

VILLAGE OF ORLAND HILLS, ILLINOIS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED APRIL 30, 2013

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VILLAGE OF ORLAND HILLS, ILLINOIS

PRINCIPAL OFFICIALS

APRIL 30, 2013

LEGISLATIVE

Village Board of Trustees

Kyle R. Hastings, President

Joseph Janachowski

Candice Morrison

Kyle R. Hastings II

Tracy Roti

Curt Petrey

Brian O’Neill

Jennifer Iannantone, Clerk

APPOINTED OFFICIAL

John A. Daly, Village Administrator

INDEPENDENT AUDITOR'S REPORT

GW & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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South Chicago Heights, IL 60411

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Trustees
Village of Orland Hills, Illinois

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Orland Hills, Illinois ("the Village") as of and for the year ended April 30, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village, as of April 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the Village adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for the pension funds, schedule of employer contributions for the pensions funds and budgetary comparison information on pages 3–13 and 55–58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The schedules of revenues and expenditures and combining nonmajor fund financial statements, list of principal officials and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The list of principal officials 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.

GW & Associates, P.C.

GW & Associates, P.C.

South Chicago Heights, Illinois

October 15, 2013

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS

**VILLAGE OF ORLAND HILLS, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2013**

As management of the Village of Orland Hills (the "Village") we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended April 30, 2013. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, it should be read in conjunction with the Village's financial statements.

Financial Highlights

- The Village's net position as of April 30, 2013 is \$20.4 million as compared to \$21.0 million in the prior year. Of the total net position, \$21.2 million is invested in capital assets net of related debt and there is a \$1.2 million deficit in unrestricted net position as compared to a deficit of \$1.0 million in the prior year.
- Total Village revenues for the year ended April 30, 2013 fell short of total expenses by \$0.56 million.
- At the end of the fiscal year, the unassigned fund balance of the General Fund was a deficit of \$1.4 million after a loss for the year of \$0.46 million.

Overview of the Financial Statements

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

**Using the Financial Section
Of this Annual Report**

The financial statement's focus is on the Village as a whole and on the major individual funds. Both perspectives allow the readers to address relevant questions, broaden the basis for comparison and enhance the reader's understanding of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to be corporate like.

The Statement of the Net Position combines and consolidates governmental funds current financial resources with capital assets and long term obligations. It uses the accrual basis of accounting and economic resources measurement focus.

VILLAGE OF ORLAND HILLS, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2013

The Statement of Activities is focused on both the growth and the new costs of various activities. These activities are supported by the government's general taxes and other resources. This is intended to summarize and simplify the users' analysis of the costs of various governmental services.

The governmental activities reflect the Village's basic services, which include administration, public safety, highways and streets and culture and recreation. Property taxes, shared state taxes and local utility taxes finance the majority of these services.

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 Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be included into two categories: governmental funds and fiduciary 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 provide a detailed view of the Village's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. 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 revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Motor Fuel Tax Fund both of which are considered to be major funds. Major funds are defined as the General Fund and other funds where the assets and deferred outflows of resources, the liabilities and deferred inflows or resources, revenue or expenditures of that fund are at least ten percent of the corresponding total for all governmental funds, since the Village has no enterprise funds.

Data forming the remaining governmental funds are combined into a single, aggregated column presentation. Individual fund data information for these non-major governmental funds is provided elsewhere in the report.

**VILLAGE OF ORLAND HILLS, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2013**

The basic governmental fund financial statements (including the reconciliation) can be found on pages 14-19 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The fiduciary fund financial statements provide separate information for the Police Pension Fund. The basic fiduciary fund financial statements can be found of pages 20-21 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22.

Other Information

In addition to the basic financial statements this report also includes certain required supplementary information related to the budgetary information and the Village's funding progress of the Illinois Municipal Retirement Fund, Police Pension Fund and other postemployment benefits and the budgetary to actual statements for the General Fund and Motor Fuel Tax Fund which is the only major special revenue fund. Required supplementary information can be found on pages 55-58. The combining statements dealing with the non-major governmental funds are presented immediately following the required supplementary information.

**VILLAGE OF ORLAND HILLS, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2013**

FINANCIAL ANALYSIS OF THE VILLAGE'S GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

The following chart reflects the Condensed Statement of Net Position (in millions):

CONDENSED STATEMENT OF NET POSITION

April 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current assets	\$ 1.9	\$ 1.7
Capital assets, net	21.6	22.1
Total assets	23.5	23.8
Liabilities:		
Current liabilities	2.1	1.4
Long-term liabilities	0.7	1.1
Total liabilities	2.8	2.5
Total deferred inflows of resources	0.3	0.3
Net position:		
Invested in capital assets -net	21.2	21.5
Restricted	0.4	0.5
Unrestricted	(1.2)	(1.0)
Total net position	\$ 20.4	\$ 21.0

The 2013 assets as described above are composed of cash and investments valued at \$0.6 million (3% of total assets), \$1.2 million of intergovernmental and taxes receivable (5% of total assets) and capital assets net of accumulated depreciation of \$21.6 million (92% of total assets). The liabilities as described above are composed of accounts payable of \$0.8 million (29% of total liabilities), accrued payroll and other liabilities of \$1.0 million (36% of total liabilities), \$0.3 million of long term debt due within one year (11% of total liabilities) and \$0.7 million of long term debt due in more than one year (24% of total liabilities). As a result of the implementation of new accounting pronouncements, total deferred inflows of resources which were previously included in current liabilities are now shown separately. Current liabilities are up \$0.7 million from last year due in part to a liability for property taxes owed back to the county from the closed TIF and additional accrued payroll for back pay resulting from the settlement of the police contract which covers 2009 – 2015.

**VILLAGE OF ORLAND HILLS, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2013**

Statement of Activities

The following chart reflects the Condensed Statement of Activities (in millions):

CONDENSED STATEMENT OF ACTIVITIES

April 30, 2013 and 2012

Revenues:	<u>2013</u>	<u>2012</u>
Program Revenues:		
Charges for services	\$ 0.6	\$ 0.8
Operating grants and contributions	0.3	-
General Revenues:		
Property taxes	0.6	0.5
State sales tax	1.5	1.2
Other taxes	2.0	2.0
Other	<u>0.6</u>	<u>1.5</u>
Total revenues	5.6	6.0
Expenses:		
General government	1.6	1.8
Public safety	2.7	2.7
Culture and recreation	0.7	0.7
Highway and streets	<u>1.1</u>	<u>1.2</u>
Total expenses	6.1	6.4
Change in net position	<u>(0.5)</u>	<u>(0.4)</u>
Net position - beginning	<u>21.0</u>	<u>21.4</u>
Net position - ending	<u>\$ 20.5</u>	<u>\$ 21.0</u>

