	-	-	-	-	17,582,800
Sustainability initiatives	-	-	-	-	194,838	194,838
Transportation	-	-	-	-	375,164	375,164
Assigned						
Capital outlay	-	-	-	1,823,950	-	1,823,950
Other postemployment benefits	4,375,495	-	-	-	-	4,375,495
Debt service	-	-	1,028,066	-	-	1,028,066
Unassigned						
General Fund	15,762,287	-	-	-	-	15,762,287
Special Revenue Funds (deficit)	-	-	-	-	(53,493)	(53,493)
Total fund balances	37,720,582	-	1,028,066	2,166,250	2,201,147	43,116,045
TOTAL LIABILITIES AND FUND BALANCES	\$ 43,538,645	\$ 2,954,371	\$ 4,608,311	\$ 2,723,403	\$ 3,991,695	\$ 57,816,425

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, 2011

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FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 43,116,045
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	87,546,651
Less amount reported in internal service funds below	(2,417,515)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds payable	(30,920,488)
Claims payable	(1,611,747)
Deferred charges is reported as an asset on the statement of net assets.	72,916
Loss on refunding on bonds is reported as a liability on the statement of net assets.	51,519
Unamortized premiums/discounts on bonds are reported as liabilities on the statement of net assets.	(173,115)
Accrued interest on long-term liabilities is shown as a liability on the statement of net assets	(62,698)
Net pension asset for the fire and police pension funds is shown as an asset on the statement of net assets	3,521,459
Net pension obligation for the Illinois Municipal Retirement Fund is shown as a liability on the statement of net assets	(311,668)
The net other postemployment benefit obligation is shown as a liability on the statement of net assets	(4,603,343)
The compensated absences liability for the City and certain claims payable are not due and payable in the current period and, therefore, not reported in the governmental funds	(1,833,981)
Certain revenues are deferred at the fund level on the modified accrual basis of accounting but not at the entity-wide level	1,105,752
The net assets of the internal service fund are included in the governmental activities in the statement of net assets	<u>6,376,933</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 99,856,720</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, 2011

	General	Public Safety Pension Levy	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 3,018,653	\$ 3,174,915	\$ 3,556,614	\$ 178,333	\$ 1,550,045	\$ 11,478,560
Illinois state replacement taxes	276,627	-	-	-	-	276,627
Licenses and permits	1,391,519	-	-	-	832,645	2,224,164
Charges for current services	1,636,291	-	-	-	1,174,057	2,810,348
Municipal sales tax	11,159,204	-	227,505	399,097	-	11,785,806
Fines and forfeitures	863,216	-	-	-	11,180	874,396
Utility tax	2,422,569	-	-	-	-	2,422,569
Real estate transfer tax	1,136,595	-	-	-	-	1,136,595
Motor fuel tax allotments	-	-	-	-	883,360	883,360
Intergovernmental	92,724	-	-	-	153,045	245,769
Illinois state income tax	2,354,555	-	-	-	-	2,354,555
Franchise fees	2,385,686	-	-	-	-	2,385,686
Payment in lieu of taxes	171,459	-	-	375,000	-	546,459
Other taxes	1,355,662	-	-	-	477,482	1,833,144
Reimbursements - other agencies	408,326	-	-	542,901	1,223,684	2,174,911
Investment income						
Interest income	711,748	-	656	1,660	1,538	715,602
Net appreciation in fair value of investments	964,461	-	-	-	-	964,461
Miscellaneous	775,114	-	-	-	51,299	826,413
Total revenues	31,124,409	3,174,915	3,784,775	1,496,991	6,358,335	45,939,425

	General	Public Safety Pension Levy	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
EXPENDITURES						
Current						
General government	\$ 5,084,358	\$ -	\$ -	\$ -	\$ -	\$ 5,084,358
Public safety	16,072,977	3,174,915	-	-	485,969	19,733,861
Public works	2,331,420	-	-	-	2,641,704	4,973,124
Economic and physical development	3,011,935	-	-	-	598,727	3,610,662
Transit	34,422	-	-	-	1,369,485	1,403,907
Commissions	94,225	-	-	-	-	94,225
Debt service						
Principal	-	-	3,355,970	-	-	3,355,970
Interest and fiscal charges	-	-	1,452,715	-	-	1,452,715
Capital outlay	-	-	-	2,778,501	-	2,778,501
Total expenditures	26,629,337	3,174,915	4,808,685	2,778,501	5,095,885	42,487,323
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,495,072	-	(1,023,910)	(1,281,510)	1,262,450	3,452,102
OTHER FINANCING SOURCES (USES)						
Bonds issued	-	-	3,705,000	-	-	3,705,000
Premium on bonds issued	-	-	115,335	-	-	115,335
Payment to escrow agent	-	-	(3,785,543)	-	-	(3,785,543)
Transfers in	-	-	1,025,040	885,000	-	1,910,040
Transfers (out)	(1,270,140)	-	-	-	(1,323,777)	(2,593,917)
Proceeds from sale of assets	135,194	-	-	-	-	135,194
Total other financing sources (uses)	(1,134,946)	-	1,059,832	885,000	(1,323,777)	(513,891)
NET CHANGES IN FUND BALANCES	3,360,126	-	35,922	(396,510)	(61,327)	2,938,211
FUND BALANCES, JANUARY 1	34,360,456	-	992,144	2,562,760	2,262,474	40,177,834
FUND BALANCES, DECEMBER 31	\$ 37,720,582	\$ -	\$ 1,028,066	\$ 2,166,250	\$ 2,201,147	\$ 43,116,045

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, 2011

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 2,938,211
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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	1,326,075
The gain on disposal of capital assets is reported as a reduction of expenses on the statement of activities	(15,663)
The transfer of capital assets from governmental activities to business-type activities is shown as a transfer in the statement of activities	(24,993,264)
Certain revenues are deferred in governmental funds but not in governmental activities	66,949
The issuance of long-term debt is reported as another financing source in governmental funds but as an increase of principal outstanding in the statement of activities	(3,705,000)
The premium on issuance of long-term debt is reported as an other financing use in governmental funds but as an increase of principal outstanding in the statement of activities	(115,335)
The payment to escrow agent is reported as an other financing use in governmental funds but as a decrease in principal outstanding in the statement of activities	3,785,543
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	3,355,970
The issuance costs on long-term debt are reported as an expenditure in governmental funds but as a deferred charge on the statement of net assets	29,855
The change in claims payable is shown as an expense on the statement of activities	(1,111,747)
The decrease in accrued interest payable is shown as an addition to expense on the statement of activities	1,189
Some expenses in the statement of activities (e.g., depreciation and amortization) do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Depreciation	\$ (3,125,675)
Amortization	<u>12,114</u>
	(3,113,561)

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 (Continued)

For the Year Ended December 31, 2011

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The change in compensated absences payable is shown as an expense on the statement of activities	\$ 181,296
The decrease in net pension asset is reported as an increase in expense on the statement of activities	154,974
The increase in net pension obligation is reported as an increase in expense on the statement of activities	(70,016)
The increase in net other postemployment benefits obligation is reported as an expense on the statement of activities	(351,937)
The change in net assets of certain activities of internal service funds is in governmental funds	<u>747,262</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (20,889,199)</u></u>

## CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

December 31, 2011

	Business-Type Activities					Governmental Activities Internal Service
	Motor Vehicle Parking System	Water	Sewer	Highland Park Country Club	Total	
CURRENT ASSETS						
Cash	\$ 1,071,794	\$ 3,113,336	\$ 4,808,143	\$ 92,015	\$ 9,085,288	\$ 4,024,028
Investments	-	4,807,157	-	-	4,807,157	-
Receivables						
Billed	-	187,052	118,949	8,318	314,319	24,701
Unbilled	-	743,056	224,641	-	967,697	-
Due from other governments	47,840	-	-	-	47,840	-
Prepaid expenses	-	428,000	-	24,160	452,160	165,766
Inventories	-	-	-	36,746	36,746	-
Total current assets	1,119,634	9,278,601	5,151,733	161,239	15,711,207	4,214,495
NONCURRENT ASSETS						
Capital Assets						
Land	1,319,165	66,958	-	3,595,200	4,981,323	-
Construction in progress	-	6,016,605	44,000	-	6,060,605	-
Parking facilities and equipment	4,434,342	-	-	-	4,434,342	-
Water and sewer plant and equipment	-	46,625,632	65,324,730	-	111,950,362	-
Country club facilities and equipment	-	-	-	11,467,902	11,467,902	-
Equipment	-	-	-	-	-	11,256,518
Less accumulated depreciation	(2,100,118)	(26,208,484)	(41,525,073)	(4,669,917)	(74,503,592)	(8,839,003)
Net capital assets	3,653,389	26,500,711	23,843,657	10,393,185	64,390,942	2,417,515
Deferred charges	-	115,459	-	5,620	121,079	-
Total noncurrent assets	3,653,389	26,616,170	23,843,657	10,398,805	64,512,021	2,417,515
Total assets	4,773,023	35,894,771	28,995,390	10,560,044	80,223,228	6,632,010

	Business-Type Activities					Governmental Activities Internal Service
	Motor Vehicle Parking System	Water	Sewer	Highland Park Country Club	Total	
CURRENT LIABILITIES						
Accounts payable	\$ 100,282	\$ 279,088	\$ 41,335	\$ 14,030	\$ 434,735	\$ 139,702
Accrued payroll	1,968	165,271	69,525	19,970	256,734	79,287
Due to other funds	-	-	-	550,000	550,000	-
Unearned revenues	-	-	-	66,989	66,989	-
Refundable deposits	-	-	-	-	-	-
Interest payable	-	1,544	436	45	2,025	-
Bonds payable - current	-	677,824	230,000	230,000	1,137,824	-
Total current liabilities	102,250	1,123,727	341,296	881,034	2,448,307	218,989
LONG-TERM LIABILITIES						
Bond premium (discount)	-	117,726	180,265	13,901	311,892	-
Net pension obligation	-	68,895	45,930	-	114,825	36,088
Net other postemployment benefit obligation	-	252,236	162,152	-	414,388	-
General obligation bonds payable	-	12,752,176	4,770,000	235,000	17,757,176	-
Total long-term liabilities	-	13,191,033	5,158,347	248,901	18,598,281	36,088
Total liabilities	102,250	14,314,760	5,499,643	1,129,935	21,046,588	255,077
NET ASSETS						
Invested in capital assets, net of related debt	3,653,389	17,760,142	22,782,104	9,914,284	54,109,919	2,417,515
Unrestricted	1,017,384	3,819,869	713,643	(484,175)	5,066,721	3,959,418
TOTAL NET ASSETS	\$ 4,670,773	\$ 21,580,011	\$ 23,495,747	\$ 9,430,109	\$ 59,176,640	\$ 6,376,933

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, 2011

	Business-Type Activities					Governmental
	Motor Vehicle Parking System	Water	Sewer	Highland Park Country Club	Total	Internal Service
OPERATING REVENUES						
Charges for services						
Water sales	\$ -	\$ 6,867,668	\$ -	\$ -	\$ 6,867,668	\$ -
Sanitary sewer charges	-	-	1,311,640	-	1,311,640	-
Stormwater management fees	-	-	1,104,636	-	1,104,636	-
Water/sewer permit fees	-	38,700	25,805	-	64,505	-
Parking lot collections	573,179	-	-	-	573,179	-
Parking violations	232,184	-	-	-	232,184	-
Charges for goods and services	-	-	-	2,488,571	2,488,571	10,101,437
Miscellaneous	-	127,270	35,260	47,500	210,030	71,161
Total operating revenues	805,363	7,033,638	2,477,341	2,536,071	12,852,413	10,172,598
OPERATING EXPENSES						
Personal services	254,362	2,312,251	1,720,915	1,222,974	5,510,502	1,267,867
Contractual services	354,121	1,122,902	591,864	632,595	2,701,482	6,301,491
Materials and supplies	13,010	380,266	100,712	-	493,988	818,597
Repairs and maintenance	-	60,563	-	-	60,563	457,026
Small tools and equipment	154,689	(16,936)	-	546,565	684,318	2,100
Capital outlay	-	-	466,480	-	466,480	-
Administrative reimbursements	99,000	1,030,000	-	-	1,129,000	-
Total operating expenses	875,182	4,889,046	2,879,971	2,402,134	11,046,333	8,847,081
OPERATING INCOME BEFORE DEPRECIATION	(69,819)	2,144,592	(402,630)	133,937	1,806,080	1,325,517
Depreciation	219,871	923,942	1,637,988	354,577	3,136,378	617,919
OPERATING INCOME (LOSS)	(289,690)	1,220,650	(2,040,618)	(220,640)	(1,330,298)	707,598



	Business-Type Activities					Governmental Activities Internal Service
	Motor Vehicle Parking System	Water	Sewer	Highland Park Country Club	Total	
NONOPERATING REVENUES (EXPENSES)						
Investment income						
Interest income	\$ 638	\$ 1,045	\$ -	\$ -	\$ 1,683	\$ 1,182
Net appreciation in fair value of investments	-	39,969	-	-	39,969	-
Intergovernmental revenue	22,053	83,860	31,187	-	137,100	-
(Loss) on sale of capital assets	(61,213)	-	-	-	(61,213)	38,482
Interest expense and fiscal charges	-	(594,032)	(436)	(20,935)	(615,403)	-
Total nonoperating revenues (expenses)	(38,522)	(469,158)	30,751	(20,935)	(497,864)	39,664
NET INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(328,212)	751,492	(2,009,867)	(241,575)	(1,828,162)	747,262
TRANSFERS						
Transfers in	-	-	438,777	345,100	783,877	-
Transfers (out)	-	-	-	(100,000)	(100,000)	-
Total transfers	-	-	438,777	245,100	683,877	-
CONTRIBUTIONS	-	93,758	25,066,837	-	25,160,595	-
CHANGE IN NET ASSETS	(328,212)	845,250	23,495,747	3,525	24,016,310	747,262
NET ASSETS, JANUARY 1	4,998,985	20,734,761	-	9,426,584	35,160,330	5,629,671
NET ASSETS, DECEMBER 31	\$ 4,670,773	\$ 21,580,011	\$ 23,495,747	\$ 9,430,109	\$ 59,176,640	\$ 6,376,933

See accompanying notes to financial statements.

## CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended December 31, 2011

	Business-Type Activities					Governmental Activities Internal Service
	Motor Vehicle Parking System	Water	Sewer	Highland Park Country Club	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 805,363	\$ 7,047,335	\$ 2,133,751	\$ 2,580,448	\$ 12,566,897	\$ 1,716,229
Receipts from interfund services	-	-	-	-	-	8,471,593
Payments to suppliers	(469,981)	(1,760,173)	(1,117,721)	(1,205,410)	(4,553,285)	(7,682,918)
Payments to employees	(254,698)	(2,216,915)	(1,443,308)	(1,224,025)	(5,138,946)	(1,253,728)
Payments for interfund services	(99,000)	(895,000)	-	-	(994,000)	-
Net cash from operating activities	(18,316)	2,175,247	(427,278)	151,013	1,880,666	1,251,176
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Due to/from other funds	-	-	-	(110,000)	(110,000)	-
Interfund transfers	-	-	438,777	245,100	683,877	-
Net cash from noncapital financing activities	-	-	438,777	135,100	573,877	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal payments on bonds	-	(705,000)	-	(220,000)	(925,000)	-
Proceeds from bonds issued	-	-	5,180,265	-	5,180,265	-
Intergovernmental grants	20,576	83,860	31,187	-	135,623	-
Interest paid	-	(542,793)	-	(25,099)	(567,892)	-
Sale of capital assets	-	-	-	-	-	45,687
Purchase of capital assets	(253,944)	(3,918,678)	(414,808)	-	(4,587,430)	(732,571)
Net cash from capital and related financing activities	(233,368)	(5,082,611)	4,796,644	(245,099)	(764,434)	(686,884)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	638	1,045	-	-	1,683	1,182
Sale of investments	-	2,616,170	-	-	2,616,170	-
Net cash from investing activities	638	2,617,215	-	-	2,617,853	1,182
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(251,046)	(290,149)	4,808,143	41,014	4,307,962	565,474
CASH AND CASH EQUIVALENTS, JANUARY 1	1,322,840	3,403,485	-	51,001	4,777,326	3,458,554
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 1,071,794	\$ 3,113,336	\$ 4,808,143	\$ 92,015	\$ 9,085,288	\$ 4,024,028

	Business-Type Activities					Governmental Activities
	Motor Vehicle Parking System	Water	Sewer	Highland Park Country Club	Total	Internal Service
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ (289,690)	\$ 1,220,650	\$ (2,040,618)	\$ (220,640)	\$ (1,330,298)	\$ 707,598
Adjustments to reconcile operating income (loss) to net cash from operating activities						
Depreciation	219,871	923,942	1,637,988	354,577	3,136,378	617,919
Changes in assets and liabilities						
Accounts receivable	-	13,697	(343,590)	60,091	(269,802)	15,224
Prepaid expenses	-	-	-	(24,160)	(24,160)	162,516
Inventory	-	-	-	4,164	4,164	-
Accounts payable	51,839	(78,378)	41,335	(6,254)	8,542	(266,220)
Net other postemployment benefit obligation	-	59,154	162,152	-	221,306	-
Unearned revenues	-	-	-	54,584	54,584	-
Refundable deposits	-	-	-	(70,298)	(70,298)	-
Net pension obligation	-	23,585	45,930	-	69,515	12,353
Accrued payroll	(336)	12,597	69,525	(1,051)	80,735	1,786
NET CASH FROM OPERATING ACTIVITIES	<u>\$ (18,316)</u>	<u>\$ 2,175,247</u>	<u>\$ (427,278)</u>	<u>\$ 151,013</u>	<u>\$ 1,880,666</u>	<u>\$ 1,251,176</u>
NONCASH TRANSACTIONS						
Net appreciation in fair value of investments	\$ -	\$ 39,969	\$ -	\$ -	\$ 39,969	\$ -
Contributed capital assets	-	93,758	25,066,837	-	25,160,595	-
TOTAL NONCASH TRANSACTIONS	<u>\$ -</u>	<u>\$ 133,727</u>	<u>\$ 25,066,837</u>	<u>\$ -</u>	<u>\$ 25,200,564</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK, ILLINOIS

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

December 31, 2011

	Pension Trust	Agency
<hr/>		
ASSETS		
Cash and cash equivalents	\$ 1,641,898	\$ 1,916,889
Investments		
U.S. Government and agency obligations	26,583,659	-
Corporate bonds	2,120,348	-
Mutual funds	14,832,895	-
Common stock	12,503,608	-
Receivables		
Accounts	-	4,637
Accrued interest	227,994	-
	<hr/>	
Total assets	57,910,402	\$ 1,921,526
	<hr/>	
LIABILITIES		
Accounts payable	54,288	\$ -
Accrued payroll	-	308
Due to others	-	1,091,261
Deposits payable	-	829,957
	<hr/>	
Total liabilities	54,288	\$ 1,921,526
	<hr/>	
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 57,856,114</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, 2011

ADDITIONS

Contributions - employer	
Taxes	\$ 3,234,528
Contributions - plan members	<u>836,992</u>
Total contributions	<u>4,071,520</u>
Investment income	
Net appreciation in fair value of investments	75,510
Interest earned on investments	<u>1,461,312</u>
Total investment income	1,536,822
Less investment expenses	<u>(218,597)</u>
Net investment income	<u>1,318,225</u>
Total additions	<u>5,389,745</u>

DEDUCTIONS

Pension and refunds	5,889,202
Miscellaneous	<u>83,180</u>
Total deductions	<u>5,972,382</u>

NET INCREASE (DECREASE) (582,637)

NET ASSETS HELD IN TRUST FOR  
PENSION BENEFITS

January 1	<u>58,438,751</u>
December 31	<u><u>\$ 57,856,114</u></u>

See accompanying notes to financial statements.