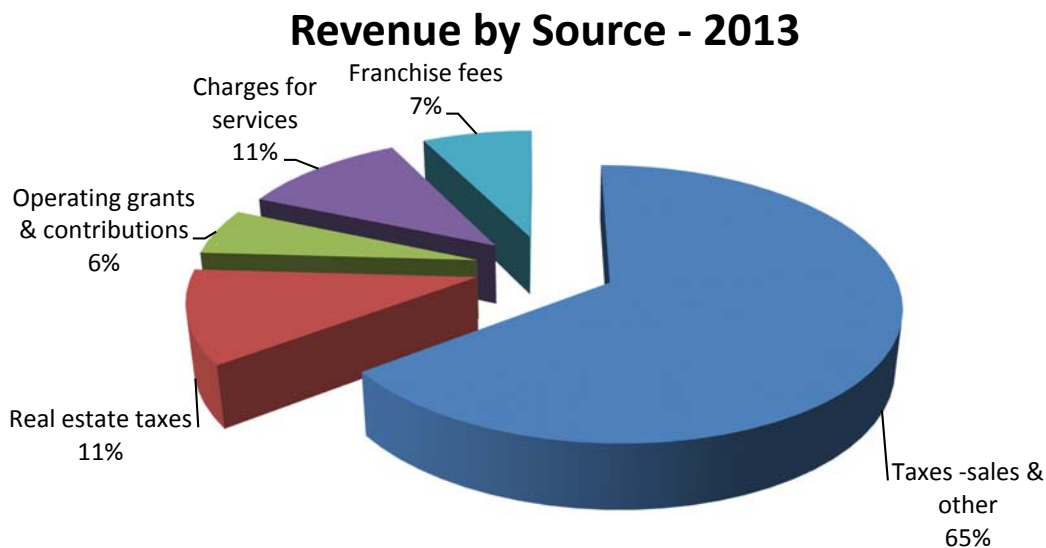
**VILLAGE OF ORLAND HILLS, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2013**

Total revenues for fiscal 2013 decreased by \$0.4 million from the prior year. The most significant changes include:

- An increase in state sales tax of \$0.3 million. This was, in part, a result of accruing an additional month of sales tax revenue that had not been accrued in the prior year;
- A decrease of \$0.9 million in other revenues. This was primarily the result of a onetime insurance reimbursement of \$0.7 million in 2012;
- A decrease of \$0.2 million in charges for services which was partly the result of a \$0.1 million decrease in police related fines;
- An increase in operating grants and contributions of \$0.3 million. This is mostly a result of motor fuel taxes of \$0.2 million being recorded as grants and contributions rather than other taxes since they are distributed to municipalities based on population rather than on a use tax formula. Other taxes did not decline as a result of this reclassification due to:
 - an increase in income tax of \$0.1 million as the state began catching up on delinquent payments that they owe to municipalities and
 - taxes on a new off track betting facility that opened during the year.

Total expenses for fiscal 2013 decreased by \$0.3 million. The most significant changes within expenses were a decrease in general government expenses of \$0.2 million and a decrease in highway and streets expenses of \$0.1 million. General government expenses would have decreased further except that a onetime expense of \$0.2 million was incurred for the reimbursement of property taxes received from the county for the closed TIF.

Revenue by Source - 2013



**VILLAGE OF ORLAND HILLS, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2013**

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental Funds

The following chart reflects a condensed comparison of 2013 and 2012 revenues and expenditures:

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease) 2013 to 2012</u>
Revenues			
General Fund	\$ 5,027,389	\$ 5,807,989	\$ (780,600)
Motor Fuel Tax Fund	227,086	218,224	8,862
Nonmajor Funds	<u>142,738</u>	<u>118,041</u>	<u>24,697</u>
Total Revenues	<u>\$ 5,397,213</u>	<u>\$ 6,144,254</u>	<u>\$ (747,041)</u>
Expenditures			
General Fund	\$ 5,467,760	\$ 5,455,134	\$ 12,626
Motor Fuel Tax Fund	165,915	122,385	43,530
Nonmajor Funds	<u>96,811</u>	<u>377,859</u>	<u>(281,048)</u>
Total Expenditures	<u>\$ 5,730,486</u>	<u>\$ 5,955,378</u>	<u>\$ (224,892)</u>
Other Financing Sources(Uses)			
General Fund	\$ (15,744)	\$ 40,000	\$ (55,744)
Motor Fuel Tax Fund	31,194	-	31,194
Nonmajor Funds	<u>(15,450)</u>	<u>(40,000)</u>	<u>24,550</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Revenues

General Fund revenues were down 13% from the prior year primarily as a result of a onetime insurance reimbursement of \$750,000 received in fiscal 2012. Another significant change in general fund revenues was a \$111,000 increase in income tax revenues as a result of the state beginning to be up-to-date on delinquent payments owed to the Village.

Expenditures

General Fund expenditures approximated those of the prior year. This was in spite of a \$207,000 expenditure in fiscal 2013 to reimburse the Cook County Treasurer for tax refunds from the closed TIF district. Reductions in personal services of \$167,700 resulting from staff reductions helped to keep expenditures down. The reduction in personal services would have been even more except for \$171,000 of retro pay back to fiscal 2010 which is owed to police officers as a result of the settling of their collective bargaining agreement.

**VILLAGE OF ORLAND HILLS, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2013**

Budgetary Highlights

The following chart reflects the condensed budgetary comparison schedule for the General Fund:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Taxes	\$ 1,496,600	\$ 1,542,483	\$ 45,883
Intergovernmental	2,088,500	2,204,964	116,464
Other	<u>1,298,610</u>	<u>1,279,942</u>	<u>(18,668)</u>
Total revenues	4,883,710	5,027,389	143,679
Expenditures	<u>4,825,852</u>	<u>5,467,760</u>	<u>641,908</u>
Excess of revenues over (under) expenditures	<u>57,858</u>	<u>(440,371)</u>	<u>(498,229)</u>
Other financing sources (uses)			
Other financing sources	168,200	67,833	(100,367)
Other financing uses	<u>(225,000)</u>	<u>(83,577)</u>	<u>141,423</u>
Total other financing sources (uses)	<u>(56,800)</u>	<u>(15,744)</u>	<u>41,056</u>
Change in fund balance	<u>\$ 1,058</u>	<u>\$ (456,115)</u>	<u>\$ (457,173)</u>

The major variances between actual and budget include the following:

- Intergovernmental revenues exceeded budget by about 6% primarily due to the state beginning to catch up on payments to the Village for income taxes;
- General administrative expenditures exceeded budget by about 14% due primarily to the reimbursement to Cook County for TIF property tax refunds;
- Police department expenditures exceeded budget by about 24% due to approximately \$200,000 of pension contributions to the Police Pension Fund not reflected in the budget and about \$171,000 of retro pay resulting from the settlement of the police officer's collective bargaining agreement.

There were no amendments to the original budget ordinance during the year.

**VILLAGE OF ORLAND HILLS, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2013**

CAPITAL ASSETS

Governmental Activities Change in Capital Assets

	Balance <u>April 30, 2012</u>	Net Additions/ <u>Deletions</u>	Balance <u>April 30, 2013</u>
Non-depreciable assets - land	\$10,133,189	\$ -	\$ 10,133,189
Construction in progress	-	59,978	59,978
Depreciable capital assets			
Land improvements	594,882	48,446	643,328
Buildings & Improvements	4,199,899	-	4,199,899
Equipment	1,173,694	(17,898)	1,155,796
Infrastructure	17,055,629	-	17,055,629
Accumulated depreciation	<u>(11,067,151)</u>	<u>(570,775)</u>	<u>(11,637,926)</u>
 Total capital assets, net	 <u>\$22,090,142</u>	 <u>\$(480,249)</u>	 <u>\$ 21,609,893</u>

Capital asset additions included the resurfacing of 88th Avenue, the Haven Avenue project (which is in process), and the addition of police security doors. Depreciation expense for the year was \$607,842. More detailed information can be found in Note 4 to the financial statements.

DEBT ADMINISTRATION

At April 30, 2013, the Village had outstanding debt as follows:

South Suburban Mayors and Managers Association debt certificate payable	\$390,000
Capital leases	12,608
Net pension obligation	154,860
Other post employment benefit obligation	264,731
Compensated absences	<u>173,405</u>
Total long-term debt	<u>\$995,604</u>

**VILLAGE OF ORLAND HILLS, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2013**

The Village's debt decreased by about \$104,000, or 9%, in the current fiscal year. This was due to:

- The payment of \$130,000 on the South Suburban Mayors and Managers Association debt certificate payable;
- A reduction of compensated absences by about \$37,000 due to the payout at termination/retirement of three employees and
- An increase of about \$74,000 in the other postemployment benefits obligation.

State statutes limit the amount of debt that a local government may issue. In the current fiscal year, that limit was 8.625% of the total equalized assess value of the Village, or \$12.4 million.

State statutes also allow the Village to issue General Obligation Bonds for up to ½ of 1% of our assessed valuation without referendum. That amount would be approximately \$718,000.

Economic Factors

The Village President and Board of Trustees have continued to promote economic growth and development in the Village of Orland Hills. In spite of the global economic downturn from several years ago, the Village has had moderate general growth.

This year shows additional improvement opportunities and the Village continues to embrace all opportunities to foster growth. The State of Illinois approved Video Gaming as a new source of revenue for both the state and municipalities. Orland Hills has supported this state-wide program and is beginning to see benefits from this effort. In the first eleven months of implementation of this program the Village has benefited by more than \$27,000. Within the last month, two additional locations have been implemented, which will increase the revenue opportunities by 100%.

In April 2012, an Off Track Betting establishment was located in Orland Hills. The business is establishing itself and developing a growing clientele. In the last twelve months this business has generated over \$68,000 of additional revenue to the Village.

Economic development opportunities for the vacant property on the western end of Orland Hills have awakened new potential. The Village anticipates the recapture of \$270,000 with the establishment of new development in the next several months.

The Village's efforts to attract new sales tax producing businesses in town continue to be a high priority. Businesses have found favor with Orland Hills' business relationship methods and practices. Orland Hills' efforts show great promise in expansion of the business corridor over the next few years.

Settlement of the previously unresolved collective bargaining issues (three years pending), show cooperation of management and labor. Results will provide effective reduction in overtime labor costs and produce a more cohesive relationship. Anticipated revenues are expected to return to levels achieved prior to the labor dispute.

**VILLAGE OF ORLAND HILLS, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2013**

In the past two years, the Village has had to reimburse the County of Cook for almost \$900,000 of property tax rebates which were granted by the Property Tax Appeal Board to businesses in town. Over the past nineteen years the Village has reduced its reliance on property taxes by reducing its tax rate by approximately 30%. The Village has relied more prevalently on sales taxes to continue to balance its budget. Irresponsible actions of the Property Tax Appeal Board place municipalities, such as Orland Hills, in an awkward and exposed position. The Village has and will continue to oppose such grantings.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Village's finances. Questions concerning this report or requests for additional financial information should be directed to the Village Administrator, Village of Orland Hills, 16033 South 94th Ave, Orland Hills, Illinois 60487-4623. E-mails may be directed to contact@orlandhills.org.

BASIC FINANCIAL STATEMENTS

VILLAGE OF ORLAND HILLS, ILLINOIS
STATEMENT OF NET POSITION
APRIL 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 97,652
Short-term investments	529,101
Taxes receivable	429,381
Intergovernmental receivables	782,630
Accounts receivable	50,767
Prepaid items	54,883
Capital assets not being depreciated	10,193,167
Capital assets being depreciated	<u>11,416,726</u>
Total Assets	<u><u>\$ 23,554,307</u></u>
Liabilities	
Current:	
Accounts payable	\$ 806,450
Accrued payroll	235,025
Due to police pension	612,110
Due to other entities	155,038
Other payables	22,291
Interest payable	4,158
Long-term debt, due within one year	
Capital leases payable	4,158
Debt certificates payable	260,000
Compensated absences	46,008
Long-term:	
Long-term debt, due in more than one year	
Capital leases payable	8,450
Net pension obligation	154,860
Other postemployment benefits obligation	264,731
Debt certificates payable	130,000
Compensated absences	<u>127,397</u>
Total Liabilities	<u>2,830,676</u>
Deferred Inflows of Resources	
Unearned revenue	<u>278,144</u>
Total Deferred Inflows of Resources	<u>278,144</u>
Net Position	
Invested in capital assets, net of related debt	21,207,285
Restricted for	
Debt service	390,000
Unrestricted net assets	<u>(1,151,799)</u>
Total Net Position	<u><u>\$ 20,445,486</u></u>

**VILLAGE OF ORLAND HILLS, ILLINOIS
STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Changes in Net Assets</u>
		<u>Fees, Fines & Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Governmental Activities:					
General government	\$ 1,578,895	\$ 299,762	\$ 80,493	\$ -	\$ (1,198,641)
Public safety	2,736,341	176,637	50	-	(2,559,654)
Culture and recreation	670,540	125,026	2,500	-	(543,013)
Highways and streets	1,110,453	-	203,561	-	(906,892)
Interest on debt	7,879	-	-	-	(7,879)
Total	6,104,108	601,425	286,604	-	(5,216,080)
General Revenues:					
Taxes:					
Property					573,394
State sales					1,529,883
Non home-rule sales					696,345
Income					706,138
Other					546,684
Franchise fees					391,747
Investment Income					4,305
Gain (loss) on disposal of capital assets					(3,796)
Other general revenues					208,593
Total General Revenues					4,653,293
Change in net position					(562,787)
Net Position					
5/1/2012					21,008,273
4/30/2013					\$ 20,445,486

**VILLAGE OF ORLAND HILLS, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2013**

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Motor Fuel Tax Fund	Nonmajor Governmental Funds	
Assets				
Cash and cash equivalents	\$ 74,743	\$ -	\$ 22,909	\$ 97,652
Short-term investments	190,565	287,270	51,266	529,101
Taxes receivable	384,239	-	45,142	429,381
Intergovernmental receivables	770,336	12,294	-	782,630
Accounts receivable	50,767	-	-	50,767
Prepaid items	54,883	-	-	54,883
Due from other funds	53,568	-	142,334	195,902
Total assets	<u>\$ 1,579,101</u>	<u>\$ 299,564</u>	<u>\$ 261,651</u>	<u>\$ 2,140,316</u>
 Liabilities, Deferred Inflows of Resources and Fund Balance				
Liabilities				
Accounts payable	588,355	7,260	210,834	806,449
Accrued payroll	235,025	-	-	235,025
Other Liabilities	22,291	-	-	22,291
Due to other entities	155,038	-	-	155,038
Due to police pension fund	612,110	-	-	612,110
Due to other funds	142,334	-	53,568	195,902
Debt certificates payable	130,000	-	-	130,000
Total liabilities	<u>1,885,153</u>	<u>7,260</u>	<u>264,402</u>	<u>2,156,815</u>
 Deferred inflows of resources				
Unearned revenues	612,679	-	14,628	627,307
Total deferred inflows of resources	<u>612,679</u>	<u>-</u>	<u>14,628</u>	<u>627,307</u>
 Fund balances (deficit)				
Nonspendable				
Prepaid items	54,883	-	-	54,883
Restricted				
Debt service	390,000	-	-	390,000
Assigned				
Future budgeted amounts	-	292,304	-	292,304
Capital projects	-	-	100,290	100,290
Other purposes	-	-	138,757	138,757
Unassigned	<u>(1,363,614)</u>	<u>-</u>	<u>(256,426)</u>	<u>(1,620,040)</u>
Total fund balances (deficit)	<u>(918,731)</u>	<u>292,304</u>	<u>(17,379)</u>	<u>(643,806)</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,579,101</u>	<u>\$ 299,564</u>	<u>\$ 261,651</u>	<u>\$ 2,140,316</u>