# CITY OF HIGHLAND PARK, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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### 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 restricted or committed monies (special revenue funds), the funds committed, restricted or assigned for the acquisition or construction of capital assets (capital projects funds), the funds committed, restricted or assigned for the servicing of long-term debt (debt service funds) and the management of funds held in trust where the interest earnings can be used for governmental services (permanent fund). The general fund is used to account for all activities of the City 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.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 accounted for in another fund.

The Public Safety Pension Levy Fund is used to account for the portion of the property tax levy restricted to funding police and fire pensions, which is transferred to the Police and Fire Pension Funds.

The Debt Service Fund is used to account for funds restricted, committed or assigned to 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 funds restricted, committed or assigned to alleviate storm drainage problems, finance street improvements, and provide other facility and infrastructure improvements. The City has chosen to report this fund as a major fund.

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 City has chosen to report this fund as a major fund.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Highland Park Country Club Fund is used to account for the activities of the golf course and country club owned by the City. These activities are predominantly self-supported by user charges.

Additionally, the City reports the following funds:

Internal Service Funds account for health, dental, and life insurance and equipment replacement services that are provided to other departments of the City on a cost reimbursement basis.

Pension Trust Funds account for the accumulation of retirement and disability benefits for the 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Those revenues susceptible to accrual include property taxes, utility 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Investments (Continued)

Investments

Investments with a maturity of one year or less when purchased and nonnegotiable 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.”

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 nonspendable fund balance 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Capital Assets (Continued)

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 carryover 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 or 457 deferred compensation account. 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Fund Balance/Net Assets

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities. Committed fund balance is constrained by formal actions of the City Council, which is considered the City's highest level of decision making authority. Formal actions include resolutions and ordinances approved by the Board. Assigned fund balance represents amounts constrained by the City's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the City's budget officer. Any residual fund balance of the General Fund is reported as unassigned.

The City has not adopted a flow of funds and therefore applies the flow of funds from GASB Statement No. 54, which prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending the City considers committed funds to be expended first followed by assigned and then unassigned funds. For net assets, restricted funds are spent first then unrestricted funds.

The City has established minimum fund balance targets for certain governmental funds which encompass both assigned and unassigned fund balance. The targets, expressed as percentages of operating expenditures as follows:

Fund	Fund Balance Target
General	35%
Multi-Modal Transportation	10%
Enhanced 911	10%
Environmental Sustainability	10%
Debt Service	15%

In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. Invested in capital assets, net of related debt, represents the City's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset.

None of the restricted net assets or restricted fund balance results from enabling legislation adopted by the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 commitment 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.

3. DEPOSITS AND INVESTMENTS (Continued)

a. Permitted Deposits and Investments (Continued)

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 of \$1, which is the price for which the investment could be sold.

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.

The City, via the Foreign Fire Insurance Board, had \$156,000 in deposits at one financial institution collateralized by assts held by the pledging institution as of December 31, 2011.

c. City Investments

The following table presents the investments and maturities of the City's debt securities as of December 31, 2011:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
IMET	\$ 7,316,484	\$ -	\$ 7,316,484	\$ -	\$ -
Local government bonds	17,582,800	203,400	909,650	1,423,800	15,045,950
<b>TOTAL</b>	<b>\$ 24,899,284</b>	<b>\$ 203,400</b>	<b>\$ 8,226,134</b>	<b>\$ 1,423,800</b>	<b>\$ 15,045,950</b>



3. DEPOSITS AND INVESTMENTS (Continued)

c. City Investments (Continued)

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.

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. IMET, Illinois Funds, and local government bonds 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 and Firefighters' Pension Funds' investment policies require 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 Police and Firefighters' Pension Funds or their respective agents in the name of the Police and Firefighters' Pension Funds.

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

3. DEPOSITS AND INVESTMENTS (Continued)

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, 2011:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 7,722,668	\$ 932,306	\$ 4,365,476	\$ 2,424,886	\$ -
U.S. agency obligations	5,422,114	-	3,497,017	350,881	1,574,216
Corporate bonds	1,105,214	329,919	294,584	480,711	-
<b>TOTAL</b>	<b>\$ 14,249,996</b>	<b>\$ 1,262,225</b>	<b>\$ 8,157,077</b>	<b>\$ 3,256,478</b>	<b>\$ 1,574,216</b>

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 obligations and the money market funds are rated AAA. The corporate bonds are rated A3-AAA.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Police Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. The Police Pension Fund's investment policy requires investments to be held by a separate third party custodian. The money market mutual funds are not subject to custodial credit risk.

At December 31, 2011, the Police Pension Fund had greater than 5% of its overall portfolio invested in U.S Treasury obligations (27%) and U.S. agency obligations (19%). To limit the Police 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 a limitation that sets the maximum of total equity investments at 45% of the plan's assets.

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

3. DEPOSITS AND INVESTMENTS (Continued)

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, 2011:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury obligations	\$ 7,053,111	\$ -	\$ 1,549,134	\$ 2,941,074	\$ 2,562,903
U.S. agency obligations	6,385,766	100,190	3,137,544	888,812	2,259,220
Corporate bonds	1,015,134	1,015,134	-	-	-
<b>TOTAL</b>	<b>\$ 14,454,011</b>	<b>\$ 1,115,324</b>	<b>\$ 4,686,678</b>	<b>\$ 3,829,886</b>	<b>\$ 4,822,123</b>

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, the money market funds and the corporate bonds are rated AAA. Illinois Funds is rated AA by Standard and Poor's.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Firefighters' Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. 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 Firefighters' Pension 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, 2011, the Firefighters' Pension Fund had greater than 5% of its overall portfolio invested in U.S. Treasury obligations (24%) and U.S. agency obligations (22%). 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 Illinois Funds or brokered certificates of deposit not exceed 5% of the portfolio.

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

4. RECEIVABLES - TAXES

Property taxes for 2011 attach as an enforceable lien on January 1, 2011 on property values assessed as of the same date. Taxes are levied in December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued in May 2012 and are payable in two installments, on June 6, 2012 and September 6, 2012. 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 2011 taxes are intended to finance the 2012 fiscal year and are not considered available for current operations and are, therefore, reported as deferred revenue.

5. CAPITAL ASSETS

	Beginning Balances	Increases	Decreases*	Ending Balances
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 8,663,012	\$ -	\$ -	\$ 8,663,012
Land right of way	260,190	-	-	260,190
Construction in progress	-	111,000	-	111,000
Total capital assets not being depreciated	8,923,202	111,000	-	9,034,202
Capital assets being depreciated				
Buildings and land improvements	72,292,347	-	-	72,292,347
Machinery and equipment	15,184,357	863,238	806,037	15,241,558
Infrastructure	114,374,004	1,084,408	64,851,870	50,606,542
Total capital assets being depreciated	201,850,708	1,947,646	65,657,907	138,140,447
Less accumulated depreciation for				
Buildings and land improvements	20,992,302	1,517,090	-	22,509,392
Machinery and equipment	11,554,229	975,692	765,930	11,763,991
Infrastructure	63,979,648	1,250,813	39,875,846	25,354,615
Total accumulated depreciation	96,526,179	3,743,595	40,641,776	59,627,998
Total capital assets being depreciated, net	105,324,529	(1,795,949)	25,016,131	78,512,449
<b>GOVERNMENTAL ACTIVITIES</b>				
CAPITAL ASSETS, NET	\$ 114,247,731	\$ (1,684,949)	\$ 25,016,131	\$ 87,546,651

\*The decrease in accumulated depreciation for machinery and equipment and infrastructure includes \$11,238 and \$39,875,846, respectively, transferred to business-type activities.

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

5. CAPITAL ASSETS (Continued)

GOVERNMENTAL ACTIVITIES

General government	\$ 86,808
Public safety	767,368
Public works	1,883,625
Economic development	138,800
Commissions	249,074
Total depreciation expense before internal service funds	<u>3,125,675</u>

INTERNAL SERVICE FUNDS

General government	15,244
Public safety	206,265
Public works	372,901
Economic development	23,510
Total depreciation expense for internal service funds	<u>617,920</u>

TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 3,743,595</u>
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	Beginning Balances,	Increases*	Decreases	Ending Balances
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 4,981,323	\$ -	\$ -	\$ 4,981,323
Construction in progress	3,362,864	2,697,741	-	6,060,605
Total capital assets not being depreciated	<u>8,344,187</u>	<u>2,697,741</u>	<u>-</u>	<u>11,041,928</u>
Capital assets being depreciated				
Building	27,158,340	253,945	-	27,412,285
Infrastructure	28,489,107	66,595,794	-	95,084,901
Machinery and equipment	5,003,070	761,838	409,488	5,355,420
Total capital assets being depreciated	<u>60,650,517</u>	<u>67,611,577</u>	<u>409,488</u>	<u>127,852,606</u>
Less accumulated depreciation for				
Building	13,254,446	756,003	-	14,010,449
Infrastructure	13,689,143	42,094,428	-	55,783,571
Machinery and equipment	4,210,606	847,241	348,275	4,709,572
Total accumulated depreciation	<u>31,154,195</u>	<u>43,697,672</u>	<u>348,275</u>	<u>74,503,592</u>
Total capital assets being depreciated, net	<u>29,496,322</u>	<u>23,913,905</u>	<u>61,213</u>	<u>53,349,014</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
CAPITAL ASSETS, NET	<u>\$ 37,840,509</u>	<u>\$ 26,611,646</u>	<u>\$ 61,213</u>	<u>\$ 64,390,942</u>

\*The increase in accumulated depreciation for machinery and equipment and infrastructure includes \$11,238 and \$39,875,846, respectively, transferred from governmental activities.

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 workers' compensation and has recorded the self-insurance liability in the General Fund if matured or in the governmental activities if unmatured 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 for flood and quake and \$10,000 for all other losses.

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 \$10,000,000. 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 Deputy City Manager.

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 are as follows:

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

6. RISK MANAGEMENT (Continued)

A reconciliation of the claims liability is as follows:

	2011	2010
CLAIMS PAYABLE, BEGINNING OF YEAR	\$ 690,310	\$ 248,751
Add claims incurred	1,514,569	1,568,107
Less claims paid	(499,460)	(1,126,548)
CLAIMS PAYABLE, END OF YEAR	<u>\$ 1,705,419</u>	<u>\$ 690,310</u>

Effective December 31, 2007, the City has withdrawn its membership from the Intergovernmental Risk Management Agency (IRMA). In accordance with 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 \$541,298 as the amount it estimates to receive from IRMA.

Intergovernmental Personnel Benefit Cooperative

The City participates in the Intergovernmental Personnel Benefit Cooperative (IPBC) effective January 1, 2008. 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.

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 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
\$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	\$ 2,625,000	\$ -	\$ 1,930,000	\$ 695,000	\$ 582,176
\$9,000,000, 2003 General Obligation Corporate Purpose Bonds, due in annual installments of \$615,000 to \$900,000 through 2016, interest at 1.60% to 3.60%	Debt Service	4,165,000	-	3,365,000	800,000	800,000
\$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 4.80%	Debt Service	9,514,158	-	111,760	9,402,398	117,085
\$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	5,987,300	-	69,210	5,918,090	74,412
\$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	7,895,000	-	870,000	7,025,000	1,110,000
\$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	2,245,000	-	165,000	2,080,000	170,000



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

7. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

Debt Service General Obligation Bonds (Continued)

Issue	Fund Debt Retired by	Balances January 1	Issuances	Retirements	Balances December 31	Current
\$2,510,000, 2010 General Obligation Refunding Bonds, due in annual installments of \$615,000 to \$660,000 through 2013, interest at 1.00% to 4.00%	Debt Service	\$ 1,895,000	\$ -	\$ 600,000	\$ 1,295,000	\$ 635,000
\$3,705,000, 2011B General Obligation Refunding Bonds, due in annual installments of \$1,115,000 to \$1,315,000 through 2015, interest at 2.00%	Debt Service	-	3,705,000	-	3,705,000	-
<b>TOTAL</b>		<b>\$34,326,458</b>	<b>\$ 3,705,000</b>	<b>\$ 7,110,970</b>	<b>\$ 30,920,488</b>	<b>\$ 3,488,673</b>

Water Fund General Obligation Bonds

Issue	Fund Debt Retired by	Balances January 1	Issuances	Retirements	Balances December 31	Current
\$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	\$ 1,090,000	\$ -	\$ 1,015,000	\$ 75,000	\$ 62,824
\$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	725,000	-	75,000	650,000	80,000
\$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	6,945,000	-	210,000	6,735,000	220,000
\$2,425,000, 2010 General Obligation Refunding Bonds, due in annual installments of \$50,000 to \$325,000 through 2021, interest at 1.00% to 4.00%	Water Fund	2,375,000	-	300,000	2,075,000	315,000

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
\$3,000,000, 2010A Taxable General Obligation Bonds, due in annual installments of \$1,475,000 to \$1,525,000 through 2031, interest at 5.60%. Pursuant to the American Recovery and Reinvestment Act, the City is eligible to receive a rebate from the U.S. Treasury Department of 45% of the interest paid each year. The net interest rate for the 2010A Recovery Zone Economic Development Bonds, after rebate, is 3.08%	Water Fund	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000	\$ -
\$895,000, 2011B General Obligation Refunding Bonds, due in annual installments of \$90,000 to \$100,000 through 2022, interest at 2.00% to 2.75%	Water Fund	-	895,000	-	895,000	-
<b>TOTAL</b>		<b>\$ 14,135,000</b>	<b>\$ 895,000</b>	<b>\$ 1,600,000</b>	<b>\$ 13,430,000</b>	<b>\$ 677,824</b>

Sewer Fund General Obligation Bonds

Issue	Fund Debt Retired by	Balances January 1	Issuances	Retirements	Balances December 31	Current
\$5,000,000, 2011A General Obligation Bonds, due in annual installments of \$230,000 to \$425,000 through 2026, interest at 2.00% to 3.25%	Sewer Fund	\$ -	\$ 5,000,000	\$ -	\$ 5,000,000	\$ 230,000
<b>TOTAL</b>		<b>\$ -</b>	<b>\$ 5,000,000</b>	<b>\$ -</b>	<b>\$ 5,000,000</b>	<b>\$ 230,000</b>

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

7. LONG-TERM DEBT (Continued)

a. General Obligation Bonds (Continued)