See accompanying notes to financial statements

VILLAGE OF ORLAND HILLS, ILLINOIS
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION
APRIL 30, 2013

Total fund balances- governmental funds \$ (643,806)

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:

Governmental Capital assets	33,247,819	
Less accumulated depreciation	(11,637,926)	
Net capital assets		21,609,893

Deferred revenues for sales tax, use tax, income tax and utilities taxes reported in the governmental funds that do not provide current financial resources are recognized as revenues for the governmental-wide financial statements	349,163
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Interest on long-term debt is not accrued in governmental funds, but rather is recognized when due.	(4,158)
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Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of:

Provision for compensated absences	(173,405)	
Provision for net pension obligation	(154,860)	
Provision for other postemployment benefits obligation	(264,731)	
Capital leases	(12,608)	
Debt certificates payable (net of delinquent amount due)	(260,000)	

Total long-term liabilities	(865,604)
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Net position of governmental activities	\$ 20,445,486
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VILLAGE OF ORLAND HILLS, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2013

	Major Funds		Nonmajor Governmental Funds	Total
	General Fund	Motor Fuel Tax Fund		
Revenues:				
Taxes	\$ 1,542,483	\$ 23,298	\$ 142,643	\$ 1,708,424
Licenses and permits	171,049	-	-	171,049
Intergovernmental revenue	2,204,964	203,561	-	2,408,525
Fees and charges for services	638,897	-	-	638,897
Fines	174,017	-	-	174,017
Investment income	3,984	227	95	4,306
Other revenue	291,995	-	-	291,995
Total revenues	<u>5,027,389</u>	<u>227,086</u>	<u>142,738</u>	<u>5,397,213</u>
Expenditures:				
Current:				
Administration	1,232,953	-	74,922	1,307,876
Building and zoning department	232,240	-	-	232,240
Police department	2,629,084	-	21,889	2,650,973
Fire and police commission	4,281	-	-	4,281
ESDA	3,301	-	-	3,301
Parks and recreation	485,835	-	-	485,835
Orland Towne Village festival	35,352	-	-	35,352
Concession stand/ seniors	5,579	-	-	5,579
Special transportation	85,761	-	-	85,761
Highways and streets	582,868	95,152	-	678,021
Flood prevention	12,225	-	-	12,225
Capital Outlay	21,998	70,762	-	92,760
Debt service- principal retired	130,000	-	-	130,000
Debt service- interest and fees	6,282	-	-	6,282
Total expenditures	<u>5,467,760</u>	<u>165,915</u>	<u>96,811</u>	<u>5,730,485</u>
Excess (deficiency) of revenues over expenditures	<u>(440,371)</u>	<u>61,172</u>	<u>45,927</u>	<u>(333,272)</u>
Transfers in	67,833	31,194	52,383	151,410
Transfers out	(83,577)	-	(67,833)	(151,410)
Total other financing sources (uses)	<u>(15,744)</u>	<u>31,194</u>	<u>(15,450)</u>	<u>-</u>
Net change in fund balance	<u>(456,115)</u>	<u>92,366</u>	<u>30,477</u>	<u>(333,272)</u>
Fund balance - beginning of year	<u>(462,616)</u>	<u>199,938</u>	<u>(47,856)</u>	<u>(310,534)</u>
Fund balance - end of year	<u>\$ (918,731)</u>	<u>\$ 292,304</u>	<u>\$ (17,379)</u>	<u>\$ (643,806)</u>

VILLAGE OF ORLAND HILLS, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2013

Net change in fund balance of governmental funds \$ (333,272)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Some grant revenues and taxes were not collected for several months after the close of the fiscal year and therefore were not considered to be "available" and are not reported as revenue in the governmental funds. 147,904

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported in the governmental funds:

Change in net pension obligation	2,385	
Change in other postemployment benefits obligation	(73,715)	
Change in accrued interest on bonds	<u>(1,597)</u>	
		<u>(72,927)</u>

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital outlay	131,389	
Depreciation	<u>(607,842)</u>	
Capital outlay in excess of depreciation		<u>(476,453)</u>
Loss on disposal of capital assets		<u>(3,796)</u>

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Bond principal retirement	130,000	
Capital leases payable	9,150	
Decrease in compensated absences	<u>36,607</u>	
Total retirement of debt		<u>175,757</u>

Change in net assets of governmental activities \$ (562,787)

VILLAGE OF ORLAND HILLS, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
April 30, 2013

	<u>Public Employee Retirement Plan</u>
Assets	
Investments- at fair value	
Money Market Mutual Funds	\$ 27,917
Corporate Bonds	500,035
U.S. Agencies	828,555
U.S. Agency Notes	52,640
State and Municipal Bonds	143,835
State Treasurer - Illinois Funds	194,541
Equity Securities	11,150
Mutual Funds	44,548
Annuities	243,329
Total investments	<u>2,046,550</u>
Receivables	
Accrued interest on investments	16,194
Due from village	612,110
Total receivables	<u>628,304</u>
Total assets	<u>2,674,854</u>
Net Position	
Plan net position held in trust for pension benefits	<u>\$ 2,674,854</u>

VILLAGE OF ORLAND HILLS, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED APRIL 30, 2013

	Public Employee Retirement Plan
Additions	
Employer contributions	
Property taxes	\$ 193,745
Employee contributions	54,408
Total contributions	248,153
Investment income	
Net appreciation in fair value of investments	1,409
Interest and dividends on investments	64,876
	66,285
Less investment expense	(5,246)
Net investment income	61,039
Total additions	309,191
Deductions	
Benefits and refunds	177,240
Administrative expenses	5,821
Total deductions	183,062
Change in plan net position	126,130
Net position held in trust for pension benefits	
Beginning of year	2,548,724
End of year	\$ 2,674,854

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Orland Hills, Illinois ("Village"), have been prepared in conformity with generally accepted accounting principals (GAAP) as applicable to government, as promulgated by the Government Accounting Standards Board (GASB). The following is a summary of the significant policies:

Reporting Entity

The Village of Orland Hills is a municipal corporation governed by an elected Village president and six-member Village board.

For financial reporting purposes, management has determined the financial reporting entity by including the primary government and considering any potential component units. The decision to include a potential component unit in the reporting entity is made by applying criteria set forth in GAAP. The main criteria for including a potential component unit within the financial reporting entity is the governing body being financially accountable for the potential component unit. Financial accountability is defined as the level of accountability that exists if a primary government appoints a majority of an organization's governing board and is either able to impose its will on that organization or there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Although financial accountability is the foremost factor for including component units, any entity whose relationship to the primary government is such that not including this entity would make the financial statements incomplete or misleading, should also be included. In applying these criteria to the Village, it must be noted that several other governmental entities have geographic boundaries that overlap that of the Village. These entities have separately elected boards, power to levy taxes, and authorization to expend funds. The Village exercises no responsibility or accountability in relation to the entities and they are, therefore, not included in the Village's basic financial statements.

The Village's police employees participate in a police pension employee's retirement system (PPERS). The PPERS functions for the benefit of these employees and is governed by a 5 member board consisting of two members appointed by the Village's president, one elected pension beneficiary, and two elected police employees. The Village and the 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 Village is authorized to approve the actuarial assumptions used in the determination of contributions levels.

Although it possesses many 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 Village's police employees and because of the fiduciary nature of such activities. PPERS is reported as a pension trust fund. The financial statements of the Police Pension fund as of and for the fiscal year April 30, 2013, are blended in the Village's basic financial statements as a pension trust fund.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements

The Village's basic financial statements consist of both the government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and the fund financial statements which provide a more detailed level of financial information. The government-wide focus is more on the sustainability of the village as an entity and the change in aggregate financial position resulting from activities of the fiscal period.

The Village implemented Governmental Accounting Standards Board Statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This resulted in a new statement of net position which replaced the statement of net assets presented in prior years. Deferred outflows of resources and deferred inflows of resources are now reported separately from assets and liabilities. The residual measure is now entitled net position rather than net assets.

The Village also implemented Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities. This statement reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. Specifically, the Village now reports “unearned revenue-property taxes” as a deferred inflow of resources rather than as deferred revenue under liabilities.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities report information on activities of the Village, except for fiduciary funds. The effect of interfund activity has been removed from these statements excluding interfund services provided. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the financial condition of the governmental activities of the Village at year end. The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources as well as the capital assets, net of accumulated depreciation, and long-term debt associated with the operation of the Village.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIED (CONTINUED)

Government-wide Financial Statements (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue include 1) fines, fees, and charges to customers, citizens, and applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental fund financial statements is on major funds.

A major fund is defined as the Village's General Fund as well as any other fund where either the assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures of that fund are at least ten percent of the corresponding total for all governmental funds, since the Village has no enterprise funds. The Village's management may select as a major fund any other fund not meeting the above criteria if they believe the fund is of particular importance to the user of the financial statements. The Village has identified the Motor Fuel Tax Fund as a major fund. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The fiduciary fund is reported at the fund financial statement level as a separate fund type and is not included in the government-wide financial statements.

Since capital assets and long-term debt are concerned only with the measurement of financial position as of the date of the end of the reporting period, neither assets nor liability is reported in fund financial statements. Both items are included in the government-wide financial statements.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements (continued)

Fund Accounting

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

Funds are classified as: governmental or fiduciary funds.

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

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Village. When these assets are held under the terms of a formal trust agreement, a permanent fund is used. Agency funds are generally used to account for assets that the Village holds on behalf of others as their agent. The pension trust fund accounts for the Police Pension fund, which accumulates resources for pension benefit payments to retired police personnel.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are intended to finance. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The government-wide financial statements also include activity related to the purchase, depreciation and year end balances of capital assets as well as year end balances and activity related to long-term debt.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considered revenues to be available if they are collected within 60 days of the end of the year.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (continued)

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due or when amounts have been accumulated in the debt service fund for payment to be made early in the following year.

Property taxes, sales tax, franchise tax, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Motor Fuel Tax Fund – The Motor Fuel Tax Fund is used to account for the motor fuel tax revenues received, including interest income, for the purpose of street maintenance.

In addition to the major funds mentioned above, the Village uses the following fund types:

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Projects Fund – The capital projects fund is used to account for the Village’s purchase or construction of major capital facilities, which are not financed by other funds.

Debt Service Funds – Debt service funds are used to account for the Village’s accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

Fiduciary Funds

Trust Funds – Trust funds are used to account for assets held by the government in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or funds. These include pension trust funds. Pension trust funds are accounted for in essentially the same manner as propriety funds since capital maintenance is critical.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

The Village reports unearned revenues on its government fund statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Village before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. If subsequent revenue recognition criteria are met, or when the Village has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and the revenue is recognized.

Asset, Liabilities and Net Position

Cash and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Village to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Illinois Funds.

Investments are stated at fair value. The investment with the State Treasurer's Illinois Funds is at fair value, which is the same value as the pooled shares. State statute requires the State Treasurer's Illinois Funds to comply with the Illinois Public Funds Investment Act (30 ILCS 235).

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position (continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost above a set dollar threshold based on the asset type (see chart below). All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All reported capital assets except land and construction in progress are depreciated. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Capital Asset Category</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$ 25,000	n/a
Land improvements	20,000	n/a
Site improvements	20,000	3 - 50 years
Building	50,000	10 - 50 years
Building improvements	25,000	10 - 20 years
Vehicles, machinery, equipment	5,000	3 - 50 years
Software	25,000	2 - 7 years
Infrastructure - street network	50,000	10 - 75 years
Infrastructure - water network	75,000	10 - 75 years
Infrastructure - sanitary sewer	75,000	10 - 75 years
Infrastructure - storm sewer	50,000	10 - 75 years

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position (Continued)

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Interfund Transfers

These represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses/sources. In proprietary funds, transfers are reported after non-operating revenues and expenses. In the government-wide financial statements, interfund amounts are eliminated except for residual amounts between governmental and business-type activities, which are labeled internal balances or transfers.

Compensated Absences

It is the Village's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave as it is not paid to employees upon termination of employment. The government-wide financial statements record unused vacation leave as expenses and liabilities when earned by employees.

Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond costs, during the current period. The face amount of the 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 are reported as expenditures.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

The Village reports deferred inflows of resources on the government-wide and fund financial statements. Deferred inflows of resources are recorded when assets are acquired that apply to a future reporting period. Property taxes which have been deemed to be measurable but not available or have been levied for use in the subsequent period represent deferred inflows of resources.

Reconciliation of Government-Wide and Fund Statements

Differences occur from the manner in which the governmental activities and the government-wide financial statements are prepared because of the inclusion of capital asset and long-term debt activity. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the Village-wide statements and the statements for governmental funds.

Property Tax Revenue Recognition

Property taxes attach retroactively as an enforceable lien on January 1 of the levy year. They are levied in December by passage of a Tax Levy Ordinance. Tax bills are prepared by the County and issued on or about March 1 and August 1 the following year. They are payable in two installments on or about April 1 and thirty days after release of the second billing which is generally between August and November of the current year. The County collects such taxes and remits them periodically. Property tax revenues are recognized when they become both measurable and available.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

The Village has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement established criteria for classifying governmental fund balances into specifically defined classifications. In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

Nonspendable fund balance – includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

Restricted fund balance – includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: 1) externally imposed by creditors such as through debt covenants), grantors, contributors or laws or regulation of other governments: or 2) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Village's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Village's highest level of decision-making authority rests with the Village' Council. The Village has not committed fund balances at April 30, 2013.

Assigned fund balance – includes amounts that are constrained by the Village's intent to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by the following: 1) the Village Council; 2) a body or official to which the Village has delegated the authority to assign amounts to be used for a specific purpose. The Village has not delegated authority to any other body or official to assign amounts for a specific purpose within the General Fund. Within the other governmental fund types (special revenue, debt service, capital projects) resources are assigned in accordance with the established fund purposes and approved budget/appropriation. Residual fund balances in these fund types that are not restricted or committed are reported as assigned.