Country Club Fund General Obligation Bonds

Issue	Fund Debt Retired by	Balances January 1	Issuances	Retirements	Balances December 31	Current
\$855,000, 2010 General Obligation Refunding Bonds, due in annual installments of \$170,000 to \$235,000 through 2013, interest at 1.00% to 4.00%	Country Club Fund	\$ 685,000	\$ -	\$ 220,000	\$ 465,000	\$ 230,000
TOTAL		\$ 685,000	\$ -	\$ 220,000	\$ 465,000	\$ 230,000

b. Debt Service Requirements to Maturity

Fiscal Year Ending	Governmental Activities			Business-Type Activities			Total Principal and Interest
	Principal	Interest	Total	Principal	Interest	Total	
2012	\$ 3,488,673	\$ 1,241,655	\$ 4,730,328	\$ 1,137,824	\$ 721,282	\$ 1,859,106	\$ 6,589,434
2013	3,384,872	1,117,155	4,502,027	1,247,176	679,402	1,926,578	6,428,605
2014	3,042,626	1,009,154	4,051,780	850,000	637,883	1,487,883	5,539,663
2015	3,153,233	917,712	4,070,945	880,000	615,439	1,495,439	5,566,384
2016	1,853,868	822,100	2,675,968	920,000	588,902	1,508,902	4,184,870
2017	1,029,534	751,234	1,780,768	945,000	560,601	1,505,601	3,286,369
2018	475,231	710,269	1,185,500	1,005,000	528,396	1,533,396	2,718,896
2019	495,962	689,878	1,185,840	930,000	493,882	1,423,882	2,609,722
2020	521,728	667,912	1,189,640	965,000	461,558	1,426,558	2,616,198
2021	542,531	644,789	1,187,320	870,000	427,532	1,297,532	2,484,852
2022	308,373	620,747	929,120	805,000	397,470	1,202,470	2,131,590
2023	319,255	605,945	925,200	730,000	370,220	1,100,220	2,025,420
2024	335,179	590,621	925,800	760,000	344,821	1,104,821	2,030,621
2025	356,148	574,532	930,680	790,000	318,369	1,108,369	2,039,049
2026	367,163	557,437	924,600	820,000	290,870	1,110,870	2,035,470
2027	383,227	539,813	923,040	410,000	261,257	671,257	1,594,297
2028	404,342	521,418	925,760	430,000	244,448	674,448	1,600,208
2029	425,510	502,010	927,520	450,000	226,817	676,817	1,604,337
2030	441,735	481,585	923,320	1,940,000	208,143	2,148,143	3,071,463
2031	468,017	460,383	928,400	2,010,000	106,012	2,116,012	3,044,412
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	\$ 30,920,488	\$ 15,268,366	\$ 46,188,854	\$ 18,895,000	\$ 8,483,304	\$ 27,378,304	\$ 73,567,158

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

7. LONG-TERM DEBT (Continued)

c. 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*	\$ 2,015,277	\$ 912,324	\$ 1,093,620	\$ 1,833,981	\$ 1,181,132
Net other postemployment benefit obligation*	4,251,406	351,937	-	4,603,343	-
Net pension obligation*	265,387	46,281	-	311,668	-
General obligation bonds Unamortized bond (discount) premium	34,326,458	3,705,000	7,110,970	30,920,488	3,488,673
Unamortized loss on refunding	92,646	115,335	34,866	173,115	-
	(31,463)	(30,543)	(10,487)	(51,519)	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 40,919,711	\$ 5,100,334	\$ 8,228,969	\$ 37,791,076	\$ 4,669,805
BUSINESS-TYPE ACTIVITIES					
Net other postemployment benefit obligation	\$ 193,082	\$ -	\$ 30,930	\$ 162,152	\$ -
Net pension obligation	45,310	69,515	-	114,825	-
General obligation bonds Unamortized bond (discount) premium	14,820,000	5,895,000	1,820,000	18,895,000	1,137,824
Unamortized loss on refunding	177,057	245,422	23,119	399,960	-
	(86,120)	-	(35,949)	(50,171)	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 15,149,329	\$ 6,209,937	\$ 1,838,100	\$ 19,521,166	\$ 1,137,824

\* Retired primarily by the General Fund

d. Current Refunding

On December 13, 2011, the City issued \$4,600,000 general obligation refunding bonds, Series 2011B to refund, through a current refunding, \$2,105,000 of the 2002 general obligation bonds, series 2002 and \$2,595,000 of the general obligation bonds, series 2003. As a result of the refunding, the City achieved cash flow savings of \$371,886 and an economic gain of \$350,782.

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 AND INDIVIDUAL FUND DISCLOSURES

Due From/To Other Funds

Fund	Due From	Due To
MAJOR GOVERNMENTAL		
General		
Highland Park Country Club	\$ 550,000	\$ -
Nonmajor governmental	26,978	-
Total General	576,978	-
NONMAJOR GOVERNMENTAL		
Highland Park Theater		
General	-	26,978
BUSINESS-TYPE ACTIVITIES		
Highland Park Country Club		
General	-	550,000
TOTAL	\$ 576,978	\$ 576,978

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

- \$550,000 owed to the General Fund by the Highland Park Country Club Fund for short-term cash deficit. Repayment is expected within one year.
- \$26,978 owed to the General Fund by the Highland Park Theater 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 AND INDIVIDUAL FUND DISCLOSURES (Continued)

Transfers

	Transfers In	Transfers (Out)
<b>MAJOR GOVERNMENTAL</b>		
General		
Debt Service	\$ -	\$ 925,040
Highland Park Country Club	-	345,100
Total General	-	1,270,140
Debt Service		
General	925,040	-
Highland Park Country Club	100,000	-
Total Debt Service	1,025,040	-
Capital Projects		
Nonmajor governmental	885,000	-
<b>NONMAJOR GOVERNMENTAL</b>		
Motor Fuel Tax		
Capital Projects	-	885,000
Multi-Modal Transportation		
Sewer	-	438,777
<b>BUSINESS-TYPE ACTIVITIES</b>		
Sewer		
Multi-Modal Transportation	438,777	-
Highland Park Country Club		
General	345,100	-
Debt Service	-	100,000
Total Highland Park Country Club	345,100	100,000
<b>TOTAL</b>	<b>\$ 2,693,917</b>	<b>\$ 2,693,917</b>

The purpose of the significant transfers is as follows:

- \$925,040 transferred from the General Fund to the Debt Service Fund to pay debt service obligations.
- \$345,100 transferred from the General Fund to the Highland Park Country Club Fund to fund operating deficits.

8. INTERFUND ACCOUNTS AND INDIVIDUAL FUND DISCLOSURES (Continued)

Transfers (Continued)

- \$885,000 transferred from the Motor Fuel Tax Fund to the Capital Projects Fund to fund street and bridge improvements.
- \$438,777 transferred from the Multi-Modal Transportation Fund to the Sewer Fund to establish the Sewer Fund.
- \$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 \$12,286,830, including interest through December 31, 2011. The total expenditures incurred to date in existing rebates as of December 31, 2011 is \$2,850,671.

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.

10. DEFINED BENEFIT PENSION PLANS (Continued)

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.

a. Plan Descriptions

Illinois Municipal Retirement Fund

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) 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% for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten 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% for each year thereafter. 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 IMRF as specified by statute. The employer required annual contribution rates for the calendar years 2010 and 2011 were 11.39% and 9.35% of covered payroll, respectively. The City's contributions for the calendar years 2010 and 2011 were 8.50% and 11.25% of covered payroll, respectively.

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, 2011, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	57
Terminated employees entitled to benefits but not yet receiving them	1
Current employees	
Vested	37
Nonvested	16
	<hr/>
TOTAL	111
	<hr/>



10. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the 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.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

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. The State of Illinois passed Public Act 096-1495 on December 30, 2010. As a result, effective January 1, 2011, the City has until the year 2040 to fund 90% of the past service costs for the Police Pension Plan. For the year ended December 31, 2011, the City's contribution was 38.18% of covered payroll.

10. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

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, 2011, the Firefighters' Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	54
Terminated employees entitled to benefits but not yet receiving them	2
Current employees	
Vested	30
Nonvested	20
	<hr/>
TOTAL	<u>106</u>

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held 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 up to 30 years to a maximum of 75.00% of such salary. Employees with at least 10 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 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 be paid upon reaching the age of at least 55 years, by 3.00% of the original pension and 3.00% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

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. The State of Illinois passed Public Act 096-1495 on December 30, 2011. As a result, effective January 1, 2011, the City has until the year 2040 to fund 90% of the past service costs for the Firefighters' Pension Plan. For the year ended December 31, 2011, the City's contribution was 35.86% 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, except as disclosed in Notes 3e and 3f. Information for 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, 2009	December 31, 2010	December 31, 2010
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	30 Years, Open	30 Years, Closed	30 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 10.00%	Not Applicable	Not Applicable

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*	Police Pension	Firefighters' Pension
Annual pension cost (APC)	2009	\$ 1,024,552	\$ 1,252,315	\$ 1,075,467
	2010	1,446,029	1,671,906	1,489,177
	2011	1,368,413	1,603,085	1,476,469
Actual contribution	2009	\$ 1,024,552	\$ 1,333,139	\$ 1,161,784
	2010	1,079,126	1,456,079	1,263,134
	2011	1,137,303	1,681,690	1,552,838
Percentage of APC contributed	2009	100.00%	106.50%	108.00%
	2010	74.63%	87.09%	84.82%
	2011	83.11%	104.90%	103.14%
NPO (asset)	2009	\$ -	\$ (1,861,160)	\$ (1,947,195)
	2010	366,903	(1,645,333)	(1,721,152)
	2011	605,861	(1,723,938)	(1797,521)

\*The Illinois Municipal Retirement Fund includes the Highland Park Public Library.

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, 2011 has been calculated as follows:

	Illinois Municipal Retirement*	Police Pension	Firefighters' Pension
Annual required contributions	\$ 1,368,413	\$ 1,654,070	\$ 1,529,803
Interest on net pension obligation	27,518	(123,400)	(129,086)
Adjustment to annual required contribution	(19,670)	72,415	75,752
Annual pension cost	1,376,261	1,603,085	1,476,469
Contributions made	1,137,303	1,681,690	1,552,838
Increase (decrease) in net pension obligation (asset)	238,958	(78,605)	(76,369)
Net pension obligation (asset), beginning of year	366,903	(1,645,333)	(1,721,152)
NET PENSION OBLIGATION (ASSET), END OF YEAR	\$ 605,861	\$ (1,723,938)	\$ (1,797,521)

\*The Illinois Municipal Retirement Fund includes the Highland Park Public Library.

d. Summary Financial Information

Summary financial information at December 31, 2011 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	\$ 931,827	\$ 710,071	\$ 1,641,898
Investments, at fair value			
U.S. Treasury and agency securities	13,144,782	13,438,877	26,583,659
Corporate bonds	1,105,214	1,015,134	2,120,348
Mutual funds	8,656,102	6,176,793	14,832,895
Common stock	4,911,366	7,592,242	12,503,608
Receivables			
Accrued interest on investments	111,380	116,614	227,994
Total assets	28,860,671	29,049,731	57,910,402
LIABILITIES			
Accounts payable	19,169	35,119	54,288
Total liabilities	19,169	35,119	54,288
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 28,841,502	\$ 29,014,612	\$ 57,856,114

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	\$ 1,681,690	\$ 1,552,838	\$ 3,234,528
Employee	441,313	395,679	836,992
Total contributions	2,123,003	1,948,517	4,071,520
Investment income			
Net appreciation in fair value of investments	(49,910)	125,420	75,510
Interest	719,281	742,031	1,461,312
Total investment income			
Less investment expenses	(108,627)	(109,970)	(218,597)
Net investment income	560,744	757,481	1,318,225
Total additions	2,683,747	2,705,998	5,389,745
DEDUCTIONS			
Pension benefits	3,033,922	2,855,280	5,889,202
Miscellaneous	57,687	25,493	83,180
Total deductions	3,091,609	2,880,773	5,972,382
NET INCREASE	(407,862)	(174,775)	(582,637)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
January 1	29,249,364	29,189,387	58,438,751
December 31	\$ 28,841,502	\$ 29,014,612	\$ 57,856,114

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, 2011, based on actuarial valuations performed as of December 31, 2011 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 10c:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial accrued liability (AAL)	\$ 37,748,245	\$ 54,523,886	\$ 51,197,173
Actuarial value of plan assets	29,615,053	28,841,503	29,014,611
Unfunded actuarial accrued liability (UAAL)	8,133,192	25,412,383	22,182,562
Funded ratio (actuarial value of plan assets/AAL)	78.45%	53.16%	56.67%
Covered payroll (active plan members)	\$ 12,163,669	\$ 4,405,140	\$ 4,330,427
UAAL as a percentage of covered payroll	66.86%	576.88%	512.25%

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 assignment 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.

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.

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided (Continued)

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, 2011, membership consisted of:

Retirees and beneficiaries currently receiving benefits	107
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>263</u>
<b>TOTAL</b>	<b><u>370</u></b>
Participating employers	<u>1</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, 2011, 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, 2011, retirees contributed \$907,820 and the City contributed \$474,511. Active employees do not contribute to the plan until retirement.

Annual OPEB Costs and Net OPEB Obligation

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
December 31, 2009	\$ 1,237,943	\$ 476,140	38.46%	\$ 3,772,134
December 31, 2010	1,146,865	474,511	41.56%	4,444,488
December 31, 2011	1,048,399	475,156	45.32%	5,017,731



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

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11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Costs and Net OPEB Obligation (Continued)

The net OPEB obligation (NOPEBO) as December 31, 2011 was calculated as follows:

Annual required contribution	\$ 973,749
Interest on net OPEB obligation	222,225
Adjustment to annual required contribution	<u>(147,575)</u>
Annual OPEB cost	1,048,399
Contributions made	<u>475,156</u>
Increase in net OPEB obligation	573,243
Net OPEB obligation, beginning of year	<u>4,444,488</u>
NET OPEB OBLIGATION, END OF YEAR	<u>\$ 5,017,731</u>

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2011 was as follows:

Actuarial accrued liability (AAL)	\$ 12,913,455
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	12,913,455
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 16,984,814
UAAL as a percentage of covered payroll	76.03%

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 ARCs 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 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.

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Costs and Net OPEB Obligation (Continued)

In the December 31, 2011 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%. The investment rate of return includes a 3.00% inflation assumption. The actuarial value of assets was not determined as the City has not advance 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, 2011 was 30 years. The City has set aside \$4,375,495 as assigned in the General Fund to meet future obligations.

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, 2011, these purchases amounted to \$2,021,384 or 29.4% and \$925,254 or 13.5%, 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, 2011 which can be obtained by written request to Highland Park Public Library, 494 Laurel Avenue, Highland Park, Illinois 60035.

14. COMPONENT UNIT - HIGHLAND PARK LIBRARY (Continued)

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.

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

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.

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)

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.

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, 2011 are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>GOVERNMENTAL ACTIVITIES</b>				
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	4,265,733	15,450	30,000	4,251,183
Machinery	520,297	31,568	22,255	529,610
Total capital assets being depreciated	4,855,279	47,018	52,255	4,850,042
Less accumulated depreciation for				
Land improvements	39,826	2,156	-	41,982
Buildings and improvements	2,085,387	81,799	-	2,167,186
Machinery	360,631	24,169	4,451	380,349
Total accumulated depreciation	2,485,844	108,124	4,451	2,589,517
Total capital assets being depreciated, net	2,369,435	(61,106)	47,804	2,260,525
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<b>\$ 2,869,435</b>	<b>\$ (61,106)</b>	<b>\$ 47,804</b>	<b>\$ 2,760,525</b>

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

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14. COMPONENT UNIT - HIGHLAND PARK LIBRARY (Continued)

c. Capital Assets (Continued)

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

GOVERNMENTAL ACTIVITIES

Public Library	<u>\$ 108,124</u>
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## 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, 2011

	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Property taxes	\$ 3,020,635	\$ 3,020,635	\$ 3,018,653
Illinois state replacement taxes	203,117	203,117	276,627
Licenses	284,375	284,375	313,573
Permits	945,375	980,375	1,077,946
Charges for current services	1,508,186	1,519,741	1,636,291
Municipal sales tax	10,677,504	10,677,504	11,159,204
Fines and forfeitures	843,720	843,720	863,216
Utility tax	2,400,000	2,400,000	2,422,569
Real estate transfer tax	1,135,000	1,135,000	1,136,595
Intergovernmental	5,500	64,911	92,724
Illinois state income tax	2,330,174	2,330,174	2,354,555
Franchise fees	2,539,614	2,539,614	2,385,686
Payment in lieu of taxes	587,000	587,000	171,459
Other taxes	1,175,560	1,175,560	1,355,662
Reimbursements	199,700	249,700	408,326
Investment income			
Interest income	(22,000)	(22,000)	711,748
Net appreciation in fair value of investments	70,000	70,000	964,461
Miscellaneous			
Other	373,000	373,000	775,114
Total revenues	28,276,460	28,432,426	31,124,409
<b>EXPENDITURES</b>			
Current			
General government	6,031,549	6,356,735	5,084,358
Public safety	16,175,935	16,302,711	16,072,977
Public works	2,528,390	2,528,390	2,331,420
Economic and physical development	3,365,573	3,367,343	3,011,935
Transit	41,047	41,047	34,422
Commissions	129,605	129,605	94,225
Total expenditures	28,272,099	28,725,831	26,629,337
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,361	(293,405)	4,495,072

(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, 2011

	Original Budget	Final Budget	Actual
OTHER FINANCING SOURCES (USES)			
Transfers (out)	\$ -	\$ (345,100)	\$ (1,270,140)
Proceeds from sale of assets	-	2,300	135,194
Total other financing sources (uses)	-	(342,800)	(1,134,946)
NET CHANGE IN FUND BALANCE	<u>\$ 4,361</u>	<u>\$ (636,205)</u>	3,360,126
FUND BALANCE, JANUARY 1			<u>34,360,456</u>
FUND BALANCE, DECEMBER 31			<u>\$ 37,720,582</u>

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
PUBLIC SAFETY PENSION LEVY FUND

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual
REVENUES			
Property taxes	\$ 3,183,873	\$ 3,183,873	\$ 3,174,915
Total revenues	3,183,873	3,183,873	3,174,915
EXPENDITURES			
Public safety			
Pension contribution - police	1,654,070	1,654,070	1,650,718
Pension contribution - fire	1,529,803	1,529,803	1,524,197
Total expenditures	3,183,873	3,183,873	3,174,915
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-
FUND BALANCE, JANUARY 1			-
FUND BALANCE, DECEMBER 31			\$ -

(See independent auditor's report.)



CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF FUNDING PROGRESS  
ILLINOIS MUNICIPAL RETIREMENT FUND

December 31, 2011

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Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial 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)
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%
2009	31,242,787	38,069,741	82.07%	6,826,954	13,588,220	50.24%
2010	30,456,345	38,233,681	79.66%	7,777,336	12,690,418	61.29%
2011	29,615,053	37,748,245	78.45%	8,133,192	12,163,669	66.86%

(See independent auditor's report.)

## CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF FUNDING PROGRESS  
POLICE PENSION FUND

December 31, 2011

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, 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%
December 31, 2008	25,042,270	48,447,430	51.69%	23,405,160	4,643,888	504.00%
December 31, 2009	27,418,823	49,424,807	55.48%	22,005,984	4,510,522	487.88%
December 31, 2010	29,249,363	51,562,936	56.73%	22,313,573	4,396,294	507.55%
December 31, 2011	28,841,503	54,253,886	53.16%	25,412,383	4,405,140	576.88%

The actuarial value of assets shown above does not include \$9,550,000 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.

(See independent auditor's report.)

## CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF FUNDING PROGRESS  
FIREFIGHTERS' PENSION FUND

December 31, 2011

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, 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%
December 31, 2008	25,431,145	44,010,917	57.78%	18,579,772	4,214,709	440.83%
December 31, 2009	27,475,530	45,784,009	60.01%	18,308,479	3,934,609	465.32%
December 31, 2010	29,189,387	48,804,391	59.81%	19,615,004	4,007,213	489.49%
December 31, 2011	29,014,611	51,197,173	56.67%	22,182,562	4,330,427	512.25%

The actuarial value of assets shown above does not include \$6,010,000 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.

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFIT PLAN

December 31, 2011

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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	-	14,825,979	0.00%	14,825,979	19,041,396	77.86%
December 31, 2008	-	13,016,948	0.00%	13,016,948	17,709,384	73.50%
December 31, 2009	-	14,565,078	0.00%	14,565,078	17,916,315	81.30%
December 31, 2010	-	14,343,097	0.00%	14,343,097	18,015,248	79.62%
December 31, 2011	-	12,913,455	0.00%	12,913,455	16,984,814	76.03%

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 \$4,375,495 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, 2011

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<u>Actuarial Valuation Date December 31,</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
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%
2009	1,024,552	1,024,552	100.00%
2010	1,079,126	1,446,029	74.63%
2011	1,137,303	1,368,413	83.11%

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
POLICE PENSION FUND

December 31, 2011

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<u>Actuarial Valuation Date</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
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	1,187,508	105.60%
December 31, 2009	1,333,139	1,295,763	102.88%
December 31, 2010	1,456,079	1,714,250	84.94%
December 31, 2011	1,681,690	1,654,070	101.67%

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

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FIREFIGHTERS' PENSION FUND

December 31, 2011

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<u>Actuarial Valuation Date</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
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	1,033,130	105.56%
December 31, 2009	1,161,784	1,120,881	103.65%
December 31, 2010	1,263,134	1,533,479	82.37%
December 31, 2011	1,552,838	1,529,803	101.51%

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

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFIT PLAN

December 31, 2011

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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%
December 31, 2009	476,140	1,103,224	43.16%
December 31, 2010	474,511	1,040,608	45.60%
December 31, 2011	475,156	973,749	48.80%

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, 2011

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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 Fund** - 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 Fund** - to account for resources that are restricted for 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 Fund** - to account for resources that are restricted or assigned for capital outlays used 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, 2011

	Original Budget	Final Budget	Actual
<b>GENERAL GOVERNMENT</b>			
City Council			
Personal services	\$ 239,295	\$ 239,295	\$ 232,802
Contractual services	34,870	34,870	33,332
Materials and supplies	26,830	26,830	28,864
Total City Council	300,995	300,995	294,998
Administration			
Personal services	600,256	598,929	589,054
Contractual services	30,328	30,328	29,856
Materials and supplies	31,724	31,724	26,906
Total administration	662,308	660,981	645,816
Human resources			
Personal services	306,025	307,352	296,159
Contractual services	100,989	100,989	87,528
Materials and supplies	87,136	87,136	51,016
Capital outlay	13,600	13,600	8,882
Total human resources	507,750	509,077	443,585
Communications			
Personal services	289,332	263,679	214,018
Contractual services	62,933	94,746	88,816
Materials and supplies	119,854	169,854	160,404
Total communications	472,119	528,279	463,238
City Clerk			
Personal services	198,950	198,950	198,242
Contractual services	10,798	10,798	8,194
Materials and supplies	1,515	1,515	686
Total City Clerk	211,263	211,263	207,122
Youth and senior services			
Youth			
Operations			
Personal services	158,083	158,083	116,234
Contractual services	33,894	33,894	37,607
Materials and supplies	17,035	17,035	6,690
Total youth operations	209,012	209,012	160,531

(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, 2011

	Original Budget	Final Budget	Actual
GENERAL GOVERNMENT (Continued)			
Youth and senior services (Continued)			
Senior			
Operations			
Personal services	\$ 419,993	\$ 419,993	\$ 355,814
Contractual services	30,448	30,448	30,840
Materials and supplies	144,380	144,380	80,066
Total senior operations	594,821	594,821	466,720
Facilities			
Personal services	50,222	50,222	47,917
Contractual services	29,004	29,004	28,417
Materials and supplies	2,500	2,500	1,400
Total facilities	81,726	81,726	77,734
Total youth and senior services	885,559	885,559	704,985
Legal department			
Contractual services	809,418	876,044	924,783
Materials and supplies	900	900	671
Total legal department	810,318	876,944	925,454
Finance administration and accounting			
Personal services	925,993	925,993	900,804
Contractual services	1,281,804	1,481,804	1,019,353
Materials and supplies	95,000	95,000	69,632
Total finance administration and accounting	2,302,797	2,502,797	1,989,789
Facilities			
Personal services	34,190	34,190	19,291
Contractual services	391,650	394,050	398,479
Materials and supplies	61,600	61,600	51,325
Capital outlay	55,000	55,000	69,276
Total facilities	542,440	544,840	538,371
Subtotal general government	6,695,549	7,020,735	6,213,358
Less administrative reimbursements	(664,000)	(664,000)	(1,129,000)
TOTAL GENERAL GOVERNMENT	\$ 6,031,549	\$ 6,356,735	\$ 5,084,358

(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, 2011

	Original Budget	Final Budget	Actual
PUBLIC SAFETY			
Police department			
Operations			
Personal services	\$ 8,137,747	\$ 8,150,498	\$ 8,040,400
Contractual services	724,900	724,390	707,964
Materials and supplies	416,071	455,146	405,419
Capital outlay	3,600	17,190	14,205
Total operations	9,282,318	9,347,224	9,167,988
Facilities			
Personal services	114,964	114,964	72,989
Contractual services	87,642	87,642	91,309
Materials and supplies	12,700	12,700	6,346
Capital outlay	10,000	10,000	5,000
Total facilities	225,306	225,306	175,644
Total police department	9,507,624	9,572,530	9,343,632
Fire department			
Operations			
Personal services	5,890,411	5,917,281	5,927,267
Contractual services	479,728	514,728	511,848
Materials and supplies	198,105	198,105	193,693
Capital outlay	32,740	32,740	28,682
Total operations	6,600,984	6,662,854	6,661,490
Facilities			
Personal services	12,762	12,762	12,501
Contractual services	26,349	26,349	30,929
Materials and supplies	16,216	16,216	13,822
Capital outlay	12,000	12,000	10,603
Total facilities	67,327	67,327	67,855
Total fire department	6,668,311	6,730,181	6,729,345
TOTAL PUBLIC SAFETY	\$ 16,175,935	\$ 16,302,711	\$ 16,072,977

(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, 2011

	Original Budget	Final Budget	Actual
<b>PUBLIC WORKS</b>			
Public works administration			
Personal services	\$ 520,818	\$ 520,818	\$ 516,011
Contractual services	45,355	45,355	45,574
Materials and supplies	17,771	17,771	14,266
Total public works administration	583,944	583,944	575,851
Facilities			
Personal services	39,457	39,457	37,989
Contractual services	92,783	92,783	78,433
Materials and supplies	38,900	38,900	30,851
Capital outlay	93,000	93,000	77,937
Total facilities	264,140	264,140	225,210
Engineering			
Personal services	707,720	707,720	688,783
Contractual services	89,718	89,718	77,702
Materials and supplies	8,670	8,670	4,657
Capital outlay	2,000	2,000	-
Total engineering	808,108	808,108	771,142
Forestry			
Personal services	164,436	164,436	168,502
Contractual services	544,472	544,472	471,679
Materials and supplies	33,090	33,090	12,886
Capital outlay	130,200	130,200	106,150
Total forestry	872,198	872,198	759,217
<b>TOTAL PUBLIC WORKS</b>	<u>\$ 2,528,390</u>	<u>\$ 2,528,390</u>	<u>\$ 2,331,420</u>
<b>ECONOMIC AND PHYSICAL DEVELOPMENT</b>			
Community development department			
Personal services	\$ 2,095,193	\$ 2,087,743	\$ 2,023,049
Contractual services	298,835	306,285	250,014
Materials and supplies	104,473	104,473	48,934
Total community development department	2,498,501	2,498,501	2,321,997

(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, 2011

	Original Budget	Final Budget	Actual
ECONOMIC AND PHYSICAL DEVELOPMENT (Continued)			
Economic development			
Personal services	\$ 152,925	\$ 154,695	\$ 107,375
Contractual services	9,497	9,497	9,502
Materials and supplies	384,650	384,650	397,756
Revenue sharing	320,000	320,000	175,305
Total economic development	867,072	868,842	689,938
TOTAL ECONOMIC AND PHYSICAL DEVELOPMENT	\$ 3,365,573	\$ 3,367,343	\$ 3,011,935
TRANSIT			
Facilities			
Personal services	\$ 12,747	\$ 12,747	\$ 12,501
Contractual services	26,800	26,800	21,114
Materials and supplies	1,500	1,500	807
Total facilities	41,047	41,047	34,422
TOTAL TRANSIT	\$ 41,047	\$ 41,047	\$ 34,422
COMMISSIONS			
Personal services	\$ -	\$ -	\$ -
Contractual services	47,350	47,350	23,154
Materials and supplies	82,255	82,255	71,071
TOTAL COMMISSIONS	\$ 129,605	\$ 129,605	\$ 94,225

(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, 2011

	Final Budget	Actual
REVENUES		
Property taxes	\$ 3,527,335	\$ 3,556,614
Municipal sales tax	227,505	227,505
Investment income	500	656
Total revenues	3,755,340	3,784,775
EXPENDITURES		
Debt service		
Principal	3,355,970	3,355,970
Interest and fiscal charges	1,454,265	1,452,715
Total expenditures	4,810,235	4,808,685
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,054,895)	(1,023,910)
OTHER FINANCING SOURCES (USES)		
Bonds issued	-	3,705,000
Premium on bonds issued	-	115,335
Payment to escrow agent	-	(3,785,543)
Transfers in	100,000	1,025,040
Total other financing sources (uses)	100,000	1,059,832
NET CHANGE IN FUND BALANCE	<u>\$ (954,895)</u>	35,922
FUND BALANCE, JANUARY 1		<u>992,144</u>
FUND BALANCE, DECEMBER 31		<u><u>\$ 1,028,066</u></u>

(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, 2011

	Final Budget	Actual
REVENUES		
Property taxes	\$ 178,266	\$ 178,333
Municipal sales tax	400,000	399,097
Payment in lieu of taxes	375,000	375,000
Reimbursements	541,200	542,901
Investment income		
Interest income	1,000	1,660
Total revenues	1,495,466	1,496,991
EXPENDITURES		
Capital outlay	3,001,865	2,778,501
Total expenditures	3,001,865	2,778,501
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,506,399)	(1,281,510)
OTHER FINANCING SOURCES (USES)		
Transfers in	895,000	885,000
Total other financing sources (uses)	895,000	885,000
NET CHANGE IN FUND BALANCES	<u>\$ (611,399)</u>	(396,510)
FUND BALANCES, JANUARY 1		<u>2,562,760</u>
FUND BALANCES, DECEMBER 31		<u>\$ 2,166,250</u>

(See independent auditor's report.)

## NONMAJOR GOVERNMENTAL FUNDS

**Motor Fuel Tax Fund** - to account for the allotments of gasoline taxes collected by the state which are restricted to street and bridge improvements.

**Emergency 911 System Fund** - to account for funds restricted to pay for the City's 911 emergency telephone service.

**Foreign Fire Insurance Tax Fund** - to account for the receipts and expenditures of this tax restricted for public safety costs by the State.

**Highland Park Theater Fund** - to account for the funds committed to the operations of the Highland Park Theater movie house.

**Environmental Sustainability Fund** - to account for specific revenue sources committed to implementation of the City's Sustainability Strategic Plan.

**Multi-Modal Transportation Fund** - to account for revenues restricted or committed to activities fundamental to vehicular and pedestrian traffic, including street lighting, street cleaning, street maintenance and transit services reimbursed by Pace, the suburban bus division of the Regional Transportation Authority.

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

## CITY OF HIGHLAND PARK, ILLINOIS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2011

	Special Revenue						Capital Projects	Totals
	Motor Fuel Tax	Emergency 911 System	Foreign Fire Insurance Tax	Highland Park Theater	Environmental Sustainability	Multi-Modal Transportation	Tax Increment Financing	
ASSETS								
Cash and cash equivalents	\$ 77,138	\$ 107,386	\$ 544,863	\$ -	\$ 195,087	\$ 403,796	\$ 822,867	\$ 2,151,137
Receivables								
Property tax	-	-	-	-	-	1,460,000	200,000	1,660,000
Intergovernmental	62,602	64,286	-	-	-	-	-	126,888
Accounts	-	-	-	-	-	45,985	-	45,985
Prepaid items	-	-	-	5,713	-	-	-	5,713
Inventory	-	-	-	1,972	-	-	-	1,972
<b>TOTAL ASSETS</b>	<b>\$ 139,740</b>	<b>\$ 171,672</b>	<b>\$ 544,863</b>	<b>\$ 7,685</b>	<b>\$ 195,087</b>	<b>\$ 1,909,781</b>	<b>\$ 1,022,867</b>	<b>\$ 3,991,695</b>

	Special Revenue						Capital Projects	
	Motor Fuel Tax	Emergency 911 System	Foreign Fire Insurance Tax	Highland Park Theater	Environmental Sustainability	Multi-Modal Transportation	Tax Increment Financing	Totals
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ -	\$ 852	\$ -	\$ 21,647	\$ -	\$ 52,933	\$ -	\$ 75,432
Accrued payroll	-	1,337	-	4,868	249	21,684	-	28,138
Deferred revenue	-	-	-	-	-	1,460,000	200,000	1,660,000
Due to other funds	-	-	-	26,978	-	-	-	26,978
Total liabilities	-	2,189	-	53,493	249	1,534,617	200,000	1,790,548
FUND BALANCES								
Nonspendable								
Prepaid items	-	-	-	5,713	-	-	-	5,713
Inventory	-	-	-	1,972	-	-	-	1,972
Restricted								
Streets	139,740	-	-	-	-	-	-	139,740
Public safety	-	169,483	544,863	-	-	-	-	714,346
Economic development	-	-	-	-	-	-	822,867	822,867
Unrestricted								
Committed								
Sustainability initiatives	-	-	-	-	194,838	-	-	194,838
Transportation	-	-	-	-	-	375,164	-	375,164
Unassigned (deficit)	-	-	-	(53,493)	-	-	-	(53,493)
Total fund balances (deficit)	139,740	169,483	544,863	(45,808)	194,838	375,164	822,867	2,201,147
TOTAL LIABILITIES AND FUND BALANCES								
	\$ 139,740	\$ 171,672	\$ 544,863	\$ 7,685	\$ 195,087	\$ 1,909,781	\$ 1,022,867	\$ 3,991,695

(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, 2011

	Special Revenue						Capital Projects	
	Motor Fuel Tax	Emergency 911 System	Foreign Fire Insurance Tax	Highland Park Theater	Environmental Sustainability	Multi-Modal Transportation	Tax Increment Financing	Totals
REVENUES								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,371,867	\$ 178,178	\$ 1,550,045
Licenses and permits	-	-	-	-	-	832,645	-	832,645
Charges for current services	-	425,431	-	468,010	208,657	71,959	-	1,174,057
Fines and forfeitures	-	-	-	-	-	11,180	-	11,180
Other taxes	-	-	-	-	-	477,482	-	477,482
Intergovernmental	-	-	96,020	-	-	57,025	-	153,045
Motor fuel tax allotments	883,360	-	-	-	-	-	-	883,360
Reimbursements - other agencies	-	-	1,250	-	-	1,222,434	-	1,223,684
Investment income	212	-	1,324	-	-	-	2	1,538
Miscellaneous	-	-	-	-	-	51,299	-	51,299
Total revenues	883,572	425,431	98,594	468,010	208,657	4,095,891	178,180	6,358,335
EXPENDITURES								
Current								
Public safety	-	392,368	93,601	-	-	-	-	485,969
Public works	-	-	-	-	-	2,641,704	-	2,641,704
Economic and physical development	-	-	-	505,321	93,406	-	-	598,727
Transit	-	-	-	-	-	1,369,485	-	1,369,485
Total expenditures	-	392,368	93,601	505,321	93,406	4,011,189	-	5,095,885
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	883,572	33,063	4,993	(37,311)	115,251	84,702	178,180	1,262,450
OTHER FINANCING SOURCES (USES)								
Transfers (out)	(885,000)	-	-	-	-	(438,777)	-	(1,323,777)
Total other financing sources (uses)	(885,000)	-	-	-	-	(438,777)	-	(1,323,777)
NET CHANGE IN FUND BALANCES	(1,428)	33,063	4,993	(37,311)	115,251	(354,075)	178,180	(61,327)
FUND BALANCES (DEFICIT), JANUARY 1	141,168	136,420	539,870	(8,497)	79,587	729,239	644,687	2,262,474
FUND BALANCES (DEFICIT), DECEMBER 31	\$ 139,740	\$ 169,483	\$ 544,863	\$ (45,808)	\$ 194,838	\$ 375,164	\$ 822,867	\$ 2,201,147

(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, 2011

	Final Budget	Actual
REVENUES		
Motor fuel tax allotments	\$ 765,630	\$ 883,360
Investment income	300	212
Total revenues	765,930	883,572
EXPENDITURES		
None	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	765,930	883,572
OTHER FINANCING SOURCES (USES)		
Transfers (out)	(895,000)	(885,000)
Total other financing sources (uses)	(895,000)	(885,000)
NET CHANGE IN FUND BALANCE	\$ (129,070)	(1,428)
FUND BALANCE, JANUARY 1		141,168
FUND BALANCE, DECEMBER 31		\$ 139,740

(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, 2011

	Final Budget	Actual
REVENUES		
Charges for services	\$ 445,000	\$ 425,431
Total revenues	445,000	425,431
EXPENDITURES		
Public safety		
Personal services	236,281	217,746
Contractual services	198,510	174,622
Total expenditures	434,791	392,368
NET CHANGE IN FUND BALANCE	\$ 10,209	33,063
FUND BALANCE, JANUARY 1		136,420
FUND BALANCE, DECEMBER 31		\$ 169,483

(See independent auditor's report.)