Unassigned fund balance – includes the residual fund balance that has not been restricted, committed or assigned within the General Fund and unassigned deficit fund balances of other governmental funds.

Unless specifically identified, expenditures act to reduce restricted balances first, and then committed balances, next are assigned balances, and finally unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

The Village has no fund balance reserve policy for governmental funds.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating information for the government-wide statements, some amounts reported as interfund activity and/or interfund balances in the fund financial statements are eliminated or reclassified.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Budget amounts are as originally adopted by the Board. All annual appropriations lapse at fiscal year end.

EXPENDITURES OVER BUDGET

For the year ended April 30, 2013, expenditures/expenses exceeded budget as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Over Budget</u>
General Fund	\$4,825,852	5,467,760	641,908
Non-Drug Seized Fund	10,000	21,899	11,899
TIF Eligible Expense Fund	20,000	24,916	4,916

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

DEFICIT FUND BALANCES

As of April 30, 2013, the following funds had deficit fund balances:

General Fund	\$ 918,731
TIF Eligible Fund	202,967
Incremental Sales Tax Fund	53,567

The Village plans to recover these deficits through future revenues or transfers of surplus cash when such cash is available.

NOTE 3. DEPOSITS AND INVESTMENTS

Cash

The carrying amount of cash, excluding the Pension Trust Fund, was \$97,652 at April 30, 2013, while the bank balances were \$118,260. All account balances at banks were insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000 or collateralized with securities of the U.S. government or with letters of credit issued by the Federal Home Loan Bank held in the Village's name by financial institutions acting as the Village agent.

The investments that the Village may purchase are limited by Illinois law to the following: (1) securities which are fully guaranteed by the U.S. government as to principal and interest; (2) certain U.S. government agency securities; (3) certificates of deposit or time deposits of banks and savings and loan associations which are insured by a federal corporation; (4) short-term discounts obligations of the Federal National Mortgage Association; (5) certain short-term obligations of corporations (commercial paper) rated in the highest classifications by at least two of the major rating services; (6) fully collateralized repurchase agreements; (7) the State Treasurer's Illinois and Prime Funds; and (8) money market mutual funds and certain other instruments.

**VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013**

NOTE 3. DEPOSITS AND INVESTMENT (CONTINUED)

The following schedule reports the fair values and maturities for the Village's governmental fund investments at April 30, 2013.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities Less Than One Year</u>
State Treasurer Illinois Funds	\$ 510,967	\$ 510,967
Bond Mutual Fund	3,798	3,798
Stancorp Stock	14,336	14,336
Total	<u>\$ 529,101</u>	<u>\$ 529,101</u>

Interest Rate Risk

The Village's formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Unless tied to a specific future cash outflow, no investments may have a maturity longer than two years.

Credit Risk

The Village's investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The Village's investment policy limits investment in short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services and which mature not later than 180 days from the date of purchase; (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and; (iii) no more than one-third of the public agency's funds may be invested in short-term obligations of corporations.

Credit ratings for the Village's investments in debt securities as described by Standard & Poor's at April 30, 2013 (excluding investments in U.S. Treasuries, which are not considered to have credit risk) are as follows:

<u>Investment Type</u>	<u>Credit Ratings</u>	<u>Percent of Total Investments</u>
State Treasurer Illinois Funds	AAA	97%
Bond Mutual Fund	AAA	1%

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village's investment policy requires that all amounts in excess of any insurance limits be collateralized by securities eligible for Village investment or any other high-quality, interest-bearing security rated at least AA/Aa by one or more standard rating service to include Standard & Poor's, Moody's or Fitch. The market value of the pledge securities shall equal or exceed the portion of the deposit requiring collateralization. The Village is fully collateralized at April 30, 2013.

Concentration of Credit Risk

The Village places no limit on the amount the Village may invest in any one issuer. The majority of the Village's total investments are invested in State Treasurer Illinois Funds. All of the investments are recorded in the General Fund, Motor Fuel Tax Fund, Non-Drug Seizure Fund, Integrity Fund, Tourism Fund, Park Donation Fund, Wetland Maintenance Fund, Working Cash Fund, Special Service Area Fund, TIF Eligible Fund, 1992 G.O. Corporate Bond Fund, and Capital Project Fund.

Police Pension Fund's Investments

The Police Pension Fund is authorized to invest in bonds, notes, and other obligations of the U.S. government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; and other investment vehicle as set forth in the Illinois Compiled Statutes.

The Police Pension Fund's policy is to maintain long-term focus on its investment decision-making process. Specifically, the Police Pension Fund's benefit liabilities extend many years into the future. As such, the investment focus should be on long-term results.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Police Pension Fund's Investments (continued)

The following schedule reports the fair values and maturities (using the segmented time distribution method) for the Police Pension Fund's investments at April 30, 2013:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Maturities</u>			
		<u>Less Than One Year</u>	<u>One to Five Years</u>	<u>Six to Ten Years</u>	<u>Greater Than 10 Years</u>
Money Market Mutual Funds	\$27,917	27,917			
Corporate Bonds	500,035	91,679	98,941	309,415	
U.S. Agencies	828,555	66,682	283,031	386,770	92,071
U.S. Agency Notes	52,640		52,640		
State and Municipal Bonds	143,835		96,634	47,471	
State Treasurer – ILL Funds	<u>194,541</u>	<u>194,541</u>			
	<u>1,747,523</u>	<u>380,819</u>	<u>530,976</u>	<u>743,656</u>	<u>92,701</u>
Investments not sensitive to					
Interest rate risks:					
Equity Securities	11,150				
Mutual Funds	44,548				
Annuities	<u>243,329</u>				
Total Investments	2,046,550				

Interest Rate Risk

The Police Pension Fund's formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Up to 5% of Fund assets may be invested in non-liquid long-term investments.

Credit Risk

The Police Pension Fund's policy requires all fixed income investments to be of investment grade quality or higher at purchase. Also, according to the provisions of the Illinois Compiled Statutes, fixed income purchases shall be limited to obligations issued or guaranteed as to principal and interest by the U.S. Government, or agency or instrumentality thereof, or to corporate and municipal issues. All securities shall be of "investment grade" quality (that is, at the time of purchase, rated no lower than "baa: by Moody's and no lower than "BBB" by Standard & Poor's). The Board, at their discretion, may impose a higher standard on an individual investment manager as circumstances or investment objectives dictate.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Police Pension Fund's Investments (continued)

Credit ratings for the Police Pension Fund's investments in debt securities at April 30, 2013 (excluding investments in U.S. Treasuries, which are not considered to have credit risks) are as follows:

<u>Investment Type</u>	<u>Credit Ratings</u>	<u>Percentage of Investment Type</u>	<u>Percent of Total Investments</u>
Corporate Bonds	AA+	11%	33%
	A+	9%	
	A	33%	
	A-	28%	
	BBB+	19%	
U.S. Agencies	AA+	100%	58%
State and Municipal Bonds	AA+	36%	9%
	AA-	31%	
	A	33%	

Custodial Credit Risk

For an investment, custodial credit risk is the risk, in the event of the failure of the counterparty, the Police Pension Fund will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.

The Police Pension Fund's investment policy requires that all amounts in excess of any insurance limits be collateralized by securities eligible for fund investments or any other high-quality, interest-bearing security rated at least AAA/Aa by one or more standard rating service to include Standard & Poor's, Moody's or Fitch. The market value of the pledge securities shall equal or exceed the portion of the deposit requiring collateralization. The Police Pension Fund is fully collateralized at April 30, 2013.

**VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Police Pension Fund's Investments (continued)

Concentration of Credit Risk

The Police Pension Fund places no limit on the amount the fund may invest in any one issuer. The Police Pension Fund's investments are in corporate bonds, U. S. Agency notes and municipal bonds. These investments are 24%, 43%, and 7% respectively, of the total Police Pension Fund's investments.

Cash and Investments	
Cash - Village	\$ 97,652
Investments - Village	529,101
Investments - Pension Trust Fund	<u>2,046,550</u>
Total cash and investments	<u>\$ 2,673,303</u>

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 4. CAPITAL ASSETS

The summary of changes in the capital asset of the Village's governmental activities for the year ended April 30, 2013 is as follows:

	<u>Balance at May 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at April 30, 2013</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,133,189	\$ -	\$ -	\$ 10,133,189
Construction in Progress	<u>-</u>	<u>59,978</u>	<u>-</u>	<u>59,978</u>
Capital assets being depreciated:				
Land improvements	594,882	48,446	-	643,328
Buildings and improvements	4,199,899	-	-	4,199,899
Machinery and equipment	1,173,694	22,965	40,863	1,155,796
Infrastructure	<u>17,055,629</u>	<u>-</u>	<u>-</u>	<u>17,055,629</u>
Total capital assets being depreciated	<u>23,024,104</u>	<u>71,411</u>	<u>40,863</u>	<u>23,054,652</u>
Less accumulated depreciation for:				
Land improvements	(186,376)	(32,166)	-	(218,542)
Buildings and improvements	(1,169,112)	(85,861)	-	(1,254,973)
Machinery and equipment	(783,309)	(80,907)	37,067	(827,149)
Infrastructure	<u>(8,928,354)</u>	<u>(408,908)</u>	<u>-</u>	<u>(9,337,262)</u>
Total accumulated depreciation	<u>(11,067,151)</u>	<u>(607,842)</u>	<u>37,067</u>	<u>(11,637,926)</u>
Total capital assets being depreciated, net	<u>11,956,953</u>			<u>11,416,726</u>
Capital assets, net	<u>\$ 22,090,142</u>			<u>\$ 21,609,893</u>

Depreciation expense of \$607,842 was charged to the governmental activities functional expense categories as follows:

	<u>Depreciation</u>
General government	\$ 74,891
Public safety	39,067
Culture and recreation	58,013
Highway and streets	<u>435,871</u>
	<u>\$ 607,842</u>

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables as of April 30, 2013 are summarized below:

	<u>Due from</u> Other <u>Funds</u>	<u>Due to</u> Other <u>Funds</u>
Major governmental funds:		
General	\$ 53,568	\$ 142,334
Nonmajor governmental funds:	<u>142,334</u>	<u>53,568</u>
	<u>\$ 195,902</u>	<u>\$ 195,902</u>

The interfunds represent loans of cash from funds with surplus in order to meet operating needs. The loans will be repaid among the various funds when there is sufficient cash available for payment. In addition, the General Fund has a \$612,110 liability to the Police Pension Fund that is related to prior year property tax levies that were collected by the Village but not yet paid. This amount is presented on the financial statements as a separately identified balance.

NOTE 6. TRANSFERS

The following transfers were made during the fiscal year between funds:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major governmental funds:		
General	\$ 67,833	\$ 83,577
Motor Fuel	31,194	-
Nonmajor governmental funds:	<u>52,383</u>	<u>67,833</u>
Total transfers	<u>\$ 151,410</u>	<u>\$ 151,410</u>

The transfers represent both routine and non-routine items. Generally, routine transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments are due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 7. RECEIVABLES

The following is a summary of other taxes, amounts due from governments and other receivables by fund type at April 30, 2013. Any uncollectible amount is not believed to be material.

Governmental activities:

	<u>General</u>	<u>Motor Fuel Tax</u>	<u>Special Revenue</u>	<u>Total Statement of Net Assets</u>
Taxes receivable:				
Property taxes	\$ 267,658	\$ -	\$ 14,628	\$ 282,286
Utility taxes	51,494	-	-	51,494
Franchise taxes	65,087	-	-	65,087
Hotel taxes	-	-	30,514	30,514
Total taxes receivable	<u>\$ 384,239</u>	<u>\$ -</u>	<u>\$ 45,142</u>	<u>\$ 429,381</u>
Intergovernmental receivable:				
Illinois income tax	\$ 267,485	\$ -	\$ -	\$ 267,485
Illinois sales tax	476,589	-	-	476,589
Illinois local use tax	26,262	-	-	26,262
Motor fuel tax	-	12,294	-	12,294
Total intergovernmental receivable	<u>\$ 770,336</u>	<u>\$ 12,294</u>	<u>\$ -</u>	<u>\$ 782,630</u>
Accounts receivable:				
Police fines	\$ 50,767	\$ -	\$ -	\$ 50,767
Total accounts receivable	<u>\$ 50,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,767</u>

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 8. LONG-TERM DEBT

The following is a summary of changes to the Village's long-term debt for the fiscal year:

	<u>Balance</u> <u>May 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
South Suburban Mayors and Manager's Association Debt Certificate Payable					
Series of 2008	\$ 520,000	\$ -	\$ 130,000	\$ 390,000	\$ 260,000
Capital leases					
2008 copy machine	5,561	-	-	-	-
2011 copy machine	16,197	-	3,589	12,608	4,158
Compensated absences	210,012	-	36,607	173,405	46,008
Net pension obligation	157,245	-	2,385	154,860	-
OPEB obligation	191,016	73,715	-	264,731	-
Total governmental activities	<u>\$ 1,100,031</u>	<u>\$ 73,715</u>	<u>\$ 172,581</u>	<u>\$ 995,604</u>	<u>\$ 310,166</u>

South Suburban Mayors and Managers Association Debt Certificate Payable

Debt includes a \$900,000 Series 2008 Debt Certificate Payable dated April 1, 2008, due December 14, 2014; interest rate is variable and fluctuates based on the remarketing agent and is based on the Securities Industry and Financial Market Association (SIFMA) Municipal Swap Index. The amount of interest due on the debt certificates is calculated by taking the average of the weekly interest rates for the given month and applying it to the outstanding principal balance at the beginning of the month. The trustee calculates the amount of interest due and invoices the Village. The interest rate as of April 30, 2013 is 0.050% (principal and interest to be serviced by the general revenues of the Village).

Remaining principal and interest payments to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 260,000	\$ 950	\$ 260,950
2015	<u>130,000</u>	<u>299</u>	<u>130,299</u>
	<u>\$ 390,000</u>	<u>\$ 1,249</u>	<u>\$ 391,249</u>

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 8. LONG-TERM DEBT (CONTINUED)

South Suburban Mayors and Managers Association Debt Certificate Payable (continued)

During the year ended April 30, 2013, the Village did not make its scheduled principal payment of \$130,000. This amount is included in the amount due in the next fiscal year and it is also accrued as a liability in the General Fund. The debt agreement specifies that the debt certificate holders have the right to legal action to compel the Village to make its scheduled payments. To date, the Village has not received notification of any action taken by the debt certificate holders.