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
HIGHLAND PARK THEATER FUND

For the Year Ended December 31, 2011

	Final Budget	Actual
REVENUES		
Charges for services	\$ 557,250	\$ 468,010
Total revenues	557,250	468,010
EXPENDITURES		
Economic and physical development		
Personal services	175,709	163,024
Contractual services	312,674	297,065
Materials and supplies	24,605	43,783
Capital outlay	21,500	1,449
Total expenditures	534,488	505,321
NET CHANGE IN FUND BALANCE	\$ 22,762	(37,311)
FUND BALANCE (DEFICIT), JANUARY 1		(8,497)
FUND BALANCE (DEFICIT), DECEMBER 31		\$ (45,808)

(See independent auditor's report.)



CITY OF HIGHLAND PARK, ILLINOIS

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

For the Year Ended December 31, 2011

	Final Budget	Actual
REVENUES		
Charges for services	\$ 123,583	\$ 208,657
Total revenues	123,583	208,657
EXPENDITURES		
Economic and physical development		
Personal services	14,203	13,518
Contractual services	76,958	79,888
Reserve and contingency	32,422	-
Total expenditures	123,583	93,406
NET CHANGE IN FUND BALANCE	\$ -	115,251
FUND BALANCE, JANUARY 1		79,587
FUND BALANCE, DECEMBER 31		\$ 194,838

(See independent auditor's report.)

## CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MULTI-MODAL TRANSPORTATION FUND

For the Year Ended December 31, 2011

	Final Budget	Actual
REVENUES		
Property taxes	\$ 1,369,000	\$ 1,371,867
Licenses and permits	835,000	832,645
Charges for current services	98,600	71,959
Fines and forfeitures	13,000	11,180
Other taxes	491,665	477,482
Intergovernmental	57,025	57,025
PACE RTA fare reimbursement	1,246,767	1,222,434
Miscellaneous	48,443	51,299
Total revenues	4,159,500	4,095,891
EXPENDITURES		
Public Works		
Personal services	876,416	822,609
Contractual services	1,190,686	1,169,009
Materials and supplies	611,950	650,086
Transit		
Personal services	1,251,364	1,252,808
Contractual services	65,107	70,613
Materials and supplies	56,813	46,064
Total expenditures	4,052,336	4,011,189
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		
	107,164	84,702
OTHER FINANCING SOURCES (USES)		
Transfers (out)	(150,000)	(438,777)
Total other financing sources (uses)	(150,000)	(438,777)
NET CHANGE IN FUND BALANCE		
	\$ (42,836)	(354,075)
FUND BALANCE, JANUARY 1		
		729,239
FUND BALANCE, DECEMBER 31		
		\$ 375,164

(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, 2011

	Final Budget	Actual
REVENUES		
Property taxes	\$ 200,000	\$ 178,178
Investment income	25	2
Total revenues	200,025	178,180
EXPENDITURES		
Contractual services	7,215	-
Total expenditures	7,215	-
NET CHANGE IN FUND BALANCE	<u>\$ 192,810</u>	178,180
FUND BALANCE, JANUARY 1		<u>644,687</u>
FUND BALANCE, DECEMBER 31		<u>\$ 822,867</u>

(See independent auditor's report.)

## MAJOR ENTERPRISE FUNDS

**Motor Vehicle Parking System Fund, Water Fund, Sewer Fund, and the Highland Park Country Club Fund** - to account for the acquisition, operation, and maintenance of city-owned parking, water and sewer facilities and services, golf course, and other city-owned facilities which are entirely or predominantly self-supported by user charges. The operations 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, 2011

	Final Budget	Actual
OPERATING REVENUES		
Parking collections	\$ 571,000	\$ 573,179
Parking violations	274,750	232,184
	<u>845,750</u>	<u>805,363</u>
OPERATING EXPENSES		
Personal services	261,684	254,362
Contractual services	360,980	354,121
Materials and supplies	10,070	13,010
Small tools and equipment	515,000	408,634
Administrative reimbursements	99,000	99,000
	<u>1,246,734</u>	<u>1,129,127</u>
OPERATING INCOME (LOSS)	<u>(400,984)</u>	<u>(323,764)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	30	638
Intergovernmental	-	22,053
Gain (loss) on sale of capital assets	-	(61,213)
	<u>30</u>	<u>(38,522)</u>
NET INCOME (LOSS) - BUDGET BASIS	<u>(400,954)</u>	<u>(362,286)</u>
ADJUSTMENTS TO GAAP BASIS		
Capital assets capitalized	-	253,945
Depreciation	-	(219,871)
	<u>-</u>	<u>34,074</u>
CHANGE IN NET ASSETS	<u>\$ (400,954)</u>	(328,212)
NET ASSETS, JANUARY 1		<u>4,998,985</u>
NET ASSETS, DECEMBER 31		<u>\$ 4,670,773</u>

(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, 2011

	Final Budget	Actual
OPERATING REVENUES		
Water sales	\$ 6,800,000	\$ 6,867,668
Water permit fees	50,000	38,700
Miscellaneous	115,840	127,270
Total operating revenues	6,965,840	7,033,638
OPERATING EXPENSES		
Personal services	2,284,490	2,312,251
Contractual services	1,223,847	1,122,902
Materials and supplies	487,662	380,266
Repairs and maintenance	57,481	60,563
Capital outlay	13,204,606	3,901,742
Administrative reimbursements	1,030,000	1,030,000
Total operating expenses	18,288,086	8,807,724
OPERATING INCOME (LOSS)	(11,322,246)	(1,774,086)
NONOPERATING REVENUES (EXPENSES)		
Investment income		
Interest income	4,000	1,045
Net appreciation in fair value of investments	75,000	39,969
Intergovernmental revenue	75,600	83,860
Debt service		
Principal	(655,000)	(655,000)
Interest and fiscal charges	(594,447)	(594,032)
Total nonoperating revenues (expenses)	(1,094,847)	(1,124,158)
NET INCOME (LOSS) - BUDGET BASIS	(12,417,093)	(2,898,244)
ADJUSTMENTS TO GAAP BASIS		
Capital assets capitalized	-	3,918,678
Depreciation	-	(923,942)
Principal paid	-	655,000
Total adjustments to GAAP basis	-	3,649,736
CONTRIBUTIONS	-	93,758
CHANGE IN NET ASSETS	<u>\$ (12,417,093)</u>	845,250
NET ASSETS, JANUARY 1		20,734,761
NET ASSETS, DECEMBER 31		<u>\$ 21,580,011</u>

(See independent auditor's report.)

## CITY OF HIGHLAND PARK, ILLINOIS

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

For the Year Ended December 31, 2011

	Final Budget	Actual
OPERATING REVENUES		
Sanitary sewer charges	\$ 1,300,000	\$ 1,311,640
Stomwater management fees	1,050,000	1,104,636
Sewer permit fees	39,000	25,805
Miscellaneous	33,400	35,260
Total operating revenues	2,422,400	2,477,341
OPERATING EXPENSES		
Personal services	1,400,734	1,720,915
Contractual services	596,857	591,864
Materials and supplies	111,500	100,712
Capital outlay	1,503,708	881,288
Total operating expenses	3,612,799	3,294,779
OPERATING INCOME (LOSS)	(1,190,399)	(817,438)
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental revenue	16,200	31,187
Debt service		
Principal	(100,000)	-
Interest and fiscal charges	(300,000)	(436)
Total nonoperating revenues (expenses)	(383,800)	30,751
NET INCOME (LOSS) - BUDGET BASIS	(1,574,199)	(786,687)
ADJUSTMENTS TO GAAP BASIS		
Capital assets capitalized	-	414,808
Depreciation	-	(1,637,988)
Total adjustments to GAAP basis	-	(1,223,180)
TRANSFERS IN	150,000	438,777
CONTRIBUTIONS	-	25,066,837
CHANGE IN NET ASSETS	<u>\$ (1,424,199)</u>	23,495,747
NET ASSETS, JANUARY 1		-
NET ASSETS, DECEMBER 31		<u>\$ 23,495,747</u>

(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, 2011

	Final Budget	Actual
OPERATING REVENUES		
Charges for goods and services	\$ 2,819,524	\$ 2,488,571
Other	58,200	47,500
Total operating revenues	2,877,724	2,536,071
OPERATING EXPENSES		
Personal services	1,294,913	1,222,974
Contractual services	601,435	632,595
Small tools and equipment	604,029	546,565
Total operating expenses	2,500,377	2,402,134
OPERATING INCOME	377,347	133,937
NONOPERATING REVENUES (EXPENSES)		
Debt service		
Principal	(220,000)	(220,000)
Interest expense and fiscal charges	(25,100)	(20,935)
Total nonoperating revenues (expenses)	(245,100)	(240,935)
NET INCOME (LOSS) BEFORE TRANSFERS	132,247	(106,998)
TRANSFERS		
Transfers in	-	345,100
Transfers (out)	(100,000)	(100,000)
Total transfers	(100,000)	245,100
NET INCOME - BUDGET BASIS	32,247	138,102
ADJUSTMENTS TO GAAP BASIS		
Depreciation	-	(354,577)
Principal paid	-	220,000
Total adjustments to GAAP basis	-	(134,577)
CHANGE IN NET ASSETS	\$ 32,247	3,525
NET ASSETS, JANUARY 1		9,426,584
NET ASSETS, DECEMBER 31		\$ 9,430,109

(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, 2011

	Equipment Maintenance and Replacement	Insurance	Totals
<b>CURRENT ASSETS</b>			
Cash	\$ 2,841,621	\$ 1,182,407	\$ 4,024,028
Accounts receivable	88	24,613	24,701
Prepaid expenses	165,766	-	165,766
Total current assets	3,007,475	1,207,020	4,214,495
<b>CAPITAL ASSETS</b>			
Equipment	11,256,518	-	11,256,518
Accumulated depreciation	(8,839,003)	-	(8,839,003)
Net capital assets	2,417,515	-	2,417,515
Total assets	5,424,990	1,207,020	6,632,010
<b>CURRENT LIABILITIES</b>			
Accounts payable	132,000	7,702	139,702
Accrued payroll	76,788	2,499	79,287
Total current liabilities	208,788	10,201	218,989
<b>LONG-TERM LIABILITIES</b>			
Net pension obligation	36,088	-	36,088
Total liabilities	244,876	10,201	255,077
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,417,515	-	2,417,515
Unrestricted	2,762,599	1,196,819	3,959,418
TOTAL NET ASSETS	\$ 5,180,114	\$ 1,196,819	\$ 6,376,933

(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, 2011

	Equipment Maintenance and Replacement	Insurance	Totals
OPERATING REVENUES			
Charges for services	\$ 3,506,380	\$ 6,595,057	\$ 10,101,437
Miscellaneous	71,161	-	71,161
Total operating revenues	3,577,541	6,595,057	10,172,598
OPERATING EXPENSES			
Personal services	1,228,493	39,374	1,267,867
Contractual services	246,095	6,055,396	6,301,491
Materials and supplies	817,542	1,055	818,597
Small tools and equipment	-	2,100	2,100
Repairs and maintenance	457,026	-	457,026
Total operating expenses	2,749,156	6,097,925	8,847,081
OPERATING INCOME BEFORE DEPRECIATION	828,385	497,132	1,325,517
Depreciation	617,919	-	617,919
OPERATING INCOME	210,466	497,132	707,598
NONOPERATING REVENUES (EXPENSES)			
Gain on sale of capital assets	38,482	-	38,482
Investment income	1,172	10	1,182
Total nonoperating revenues (expenses)	39,654	10	39,664
CHANGE IN NET ASSETS	250,120	497,142	747,262
NET ASSETS, JANUARY 1	4,929,994	699,677	5,629,671
NET ASSETS, DECEMBER 31	\$ 5,180,114	\$ 1,196,819	\$ 6,376,933

(See independent auditor's report.)

## CITY OF HIGHLAND PARK, ILLINOIS

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2011

	Equipment Maintenance and Replacement	Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 79,737	\$ 1,636,492	\$ 1,716,229
Receipts from interfund services	3,506,380	4,965,213	8,471,593
Payments to suppliers	(1,309,992)	(6,372,926)	(7,682,918)
Payments to employees	(1,213,755)	(39,973)	(1,253,728)
Net cash from operating activities	1,062,370	188,806	1,251,176
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
None	-	-	-
Net cash from noncapital financing activities	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Sale of capital assets	45,687	-	45,687
Purchase of capital assets	(732,571)	-	(732,571)
Net cash from capital and related financing activities	(686,884)	-	(686,884)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	1,172	10	1,182
Net cash from investing activities	1,172	10	1,182
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	376,658	188,816	565,474
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	2,464,963	993,591	3,458,554
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 2,841,621</u>	<u>\$ 1,182,407</u>	<u>\$ 4,024,028</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating income	\$ 210,466	\$ 497,132	\$ 707,598
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation	617,919	-	617,919
Changes in assets and liabilities			
Accounts receivable	8,576	6,648	15,224
Prepaid expenses	162,516	-	162,516
Accounts payable	48,155	(314,375)	(266,220)
Accrued payroll	2,385	(599)	1,786
Net pension obligation	12,353	-	12,353
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>\$ 1,062,370</u>	<u>\$ 188,806</u>	<u>\$ 1,251,176</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, 2011

	Final Budget	Actual
OPERATING REVENUES		
Charges for services	\$ 3,505,378	\$ 3,506,380
Miscellaneous	60,000	71,161
Total operating revenues	3,565,378	3,577,541
OPERATING EXPENSES		
Personal services	1,314,264	1,228,493
Contractual services	253,176	246,095
Materials and supplies	870,970	817,542
Repairs and maintenance	330,984	294,185
Capital outlay	922,760	895,412
Total operating expenses	3,692,154	3,481,727
OPERATING INCOME (LOSS)	(126,776)	95,814
NONOPERATING REVENUE (EXPENSES)		
Gain on sale of capital assets	-	38,482
Investment income	1,500	1,172
Total nonoperating revenues (expenses)	1,500	39,654
NET INCOME (LOSS) - BUDGET BASIS	(125,276)	135,468
ADJUSTMENTS TO GAAP BASIS		
Capital assets capitalized	-	732,571
Depreciation	-	(617,919)
Total adjustments to GAAP basis	-	114,652
CHANGE IN NET ASSETS	<u>\$ (125,276)</u>	250,120
NET ASSETS, JANUARY 1		<u>4,929,994</u>
NET ASSETS, DECEMBER 31		<u>\$ 5,180,114</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, 2011

	Final Budget	Actual
OPERATING REVENUES		
Charges for current services	\$ 6,577,984	\$ 6,595,057
Total operating revenues	6,577,984	6,595,057
OPERATING EXPENSES		
Personal services	39,745	39,374
Contractual services	6,501,693	6,055,396
Materials and supplies	3,725	1,055
Small tools and equipment	2,000	2,100
Total operating expenses	6,547,163	6,097,925
OPERATING INCOME	30,821	497,132
NONOPERATING REVENUES (EXPENSES)		
Investment income	-	10
Total nonoperating revenues (expenses)	-	10
CHANGE IN NET ASSETS	\$ 30,821	497,142
NET ASSETS, JANUARY 1		699,677
NET ASSETS, DECEMBER 31		\$ 1,196,819

(See independent auditor's report.)

## FIDUCIARY FUNDS

### **Pension Trust Fund**

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

### **Agency Fund**

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

**Housing Trust Fund** - 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, 2011

	Police Pension	Firefighters' Pension	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 931,827	\$ 710,071	\$ 1,641,898
Investments, at fair value			
U.S. Government obligations	13,144,782	13,438,877	26,583,659
Corporate bonds	1,105,214	1,015,134	2,120,348
Mutual funds	8,656,102	6,176,793	14,832,895
Common stock	4,911,366	7,592,242	12,503,608
Total investments	27,817,464	28,223,046	56,040,510
Receivables			
Accrued interest	111,380	116,614	227,994
Total receivables	111,380	116,614	227,994
Total assets	28,860,671	29,049,731	57,910,402
<b>LIABILITIES</b>			
Accounts payable	19,169	35,119	54,288
Total liabilities	19,169	35,119	54,288
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>\$ 28,841,502</b>	<b>\$ 29,014,612</b>	<b>\$ 57,856,114</b>

(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, 2011

	Police Pension	Firefighters' Pension	Totals
<b>ADDITIONS</b>			
Contributions - employer			
Property and replacement taxes	\$ 1,681,690	\$ 1,552,838	\$ 3,234,528
Contributions - plan members	441,313	395,679	836,992
Total contributions	2,123,003	1,948,517	4,071,520
<b>Investment income</b>			
Net appreciation (depreciation) in fair value of investments	(49,910)	125,420	75,510
Interest earned on investments	719,281	742,031	1,461,312
Total investment income	669,371	867,451	1,536,822
Less investment expense	(108,627)	(109,970)	(218,597)
Net investment income	560,744	757,481	1,318,225
Total additions	2,683,747	2,705,998	5,389,745
<b>DEDUCTIONS</b>			
Pensions and refunds	3,033,922	2,855,280	5,889,202
Miscellaneous			
Contractual professional services	57,687	25,493	83,180
Total deductions	3,091,609	2,880,773	5,972,382
NET INCREASE	(407,862)	(174,775)	(582,637)
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>			
January 1	29,249,364	29,189,387	58,438,751
December 31	\$ 28,841,502	\$ 29,014,612	\$ 57,856,114

(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, 2011

	Balances January 1	Additions	Deductions	Balances December 31
<b>ALL FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,641,489	\$ 1,118,137	\$ 1,842,737	\$ 1,916,889
Accounts receivable	878	1,616,027	1,612,268	4,637
<b>TOTAL ASSETS</b>	<b>\$ 2,642,367</b>	<b>\$ 2,734,164</b>	<b>\$ 3,455,005</b>	<b>\$ 1,921,526</b>
<b>LIABILITIES</b>				
Accrued payroll	\$ 233	\$ 75	\$ -	\$ 308
Due to others	1,254,534	60,828	224,101	1,091,261
Deposits payable	1,387,600	714,794	1,272,437	829,957
<b>TOTAL LIABILITIES</b>	<b>\$ 2,642,367</b>	<b>\$ 775,697</b>	<b>\$ 1,496,538</b>	<b>\$ 1,921,526</b>
<b>GENERAL DEPOSIT FUND</b>				
<b>ASSETS</b>				
Cash	\$ 1,386,722	\$ 907,061	\$ 1,468,463	\$ 825,320
Accounts receivable	878	1,616,027	1,612,268	4,637
<b>TOTAL ASSETS</b>	<b>\$ 1,387,600</b>	<b>\$ 2,523,088</b>	<b>\$ 3,080,731</b>	<b>\$ 829,957</b>
<b>LIABILITIES</b>				
Deposits payable	\$ 1,387,600	\$ 714,794	\$ 1,272,437	\$ 829,957
<b>TOTAL LIABILITIES</b>	<b>\$ 1,387,600</b>	<b>\$ 714,794</b>	<b>\$ 1,272,437</b>	<b>\$ 829,957</b>

(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, 2011

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	Balances January 1	Additions	Deductions	Balances December 31
<b>HOUSING TRUST FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,254,767	\$ 211,076	\$ 374,274	\$ 1,091,569
<b>TOTAL ASSETS</b>	<b>\$ 1,254,767</b>	<b>\$ 211,076</b>	<b>\$ 374,274</b>	<b>\$ 1,091,569</b>
<b>LIABILITIES</b>				
Accrued payroll	\$ 233	\$ 75	\$ -	\$ 308
Due to others	1,254,534	60,828	224,101	1,091,261
<b>TOTAL LIABILITIES</b>	<b>\$ 1,254,767</b>	<b>\$ 60,903</b>	<b>\$ 224,101</b>	<b>\$ 1,091,569</b>

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(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 Information**

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 Nine Fiscal Years

	2004	2005	2006	2007	2007*	2008	2009	2010	2011
<b>GOVERNMENTAL ACTIVITIES</b>									
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	\$ 97,194,831	\$ 95,361,548	\$ 71,825,055
Restricted	2,549,447	10,706,878	11,419,596	10,461,157	9,225,744	7,107,210	5,139,201	5,746,288	1,676,953
Unrestricted	14,711,532	9,454,256	12,850,494	15,590,474	21,208,977	26,827,748	18,739,402	19,638,083	26,354,712
<b>TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS</b>	<b>\$ 51,876,212</b>	<b>\$ 115,068,561</b>	<b>\$ 114,875,832</b>	<b>\$ 119,439,322</b>	<b>\$ 126,773,818</b>	<b>\$ 130,425,364</b>	<b>\$ 121,073,434</b>	<b>\$ 120,745,919</b>	<b>\$ 99,856,720</b>
<b>BUSINESS-TYPE ACTIVITIES</b>									
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	\$ 29,453,502	\$ 29,534,781	\$ 54,109,919
Unrestricted	2,071,930	1,969,534	3,177,220	4,117,114	4,855,152	4,679,172	4,846,405	5,625,549	5,066,721
<b>TOTAL BUSINESS-TYPE ACTIVITIES NET ASSETS</b>	<b>\$ 34,676,033</b>	<b>\$ 26,937,469</b>	<b>\$ 30,752,671</b>	<b>\$ 32,824,872</b>	<b>\$ 34,786,448</b>	<b>\$ 34,805,307</b>	<b>\$ 34,299,907</b>	<b>\$ 35,160,330</b>	<b>\$ 59,176,640</b>
<b>PRIMARY GOVERNMENT</b>									
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	\$ 126,648,333	\$ 124,896,329	\$ 125,934,974
Restricted	2,549,447	10,706,878	11,419,596	10,461,157	9,225,744	7,107,210	5,139,201	5,746,288	1,676,953
Unrestricted	16,783,462	11,423,790	16,027,714	19,707,588	33,512,272	31,506,920	23,585,807	25,263,632	31,421,433
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 86,552,245</b>	<b>\$ 142,006,030</b>	<b>\$ 145,628,503</b>	<b>\$ 152,264,194</b>	<b>\$ 161,560,266</b>	<b>\$ 165,230,671</b>	<b>\$ 155,373,341</b>	<b>\$ 155,906,249</b>	<b>\$ 159,033,360</b>

Notes:

(1) Information not available for years prior to 2004.

(2) An enterprise fund was created in CY 2011 to account for activities relating to sewer facilities and maintenance, creating a substantial change in fund balance totals between Governmental and Business Type activities.

\* Eight months ended December 31, 2007

CITY OF HIGHLAND PARK, ILLINOIS  
FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Ten Fiscal Years

Fiscal Year	2003	2004	2005	2006	2007	2007*	2008	2009	2010	2011
<b>GENERAL FUND</b>										
Reserved	\$ -	\$ 43,436	\$ 17,793,436	\$ 16,518,436	\$ 16,340,000	\$ 17,128,260	\$ 22,309,500	\$ 16,212,900	\$ 16,831,100	\$ -
Unreserved	8,638,274	11,751,196	10,188,720	11,945,951	14,652,292	17,062,183	18,485,787	17,263,332	17,529,356	-
Unrestricted										
Committed	-	-	-	-	-	-	-	-	-	17,582,800
Assigned	-	-	-	-	-	-	-	-	-	4,375,495
Unassigned	-	-	-	-	-	-	-	-	-	15,762,287
Subtotal general fund	8,638,274	11,794,632	27,982,156	28,464,387	30,992,292	34,190,443	40,795,287	33,476,232	34,360,456	37,720,582
% Change from prior year	30.2%	36.5%	137.2%	1.7%	8.9%	10.3%	19.3%	-17.9%	2.6%	9.8%
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Reserved	1,752,438	2,974,447	8,342,737	11,819,596	7,273,906	9,225,744	7,107,210	5,139,201	5,825,875	-
Unreserved, reported in										
Capital Projects Fund	4,868,117	6,237,450	-	-	-	176,894	320,059	-	-	-
Special Revenue Funds	361,738	(508,917)	(493,701)	-	-	-	-	(44,272)	(8,497)	-
Debt Service Funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	349,985
Restricted	-	-	-	-	-	-	-	-	-	1,676,953
Unrestricted										
Committed	-	-	-	-	-	-	-	-	-	570,002
Assigned	-	-	-	-	-	-	-	-	-	2,852,016
Unassigned	-	-	-	-	-	-	-	-	-	(53,493)
Special Revenue Funds (deficit)	-	-	-	-	-	-	-	-	-	(53,493)
Subtotal all other funds	6,982,293	8,702,980	7,849,036	11,819,596	7,273,906	9,402,638	7,427,269	5,094,929	5,817,378	5,395,463
<b>TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 15,620,567</b>	<b>\$ 20,497,612</b>	<b>\$ 35,831,192</b>	<b>\$ 40,283,983</b>	<b>\$ 38,266,198</b>	<b>\$ 43,593,081</b>	<b>\$ 48,222,556</b>	<b>\$ 38,571,161</b>	<b>\$ 40,177,834</b>	<b>\$ 43,116,045</b>
% Change from prior year	60.8%	31.2%	74.8%	12.4%	-5.0%	13.9%	10.6%	-20.0%	4.2%	7.3%

\* Eight months ended December 31, 2007

## CITY OF HIGHLAND PARK, ILLINOIS

## CHANGE IN NET ASSETS

Last Nine Fiscal Years

	2004	2005	2006	2007	2007*	2008	2009	2010	2011
<b>GOVERNMENTAL ACTIVITIES</b>									
Program revenues									
Charges for services									
General government	\$ 940,539	\$ 949,822	\$ 983,609	\$ 1,742,176	\$ 1,240,959	\$ 1,394,081	\$ 1,181,576	\$ 1,343,270	\$ 1,558,688
Public safety	1,160,238	1,112,236	1,359,838	1,408,280	1,050,636	1,678,097	1,788,480	2,587,093	2,714,368
Public works	1,967,664	3,577,575	2,484,809	2,980,597	2,786,680	3,099,321	2,832,744	3,012,443	2,232,936
Economic/physical development	2,359,148	1,659,090	1,813,053	1,830,329	942,267	2,240,709	757,302	1,490,589	1,868,519
Transit	920,879	951,361	1,069,354	1,055,305	778,569	1,077,078	1,137,630	1,130,398	-
Operating grants	858,067	884,766	872,489	891,528	652,180	796,375	1,020,613	938,199	1,007,110
Capital grants	556,361	551,346	537,489	2,450,790	408,052	780,469	658,069	95,485	565,452
General revenues									
Property taxes	9,887,448	10,001,506	10,207,239	9,376,023	9,952,745	10,628,574	11,047,744	11,209,516	11,478,560
Sales taxes	12,038,527	12,092,028	12,790,251	13,335,043	9,397,328	12,451,204	11,077,115	11,471,636	11,785,806
Other taxes	9,575,549	9,887,466	12,062,977	13,089,692	8,011,821	11,959,642	10,459,051	11,107,857	10,501,464
Payment in lieu of taxes	-	-	-	-	-	-	496,932	530,676	546,459
Other	838,019	329,109	960,346	1,911,975	2,609,554	6,470,264	(5,838,409)	1,873,021	1,182,558
Total revenues	41,102,439	41,996,305	45,141,454	50,071,738	37,830,791	52,575,814	36,618,847	46,790,183	45,441,920
Expenses									
General government	6,841,255	7,709,170	9,423,178	5,430,237	3,291,348	5,682,525	4,835,221	6,022,181	5,362,741
Public safety	18,632,313	16,671,814	18,056,277	19,286,651	13,931,034	20,358,646	20,411,508	20,825,900	20,181,540
Public works	7,489,204	11,784,555	10,133,409	12,824,653	9,309,655	15,695,342	14,075,727	12,159,891	8,377,575
Economic/physical development	5,889,721	4,093,676	5,034,721	4,341,647	2,929,461	3,765,001	3,695,884	5,002,364	3,612,168
Transit	1,148,215	1,219,866	1,227,855	1,199,521	967,852	1,325,557	1,276,898	1,301,811	1,379,050
Commissions	1,450,664	640,026	1,050,967	650,680	354,650	432,611	432,148	413,921	331,347
Interest	676,833	858,741	1,629,285	1,874,859	1,161,404	1,764,586	1,658,678	1,491,630	1,409,557
Total expenses	42,128,205	42,977,848	46,555,692	45,608,248	31,945,404	49,024,268	46,386,064	47,217,698	40,653,978
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	(9,767,217)	(427,515)	4,787,942
Transfers	491,097	774,800	987,300	100,000	100,000	100,000	100,000	100,000	(25,677,141)
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	\$ (9,667,217)	\$ (327,515)	\$ (20,889,199)



	2004	2005	2006	2007	2007*	2008	2009	2010	2011
<b>BUSINESS-TYPE ACTIVITIES</b>									
Program revenues									
Charges for services									
Parking system	\$ 741,581	\$ 901,451	\$ 898,751	\$ 950,111	\$ 599,376	\$ 1,070,944	\$ 916,139	\$ 902,896	\$ 805,363
Water	6,768,646	6,737,818	7,753,939	7,016,692	5,361,021	6,756,248	6,557,023	6,395,697	7,033,638
Sewer	-	-	-	-	-	-	-	-	2,477,341
Country Club	3,322,558	3,047,470	2,868,895	3,049,689	2,636,911	2,945,849	2,566,482	2,564,650	2,536,071
Operating grants	-	-	-	-	-	-	-	74,800	137,100
Capital grants	-	-	-	214,392	297,608	289,084	150,000	-	167,331
Other	16,958	(20,818)	2,120,460	337,866	127,500	393,686	294,151	192,935	41,652
Total revenues	10,849,743	10,665,921	13,642,045	11,568,750	9,022,416	11,455,811	10,483,795	10,130,978	13,198,496
Expenses									
Parking	927,189	857,921	736,329	893,709	568,121	1,160,791	974,973	995,796	1,156,266
Water	5,285,414	4,533,636	5,111,901	5,613,619	4,387,664	6,993,813	6,843,685	7,232,335	6,407,020
Sewer	-	-	-	-	-	-	-	-	4,518,395
Country Club	2,540,970	3,106,734	3,252,180	3,223,794	2,414,382	3,182,348	3,070,537	2,814,729	2,777,646
Total expenses	8,753,573	8,498,291	9,100,410	9,731,122	7,370,167	11,336,952	10,889,195	11,042,860	14,859,327
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS AND CONTRIBUTIONS	2,096,170	2,167,630	4,541,635	1,837,628	1,652,249	118,859	(405,400)	(911,882)	(1,660,831)
Transfers	(491,097)	(774,800)	(987,300)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	25,677,141
Contributions	-	-	-	-	409,327	-	-	-	-
INCREASE (DECREASE) IN NET ASSETS	\$ 1,605,073	\$ 1,392,830	\$ 3,554,335	\$ 1,737,628	\$ 1,961,576	\$ 18,859	\$ (505,400)	\$ (1,011,882)	\$ 24,016,310
<b>TOTAL NET ASSETS</b>									
Program revenues									
Charges for services	\$ 18,181,253	\$ 18,936,823	\$ 19,232,248	\$ 20,033,179	\$ 15,396,419	\$ 20,262,327	\$ 17,737,376	\$ 19,427,036	\$ 21,226,924
Operating grants	858,067	884,766	872,489	891,528	652,180	796,375	1,020,613	1,012,999	1,144,210
Capital grants	556,361	551,346	537,489	2,665,182	705,660	1,069,553	808,069	95,485	732,783
General revenues									
Property taxes	9,887,448	10,001,506	10,207,239	9,376,023	9,952,745	10,628,574	11,047,744	11,209,516	11,478,560
Sales taxes	12,038,527	12,092,028	12,790,251	13,335,043	9,397,328	12,451,204	11,077,115	11,471,636	11,785,806
Other taxes	9,575,549	9,887,466	12,062,977	13,089,692	8,011,821	11,959,642	10,459,051	11,107,857	10,501,464
Payment in lieu of taxes	-	-	-	-	-	-	496,932	530,676	546,459
Other	854,977	308,291	3,080,806	2,249,841	2,737,054	6,863,950	(5,544,258)	2,065,956	1,224,210
Total revenues	51,952,182	52,662,226	58,783,499	61,640,488	46,853,207	64,031,625	47,102,642	56,921,161	58,640,416

## CITY OF HIGHLAND PARK, ILLINOIS

## CHANGE IN NET ASSETS (Continued)

Last Nine Fiscal Years

	2004	2005	2006	2007	2007*	2008	2009	2010	2011
TOTAL NET ASSETS (Continued)									
Expenses									
General government	\$ 6,841,255	\$ 7,709,170	\$ 9,423,178	\$ 5,430,237	\$ 3,291,348	\$ 5,682,525	\$ 4,835,221	\$ 6,022,181	\$ 5,362,741
Public safety	18,632,313	16,671,814	18,056,277	19,286,651	13,931,034	20,358,646	20,411,508	20,825,900	20,181,540
Public works	7,489,204	11,784,555	10,133,409	12,824,653	9,309,655	15,695,342	14,075,727	12,159,891	8,377,575
Economic/physical development	5,889,721	4,093,676	5,034,721	4,341,647	2,929,461	3,765,001	3,695,884	5,002,364	3,612,168
Transit	1,148,215	1,219,866	1,227,855	1,199,521	967,852	1,325,557	1,276,898	1,301,811	1,379,050
Commissions	1,450,664	640,026	1,050,967	650,680	354,650	432,611	432,148	413,921	331,347
Interest	676,833	858,741	1,629,285	1,874,859	1,161,404	1,764,586	1,658,678	1,491,630	1,409,557
Parking	927,189	857,921	736,329	893,709	568,121	1,160,791	974,973	995,796	1,156,266
Water	5,285,414	4,533,636	5,111,901	5,613,619	4,387,664	6,993,813	6,843,685	7,232,335	6,407,020
Sewer	-	-	-	-	-	-	-	-	4,518,395
Country Club	2,540,970	3,106,734	3,252,180	3,223,794	2,414,382	3,182,348	3,070,537	2,814,729	2,777,646
Total expenses	50,881,778	51,476,139	55,656,102	55,339,370	39,315,571	60,361,220	57,275,259	58,260,558	55,513,305
INCREASE (DECREASE) IN NET ASSETS	\$ 1,070,404	\$ 1,186,087	\$ 3,127,397	\$ 6,301,118	\$ 7,537,636	\$ 3,670,405	\$ (10,172,617)	\$ (1,339,397)	\$ 3,127,111
NET (EXPENSE) REVENUE									
Governmental Activities	\$ (1,025,766)	\$ (981,543)	\$ (1,414,238)	\$ 4,463,490	\$ 5,885,387	\$ 3,551,546	\$ (9,767,217)	\$ (427,515)	\$ 4,787,942
Business Type Activities	2,096,170	2,167,630	4,541,635	1,837,628	1,652,249	118,859	(405,400)	(911,882)	(1,660,831)
TOTAL NET (EXPENSE) REVENUE	\$ 1,070,404	\$ 1,186,087	\$ 3,127,397	\$ 6,301,118	\$ 7,537,636	\$ 3,670,405	\$ (10,172,617)	\$ (1,339,397)	\$ 3,127,111

## Note:

(1) Information not available for years prior to 2004.

(2) An enterprise fund was created in CY 2011 to account for activities relating to sewer facilities and maintenance, creating a substantial change in fund balance totals between Governmental and Business Type activities.

\* Eight months ended December 31, 2007

## CITY OF HIGHLAND PARK, ILLINOIS

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2007*	2008	2009	2010	2011
<b>REVENUES</b>										
Property taxes	\$ 9,864,155	\$ 9,887,448	\$ 10,001,506	\$ 10,207,240	\$ 9,376,024	\$ 9,952,746	\$ 10,628,575	\$ 11,047,743	\$ 11,209,517	\$ 11,478,560
Illinois state replacement taxes	147,631	212,981	208,941	311,520	339,577	250,779	345,105	291,142	313,917	276,627
Licenses and permits	2,264,264	3,080,069	2,724,895	2,776,953	2,730,449	1,999,361	2,156,328	1,839,326	2,076,892	2,224,164
Charges for current services	1,914,404	1,983,841	2,028,915	2,422,280	3,154,137	2,208,303	3,422,291	3,699,703	4,731,003	2,810,348
Municipal sales tax	10,014,358	12,038,527	12,092,027	12,790,251	13,335,043	9,397,327	12,451,204	11,077,114	11,471,636	11,785,806
Fines and forfeitures	346,179	360,475	259,806	387,891	315,385	214,996	411,633	381,141	832,175	874,396
Utility tax	3,743,805	3,469,014	2,785,652	3,114,634	3,120,499	1,684,513	3,106,464	2,595,912	2,495,100	2,422,569
Real estate transfer tax	2,000,860	2,174,270	2,420,485	2,919,960	2,809,795	1,267,630	1,202,395	812,399	1,133,803	1,136,595
Motor fuel tax allotment	974,586	858,067	884,766	872,489	878,063	571,450	794,755	775,017	899,821	883,360
Intergovernmental	-	498,679	457,372	363,846	784,245	486,513	196,075	345,474	141,036	245,769
Illinois state income tax	1,913,363	1,823,033	2,048,727	2,312,384	2,550,586	1,787,461	2,864,722	2,447,710	2,393,639	2,354,555
Regional Transportation Authority reimbursement	892,506	920,879	951,361	1,069,354	1,055,305	778,569	1,077,078	1,137,630	1,130,398	#REF!
Franchise fees	404,331	836,675	2,072,215	2,215,223	2,491,923	1,789,494	2,612,081	2,542,276	2,370,616	2,385,686
Payment in lieu of taxes	-	-	-	-	-	-	-	496,932	530,676	546,459
Other taxes	-	572,140	2,165	938,110	1,222,126	913,627	1,723,064	1,670,735	1,840,111	1,833,144
Fire insurance tax	-	-	-	-	-	-	-	-	-	-
Grants	3,251,623	-	-	-	-	-	-	-	-	-
Reimbursements - other agencies	-	383,390	2,113,977	372,481	1,265,655	1,436,917	781,517	151,022	839,051	2,174,911
Investment income	518,514	159,640	329,106	960,347	1,911,974	2,609,552	1,153,313	793,992	748,755	715,602
Net appreciation in fair value of investments	-	-	-	-	-	-	5,571,520	(5,863,860)	868,839	964,461
Miscellaneous	1,572,770	1,005,293	614,389	1,106,491	1,004,510	481,553	2,332,267	954,326	500,971	826,413
<b>Total revenues</b>	<b>39,823,349</b>	<b>40,264,421</b>	<b>41,996,305</b>	<b>45,141,454</b>	<b>48,345,296</b>	<b>37,830,791</b>	<b>52,830,387</b>	<b>37,195,734</b>	<b>46,527,956</b>	<b>#REF!</b>
<b>EXPENDITURES</b>										
General government	8,338,055	6,308,791	7,027,043	7,591,557	5,625,763	3,087,130	5,456,559	4,821,067	5,738,520	5,084,358
Public safety	12,849,750	14,926,595	15,589,024	16,919,612	17,781,459	13,635,023	19,222,999	19,378,342	19,192,935	19,733,861
Public works	7,758,732	6,742,600	6,756,359	7,065,885	7,297,877	5,482,463	8,469,091	7,792,379	7,255,882	4,973,124
Employee retirement benefits	1,618,747	-	-	-	-	-	-	-	-	-
Other	1,078,801	-	-	-	-	-	-	-	-	-
Capital outlay	10,961,100	10,969,429	6,790,817	11,206,922	8,851,103	4,678,095	5,028,153	5,833,163	3,087,474	2,778,501
Economic and physical development	-	3,339,672	3,467,023	3,862,701	3,786,103	2,538,460	3,885,286	3,344,248	3,664,925	3,610,662
Transit	-	1,128,989	1,212,533	1,185,939	1,210,370	962,584	1,340,683	1,269,275	1,303,843	1,403,907
Bond issuance costs	-	29,939	-	-	-	-	-	-	-	-
Commissions	-	271,750	280,372	263,188	402,459	190,504	179,815	181,066	157,802	94,225
Debt service	4,464,514	4,419,720	-	-	-	-	-	-	-	-
Principal	-	-	2,680,000	2,495,784	2,618,678	2,769,094	2,959,531	2,989,988	3,265,468	3,355,970
Interest and fiscal charges	-	-	898,711	1,326,275	1,845,057	1,760,555	1,758,795	1,652,888	1,528,452	1,452,715
<b>Total expenditures</b>	<b>47,069,699</b>	<b>48,137,485</b>	<b>44,701,882</b>	<b>51,917,863</b>	<b>49,418,869</b>	<b>35,103,908</b>	<b>48,300,912</b>	<b>47,262,416</b>	<b>45,195,301</b>	<b>42,487,323</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(7,246,350)</b>	<b>(7,873,064)</b>	<b>(2,705,577)</b>	<b>(6,776,409)</b>	<b>(1,073,573)</b>	<b>2,726,883</b>	<b>4,529,475</b>	<b>(10,066,682)</b>	<b>1,332,655</b>	<b>#REF!</b>

	2003	2004	2005	2006	2007	2007*	2008	2009	2010	2011
OTHER FINANCING SOURCES (USES)										
Bonds issued	\$ 8,413,730	\$ 9,000,000	\$ 16,590,000	\$ 11,000,000	\$ -	\$ 2,500,000	\$ -	\$ -	\$ 2,510,000	\$ 3,705,000
Premium on bonds issued	-	-	-	-	-	-	-	-	137,757	115,335
Proceeds from sale of capital assets	-	3,876,013	492,061	8,200	455,788	-	-	-	-	135,194
Payments to escrow agent	7,078,471	-	-	(1,000,509)	-	-	-	-	(2,473,739)	(3,785,543)
Transfers in	(6,031,075)	5,560,657	6,928,355	3,691,254	3,070,800	2,978,550	3,606,660	3,257,774	2,777,568	1,910,040
Transfers (out)	-	(5,069,560)	(6,153,555)	(2,703,954)	(4,470,800)	(2,878,550)	(3,506,660)	(3,157,774)	(2,677,568)	(2,593,917)
Total other financing sources (uses)	9,461,126	13,367,110	17,856,861	10,994,991	(944,212)	2,600,000	100,000	100,000	274,018	(513,891)
NET CHANGES IN FUND BALANCES	2,214,776	5,494,046	15,151,284	4,218,582	(2,017,785)	5,326,883	4,629,475	(9,966,682)	1,606,673	#REF!
FUND BALANCES, BEGINNING OF YEAR	9,713,473	15,593,666	20,497,612	35,831,192	40,283,983	38,266,198	43,593,081	48,222,556	38,571,561	40,177,834
Prior period adjustment	3,852,295	(590,100)	182,296	234,209	-	-	-	315,287	-	-
FUND BALANCES, BEGINNING OF YEAR, RESTATED	13,565,768	15,003,566	20,679,908	36,065,401	40,283,983	38,266,198	43,593,081	48,537,843	38,571,561	40,177,834
Residual equity transfer in	151,729	-	-	-	-	-	-	-	-	-
Residual equity transfer (out)	(311,706)	-	-	-	-	-	-	-	-	-
FUND BALANCES, END OF YEAR	\$ 15,620,567	\$ 20,497,612	\$ 35,831,192	\$ 40,283,983	\$ 38,266,198	\$ 43,593,081	\$ 48,222,556	\$ 38,571,161	\$ 40,178,234	#REF!
DEBT SERVICE AS A % OF NONCAPITAL EXPENDITURES	12.4%	10.6%	8.6%	8.8%	10.5%	14.2%	10.1%	10.5%	10.7%	11.7%

Note: Ratio calculated 2004 and later years based on capitalized expenditures reflected in Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Governmental Activities in the Statement of Activities schedule. Information prior to 2004 not available.

\* 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
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%
2008	2,541,673,622	237,246,008	470,017	7,820	1,082,378	n/a	2,780,479,845	0.515	8,341,439,535	3.9%	33%
2009	2,476,244,375	226,335,788	567,093	413	1,262,442	n/a	2,704,410,111	0.536	8,113,230,333	-2.7%	33%
2010	2,336,636,829	213,064,426	545,760	454	1,527,986	n/a	2,551,775,455	0.586	7,655,326,365	-5.6%	33%
2011	2,115,645,944	205,558,934	476,191	499	1,417,358	n/a	2,323,098,926	0.643	6,969,296,778	-9.0%	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)

Tax Levy Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>CITY DIRECT RATE</b>										
Bond	0.175	0.161	0.150	0.134	0.127	0.125	0.123	0.127	0.140	0.156
Corporate	-	-	0.056	0.059	0.054	0.051	0.051	0.055	0.107	0.121
Firefighters Pension	0.049	0.045	0.042	0.043	0.042	0.040	0.041	0.046	0.060	0.064
Library	0.176	0.165	0.168	0.156	0.147	0.140	0.139	0.144	0.160	0.175
Police Pension	0.046	0.048	0.042	0.046	0.049	0.046	0.047	0.053	0.065	0.064
Street and Bridge	0.132	0.122	0.130	0.082	0.075	0.073	0.073	0.068	0.054	0.063
Street Construction	0.038	0.035	0.036	0.041	0.038	0.042	0.041	0.043	-	-
IMRF	0.065	-	-	-	-	-	-	-	-	-
School Crossing Guard	-	-	-	-	-	-	-	-	-	-
Public Benefit	-	-	-	-	-	-	-	-	-	-
Audit	-	-	-	-	-	-	-	-	-	-
Total Direct Rate	0.681	0.576	0.624	0.561	0.532	0.517	0.515	0.536	0.586	0.643
<b>OVERLAPPING RATES</b>										
County	0.502	0.490	0.465	0.454	0.450	0.444	0.453	0.464	0.505	0.554
Forest Preserve	0.232	0.225	0.219	0.210	0.204	0.201	0.199	0.200	0.198	0.201
Township	0.050	0.048	0.047	0.045	0.044	0.044	0.045	0.047	0.052	0.059
Sanitary	0.152	0.144	0.139	0.132	0.125	0.120	0.121	0.124	0.136	0.150
College of Lake County	0.208	0.201	0.200	0.197	0.195	0.192	0.196	0.200	0.218	0.240
High School	1.908	1.825	1.758	1.686	1.635	1.619	1.660	1.748	1.921	2.167
Elementary School	2.658	2.538	2.457	2.312	2.225	2.186	2.215	2.313	2.437	2.818
Mosquito Abatement	0.012	0.012	0.012	0.012	0.012	0.011	0.011	0.012	0.013	0.014
Park District	0.359	0.433	0.422	0.397	0.378	0.377	0.380	0.394	0.379	0.410
Total Overlapping Rate	6.081	5.916	5.719	5.445	5.268	5.194	5.280	5.502	5.859	6.613
TOTAL RATE	6.762	6.492	6.343	6.006	5.800	5.711	5.795	6.038	6.445	7.256

Source: Lake County Clerk

## CITY OF HIGHLAND PARK, ILLINOIS

## PRINCIPAL TAXPAYERS

Current Year and Nine Years Prior

		December 31, 2011	
		(1)	
(2)		Equalized	
Taxpayer	Business/Service	Assessed	as a % of
		Valuation	Total EAV
Renaissance Place	Retail Property	\$ 14,196,290	0.60%
Federal Realty Investment Trust	Business/Retail Center	8,180,142	0.34%
Midwest Family Housing LLC	Real Property	8,125,291	0.35%
Klaimont Family Associates	Business/Retail Center	5,108,370	0.22%
Solo Cup Company	Real Property	4,796,812	0.21%
Highland Park Associates II LLC	Real Property	4,629,890	0.20%
Americana Apartments	Apartments	4,307,637	0.19%
Sunset Food Mart, Inc.	Retail Property - Grocery Store	4,129,975	0.18%
Northern Trust Lake Forest	Real Property	3,868,991	0.17%
LB & M Real Estate Management Inc	Real Property	3,202,367	0.14%
		<u>\$ 60,545,765</u>	<u>2.61%</u>
	2011 Total EAV	\$ 2,323,098,926	
	Percentage of Total	2.61%	

		Fiscal year end April 30, 2002	
		Equalized	
(2)		Assessed	
Taxpayer	Business/Service	Valuation	as a % of
			Total EAV
Toys R Us - Delaware Inc.	Retail Store	5,782,188	0.35%
Renaissance Place, LLC	Real Property	4,993,498	0.30%
American NB Trust of Chicago	Real Property	4,448,690	0.27%
Dayton Hudson Corporation	Retail Store	4,205,207	0.25%
Port Clinton Associates	Business/Retail Center	3,794,046	0.23%
Federal Realty Investment Trust	Business/Retail Center	3,625,548	0.22%
Highland Park Hospital	Healthcare	3,134,457	0.19%
Illinois Bell	Utility	2,893,074	0.17%
Highland Park Convalescent Center Assoc.	Senior Care Facility	2,771,741	0.17%
Solo Cup Company	Business	2,548,701	0.15%
		<u>\$ 38,197,150</u>	<u>2.30%</u>
	2002 Total EAV	\$ 1,673,518,251	
	Percentage of Total	2.30%	

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 2011 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					
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%	
2008	14,319,471	2009	14,257,416	99.57%	-	14,257,416	99.57%	
2009	14,495,638	2010	14,406,632	99.39%	-	14,406,632	99.39%	
2010	14,953,404	2011	14,217,063	95.08%	-	14,217,063	95.08%	

\* 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**

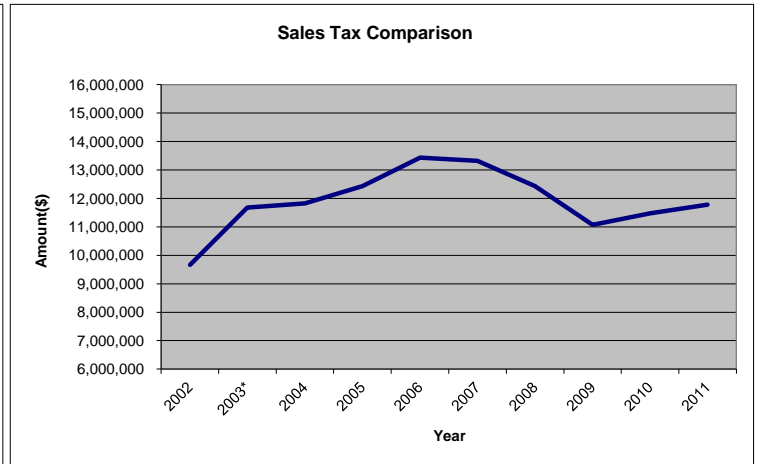
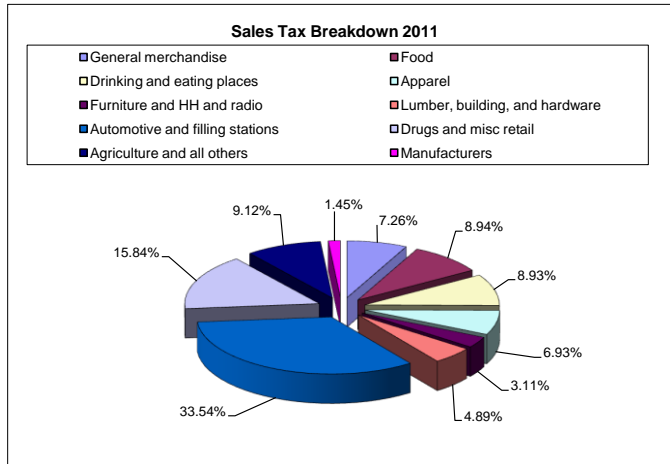
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
General merchandise	449,665.88	495,645.02	483,101.68	488,887.52	561,889.62	578,850.88	519,738.54	493,421.62	449,601.88	476,609.84
Food	1,049,456.64	996,333.95	908,731.12	900,575.70	968,252.22	975,243.48	998,425.45	939,233.86	868,115.65	844,136.67
Drinking and eating places	428,680.96	443,253.30	464,391.63	483,989.43	513,234.89	536,748.62	539,963.94	508,436.53	505,917.67	530,179.14
Apparel	448,783.05	449,310.31	428,544.43	459,303.72	446,822.39	427,183.57	367,146.15	316,747.68	403,224.08	409,753.11
Furniture and HH and radio	361,498.57	280,803.36	336,237.36	421,026.36	400,070.84	306,445.48	265,038.43	219,492.58	180,446.27	183,420.27
Lumber, building, and hardware	414,207.09	420,770.86	395,287.27	428,668.18	495,305.88	457,644.14	419,233.32	324,783.76	282,815.06	287,753.30
Automotive and filling stations	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	2,592,225.61	2,935,635.27	3,146,579.85
Drugs and misc retail	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	1,129,185.59	1,040,667.25	1,107,906.98
Agriculture and all others	542,659.56	512,833.13	514,686.22	514,611.38	551,571.92	582,260.19	523,773.28	447,584.24	631,630.55	602,864.67
Manufacturers	103,825.57	118,355.31	182,909.10	196,068.11	192,174.44	209,486.51	212,642.53	170,936.37	183,263.52	85,390.45
<b>TOTAL</b>	<b>7,670,027.24</b>	<b>7,695,348.42</b>	<b>7,664,619.39</b>	<b>8,022,987.31</b>	<b>8,732,564.21</b>	<b>8,612,207.58</b>	<b>7,947,082.45</b>	<b>7,142,047.84</b>	<b>7,481,317.20</b>	<b>7,674,594.28</b>
% increase/decrease from previous year	-6.76%	0.33%	-0.40%	4.68%	8.84%	-1.38%	-7.72%	-10.13%	4.75%	2.58%

**Home Rule Sales Tax**

	<b>2002</b>	<b>2003*</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
General merchandise	206,227.76	451,891.46	442,089.88	444,293.03	507,279.50	514,612.17	457,733.57	433,899.24	377,378.31	378,807.75
Food	124,776.93	241,057.42	229,527.48	237,389.05	300,356.54	286,502.27	275,568.13	250,607.05	219,534.73	208,930.57
Drinking and eating places	207,363.35	425,754.98	448,153.40	471,251.05	500,828.97	519,602.47	529,679.63	500,032.63	497,698.70	521,368.52
Apparel	220,713.52	448,256.13	427,557.95	459,231.92	446,779.33	426,900.16	367,145.46	316,272.72	402,725.51	406,167.08
Furniture and HH and radio	180,728.09	279,444.74	335,499.50	421,246.27	399,675.94	305,964.82	265,027.54	219,497.79	180,449.19	183,251.24
Lumber, building, and hardware	207,071.50	414,049.24	395,136.23	428,066.60	495,189.16	457,616.68	418,345.40	324,686.45	282,766.98	287,713.43
Automotive and filling stations	188,510.92	385,171.45	440,118.24	471,626.60	527,071.86	596,428.55	626,500.77	540,178.73	621,417.55	803,846.44
Drugs and misc retail	366,992.07	740,058.43	772,698.91	789,769.98	810,848.75	833,105.42	837,883.04	755,268.85	743,932.54	757,970.63
Agriculture and all others	246,684.21	482,850.94	485,600.53	487,999.61	523,550.81	555,993.49	500,027.03	421,181.33	479,828.34	471,318.02
Manufacturers	50,514.93	114,880.46	180,751.54	195,637.67	191,768.93	209,332.03	210,913.69	170,207.22	182,984.13	85,176.02
<b>TOTAL</b>	<b>1,999,583.28</b>	<b>3,983,415.25</b>	<b>4,157,133.66</b>	<b>4,406,511.78</b>	<b>4,703,349.79</b>	<b>4,706,058.06</b>	<b>4,488,824.26</b>	<b>3,931,832.01</b>	<b>3,988,715.98</b>	<b>4,104,549.70</b>
% increase/decrease from previous year	-1.82%	99.21%	4.36%	6.00%	6.74%	0.06%	-4.62%	-12.41%	1.45%	2.90%

**Total Sales Tax**

	<b>2002</b>	<b>2003*</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
General merchandise	655,893.64	947,536.48	925,191.56	933,180.55	1,069,169.12	1,093,463.05	977,472.11	927,320.86	826,980.19	855,417.59
Food	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	1,189,840.91	1,087,650.38	1,053,067.24
Drinking and eating places	636,044.31	869,008.28	912,545.03	955,240.48	1,014,063.86	1,056,351.09	1,069,643.57	1,008,469.16	1,003,616.37	1,051,547.66
Apparel	669,496.57	897,566.44	856,102.38	918,535.64	893,601.72	854,083.73	734,291.61	633,020.40	805,949.59	815,920.19
Furniture and HH and radio	542,226.66	560,248.10	671,736.86	842,272.63	799,746.78	612,410.30	530,065.97	438,990.37	360,895.46	366,671.51
Lumber, building, and hardware	621,278.59	834,820.10	790,423.50	856,734.78	990,495.04	915,260.82	837,578.72	649,470.21	565,582.04	575,466.73
Automotive and filling stations	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	3,132,404.34	3,557,052.82	3,950,426.29
Drugs and misc retail	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	1,884,454.44	1,784,599.79	1,865,877.61
Agriculture and all others	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	868,765.57	1,111,458.89	1,074,182.69
Manufacturers	154,340.50	233,235.77	363,660.64	391,705.78	383,943.37	418,818.54	423,556.22	341,143.59	366,247.65	170,566.47
<b>TOTAL</b>	<b>9,669,610.52</b>	<b>11,678,763.67</b>	<b>11,821,753.05</b>	<b>12,429,499.09</b>	<b>13,435,914.00</b>	<b>13,318,265.64</b>	<b>12,435,906.71</b>	<b>11,073,879.85</b>	<b>11,470,033.18</b>	<b>11,779,143.98</b>
% increase/decrease from previous year	-5.78%	20.78%	1.22%	5.14%	8.10%	-0.88%	-6.63%	-10.95%	3.58%	2.69%



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	
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
2009	1.00	1.00	2.00	5.00	0.25	0.75	8.00
2010	1.00	1.00	2.00	5.00	0.25	0.75	8.00
2011	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

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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
2003	30,262	\$ 1,749,778,243	\$ 30,775,635	0.0176	\$ 1,016.97
2004	30,262	1,907,808,257	35,055,000	0.0184	1,158.38
2005	30,262	2,042,643,752	47,776,573	0.0234	1,578.76
2006	30,262	2,292,119,591	54,080,994	0.0236	1,787.09
2007	30,262	2,510,402,825	50,869,846	0.0203	1,680.98
2007*	30,262	2,675,494,212	57,410,847	0.0215	1,897.13
2008	31,457	2,780,479,845	53,732,162	0.0193	1,708.11
2009	31,457	2,704,410,111	49,979,248	0.0185	1,588.81
2010	31,457	2,551,775,455	49,237,395	0.0193	1,565.23
2011	29,763	2,323,098,926	49,815,488	0.0214	1,673.74

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

Year	Governmental Activities			Activities		Total Debt	Income	Total Personal	EAV	EAV Ratio	Population	Per Capita
	Obligation	Other Payable	Capital Leases	Obligation								
2001	\$ 18,316,480	\$ -	\$ -	\$ 11,573,520		\$ 29,890,000	\$ 1,674,426,722	1.79%	\$ 1,475,787,574	0.0203	30,262	988
2003	\$ 19,625,635		-	\$ 11,150,000		\$ 30,775,635	\$ 1,674,426,722	1.84%	1,749,778,243	0.0176	30,262	1,017
2004	24,940,000		-	10,115,000		35,055,000	1,674,426,722	2.09%	1,907,808,257	0.0184	30,262	1,158
2005	38,850,000	1,160,000 (1)	369,779	8,926,573 (2)		49,306,352	1,674,426,722	2.94%	2,042,643,752	0.0241	30,262	1,629
2006	46,354,216	1,160,000 (1)	238,114	7,726,778 (2)		55,479,108	1,674,426,722	3.31%	2,292,119,591	0.0242	30,262	1,833
2007	43,735,538	-	106,459	7,134,308 (2)		50,976,305	1,674,426,722	3.04%	2,510,402,825	0.0203	30,262	1,684
2007*	43,466,444	-	18,689	13,944,403 (2)		57,429,536	1,674,426,722	3.43%	2,675,494,212	0.0215	30,262	1,898
2008	40,506,914	-	-	13,225,248 (2)		53,732,162	1,740,547,267	3.09%	2,780,479,845	0.0193	31,457	1,708
2009	37,516,926	-	-	12,462,322 (2)		49,979,248	1,740,547,267	2.87%	2,704,410,111	0.0185	31,457	1,589
2010	34,326,458	-	-	14,910,937 (2)		49,237,395	1,740,547,267	2.83%	2,551,775,455	0.0193	31,457	1,565
2011	30,920,488	-	-	18,895,000 (2)		49,815,488	1,824,084,981	2.73%	2,323,098,926	0.0214	29,763	1,674

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

(1) Note payable

(2) Includes unamortized bond premium/discount and unamortized loss on refunding

\*Eight months ended December 31, 2007

## CITY OF HIGHLAND PARK, ILLINOIS

## SCHEDULE OF DIRECT AND OVERLAPPING DEBT

December 31, 2011

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	\$ 49,815,488	100.00%	\$ 49,815,488
Lake County	86,090,000	8.89%	7,653,401
Lake County Forest Preserve District	286,485,000	8.89%	25,468,517
North Shore Sanitary District	1,804,068	27.02%	487,459
Deerfield Park District	5,445,000	0.005%	272
Park District of Highland Park	-	98.46%	-
School Districts			
District No. 106	655,000	2.80%	18,340
District No. 109	17,265,000	4.37%	754,481
District No. 112	18,245,000	94.44%	17,230,578
District No. 113	35,595,000	55.45%	19,737,428
College of Lake County	6,920,000	9.36%	647,712
	458,504,068		71,998,188
	<u>\$ 508,319,556</u>		<u>\$ 121,813,676</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, financial statements

CITY OF HIGHLAND PARK, ILLINOIS

SCHEDULE OF LEGAL DEBT MARGIN

December 31, 2011

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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	(4) Total Personal Income	(1) Median Age	(1) College Degree
2003	30,262	\$ 55,331	6,198	3.5%	\$ 1,674,426,722	40.6	61.6%
2004	30,262	55,331	6,304	3.9%	1,674,426,722	40.6	61.6%
2005	30,262	55,331	6,270	3.2%	1,674,426,722	40.6	61.6%
2006	30,262	55,331	6,256	3.9%	1,674,426,722	40.6	61.6%
2007	30,262	55,331	6,256	2.9%	1,674,426,722	40.6	61.6%
2007*	30,262	55,331	6,212	3.3%	1,674,426,722	40.6	61.6%
2008	31,457	55,331	6,259	4.4%	1,740,547,267	40.6	61.6%
2009	31,457	55,331	6,091	6.9%	1,740,547,267	40.6	61.6%
2010	31,457	55,331	6,134	5.6%	1,740,547,267	40.6	61.6%
2011	29,763	61,287	5,850	6.0%	1,824,084,981	40.6	61.6%

## Notes:

- (1) U.S. Census Bureau
- (2) Highland Park School Districts
- (3) Illinois Department of Employment Security
- (4) Population times Per Capita Income

\*Eight months ended December 31, 2007

## CITY OF HIGHLAND PARK, ILLINOIS

## PRINCIPAL EMPLOYERS

Current Year and Nine Years Prior

Employer	2011	
	Employees	Percentage of Total Municipal Employment
Highland Park Hospital	1,200	7.15%
School District 112	740	4.41%
Ravinia Festival	690 (1)	4.11%
Northern Suburban Special Education District	506	3.01%
School District 113	398	2.37%
City of Highland Park	278	1.66%
Highland Park Public Library	97	0.58%
Highland Park Post Office	85	0.51%
Mesirow Financial	70	0.42%
	<u>4,064</u>	<u>24.22%</u>
Employer	2002	
	Employees	Percentage of Total Municipal Employment
Highland Park Hospital	1,200	7.02%
Solo Cup Co	600	3.51%
Ravinia Festival	550 (1)	3.22%
School District 112	500	2.92%
Sunset Food Mart	350	2.05%
Opportunity Medical	100	0.58%
Bank One. N.A - Highland Park	70	0.41%
Mesirow Financial	70	0.41%
Mutual Building Materials	70	0.41%
Highland Park Lincoln Mercury Inc	65	0.38%
Highland Park Library	65	0.38%
Idlewood Electric Supply Inc	65	0.38%
Porsche-Audi Exchange	65	0.38%
Columbia Audio/Video	65	0.38%
	<u>3,835</u>	<u>22.43%</u>

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

Data Source

2011/2002 IL Manufacturers Directory, 2011/2002 IL Services Directory, City records



## **Operating Information**

CITY OF HIGHLAND PARK, ILLINOIS

OPERATING INFORMATION AND INDICATORS

Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2007*	2008	2009	2010	2011
<b>FIRE PROTECTION</b>										
Emergency responses	4,464	4,439	4,432	4,419	3,098	1,764	4,673	4,542	4,480	4,777
Fires extinguished	50	32	42	24	26	29	34	25	31	47
<b>PUBLIC WORKS</b>										
Asphalt placed (square yards)	880	951	1,467	1,996	1,500	2,608	1,963	3,438	7,608	3,033
Crack sealing (street miles)	21	-	5	-	5	7	5	-	7	3
Street-sweeping (hours)	1,113	1,061	1,664	1,894	2,000	1,650	2,109	1,802	-	39
Number of mainbreaks repaired	89	61	104	99	75	39	64	59	102	92
<b>POLICE PROTECTION</b>										
Parking violations	6,562	11,448	15,345	14,059	13,894	8,403	12,643	12,173	11,032	6,192
Number of arrests	1,298	1,152	1,117	1,258	1,369	509	1,139	1,470	1,189	227
Number of traffic citations	7,876	6,886	6,867	7,331	7,098	2,589	9,442	5,430	4,348	3,980
<b>FINANCE</b>										
Number of water bills	41,568	41,568	41,568	41,016	41,016	25,973	41,267	41,634	41,788	42,244
Number of vendor checks	7,085	7,500	7,645	7,697	7,700	5,087	6,809	6,256	7,229	6,000
<b>MUNICIPAL WATER SYSTEM</b>										
Number of customers	10,392	10,392	10,392	10,254	10,254	10,254	10,300	10,300	10,300	10,434
Average daily consumption (gallons)	10,000,000	10,000,000	10,000,000	11,856,000	11,856,000	11,856,000	9,618,000	9,194,000	9,577,000	9,570,000
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	168	168	168	168	168	168	168
Number of fire hydrants (approximate)	1,650	1,650	1,650	1,680	1,680	1,680	1,680	1,680	1,680	1,680

Note: Beginning in 2010, street sweeping provided by contractor

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

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	2003	2004	2005	2006	2007	2007*	2008	2009	2010	2011
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	13
PUBLIC WORKS										
Miles of water mains (approximate)	150	150	150	168	168	168	168	168	168	168
Number of fire hydrants (approximate)	1,650	1,650	1,650	1,680	1,680	1,680	1,680	1,680	1,680	1,680
Miles of storm sewer (approximate)	150	150	150	178	178	178	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	130	130	130	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

	2003	2004	2005	2006	2007	2007*	2008	2009	2010	2011
GENERAL GOVERNMENT	21.25	20.40	24.40	24.40	22.50	23.25	23.25	24.00	23.00	23.00
COMMUNITY DEVELOPMENT	27.75	28.25	29.25	29.75	29.75	29.50	29.50	28.10	23.50	20.50
FINANCE	15.50	17.50	14.00	13.50	13.50	13.50	13.50	13.50	13.50	13.25
FIRE										
Firefighters and officers	53.00	53.00	53.00	53.00	53.00	53.00	53.00	53.00	51.00	49.00
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	58.00	55.00
Civilians	33.75	33.75	33.75	33.75	33.75	30.25	30.25	28.00	28.00	25.00
PUBLIC WORKS										
Maintenance workers	68.25	68.75	68.75	69.25	67.75	66.25	66.25	65.25	63.75	59.25
Engineering	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	2.00	2.00
Administration	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	26.00	26.00
Total Employees	316.50	318.65	320.15	320.65	317.25	312.75	312.75	308.85	293.75	278.00

Data Source

City budgets

\* Eight months ended December 31, 2007