Capital Leases

2011 Copy Machine

The Village entered into a capital lease agreement for the lease of one copy machine. Total annual payments for the machine are \$5,753 with the first annual payment due at lease signing. The payments are for a five-year period, after which the Village has the right to purchase the machine for \$1. As of April 30, 2013, the amount of capital acquired through this lease was \$20,229. Accumulated depreciation totaled \$7,856 leaving a book value of \$12,643.

Debt service for the copy machine is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 4,158	\$ 1,595	\$ 5,753
2015	4,819	934	5,753
2016	<u>3,631</u>	<u>205</u>	<u>3,836</u>
	<u>\$ 12,608</u>	<u>\$ 2,734</u>	<u>\$ 15,342</u>

Conduit Debt Obligations

The Village has issued Multi-Family Housing Mortgage Revenue Bonds to provide financial assistance to a private-sector entity for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by irrevocable transferable letter of credit originally issued by LaSalle National Bank. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity serviced by the bond issuance. Neither the Village, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 8. LONG-TERM DEBT (CONTINUED)

Legal Debt Margin

The Village is subjected to a legal debt margin of 8.625% of equalized assessed value of property in the Village. As of April 30, 2013, the equalized assessed valuation of the Village is \$143,633,188 and the legal debt margin is \$12,388,632. The Village is in compliance with this requirement.

NOTE 9. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Village also purchased its employee health and accident insurance from commercial carriers. There have been no significant changes in the dollar value or type of insurance coverage or any claims exceeding coverage for the last three fiscal years.

NOTE 10. CONTINGENT LIABILITIES

The Village is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village Attorney, the resolution of these matters will not have a material adverse effect on the financial statements of the Village.

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS-DEFINED BENEFIT PLANS

Illinois Municipal Retirement Fund

Plan Description

The Village's defined benefit pension plan for Regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The Village's plan is affiliated with the Illinois Municipal Retirement Funds (IMRF), an agent multiple employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained on-line at www.imrf.org.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS-DEFINED BENEFIT PLANS (CONTINUED)

Funding Policy

As set by statute, the Village's Regular plan members are required to contribute 4.5% of their annual covered salary. The statutes require employees to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer rate for calendar year 2012 was 16.09% of annual covered payroll. The employer annual required contribution rate for calendar year 2012 was 16.20%.

The Village also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, which the supplemental retirement benefits rate is set by statute.

For calendar year ending December 31, 2012, the Village's actual contribution for pension cost for the Regular employees was \$179,943. Its required contribution for calendar year 2012 was \$181,173.

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	\$ 181,173	99%	\$ 8,051
12/31/11	169,514	96%	6,679
12/31/10	137,539	100%	-

The required contribution for 2012 was determined as a part of the December 31, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative and direct investment expenses); (b) projected salary increases of 4.00% a year, attributable to inflation; (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit; and (d) postretirement benefit increases of 3% annually. The actuarial value of the Village's Regular plan assets was determined using techniques that spread the effects of short-term volatility on the market value of investments over a five-year period with 20% corridor between the actuarial and market value of assets. The Village Regular plan's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 30-year basis.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS-DEFINED BENEFIT PLANS (CONTINUED)

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 51.00% funded. The actuarial accrued liability for benefits was \$3,759,555 and the actuarial value of assets was \$1,917,202 resulting in an underfunded actuarial accrued liability (UAAL) of \$1,842,353. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the Plan) was \$1,118,352 and the ratio of the UAAL to the covered payroll was 165%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

Police Pension Plan

The Police Pension Fund plan is a single employer defined benefit pension that covers all sworn police personnel. Although this is a single employer pension plan, the defined benefits and employees and employer contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. A stand-alone financial report is not issued for the plan.

At May 1, 2012 (the most recent information available) the Police Pension Fund plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	4
Terminated employees entitled to benefits but not yet receiving them	3
Current employees	
Vested	5
Nonvested	6
	<u>18</u>

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS-DEFINED BENEFIT PLANS (CONTINUED)

Police Pension Plan (Continued)

The following is a summary of the Police Pension Fund plan as provided for in Illinois State Statutes.

The Police Pension fund plan provides retirement benefits as well as death and disability benefits. Covered employees hired before January 1, 2011, attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the 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 pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, and 1% of such salary for each additional year of service over 30 years, to a maximum of 75% of such salary. Covered employees hired on or after January 1, 2011, attaining the age of 55 with at least 10 years creditable service are entitled to receive an annual retirement benefit of 2.5% of final average salary for each year of service, with a maximum salary cap of \$106,800 as of January 1, 2011. The maximum salary cap increases each year thereafter. The monthly benefit of a police officer hired before January 1, 2011, who retires with 20 or more years of service after January 1, 1977 increases annually, following the first anniversary date of retirement and be paid upon reaching the age at least 55, by 3% of the original pension and 3% compounded annually thereafter. The monthly pension of a police officer hired on or after January 1, 2011, increases annually, following the later of the first anniversary date of retirement or the month following the attainment of age 60 but the lesser of 3% or ½ of the consumer price index. Employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit.

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Fund. If an employee leaves covered employment with less than 20 years of service, accumulated employee contribution may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan, including administrative costs, as actuarially determined by an enrolled actuary. By the year 2040, the Village's contributions must accumulate to the point where the past service cost for the Police Pension Fund is 90% funded.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS-DEFINED BENEFIT PLANS (CONTINUED)

Method Used to Value Investments

Investments are reported at fair value. Fair values are based on quoted market prices, where available. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value based on generally accepted pricing models. Short-term investments are reported at cost, which approximates fair value.

There are no securities of the Village or any other related parties included in plan assets.

Funded Status and Funding Progress

As of May 1, 2012, the most recent actuarial valuation date, the plan was 66.51% funded. The actuarial accrued liability for benefits was \$4,306,877 and the actuarial value of assets was \$2,864,714 resulting in an underfunded actuarial accrued liability (UAAL) of \$1,442,163. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the Plan) was \$667,820 and the ratio of the UAAL to the covered payroll was 215.95%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS-DEFINED BENEFIT PLANS (CONTINUED)

Annual Pension Cost and Net Pension Obligation

The Village's annual pension cost for the current year and related information for each plan is as follows:

	<u>IMRF</u>	<u>Police Pension Fund</u>
Contributed rate		
Employer	16.20%	26.47%
Employee	4.50%	9.91%
Annual pension cost	181,316	189,987
Contributions made	179,943	193,745
Actuarial valuation date	12/31/2012	5/1/2012
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level % of projected payroll closed basis	Level % of projected payroll closed basis
Remaining amortization period	30 years	25 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return	7.50% compounded annually	6.75% compounded annually
Projected salary increases	0.4 to 10.0%	1.12% to 4.86%
Inflation rate included	4.00%	2.50%
Cost-of-living adjustments	3.00%	3.00%

**VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013**

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS-DEFINED BENEFIT PLANS (CONTINUED)

Annual Pension Cost and Net Pension Obligation (continued)

The pension liability at transition was determined in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*. The amount of the pension liability for IMRF and the Police Pension Fund are as follows:

	<u>IMRF</u>	<u>Police Pension Fund</u>
Annual required contribution	\$ 181,173	\$ 188,339
Interest on the NPO	501	10,163
Adjustment to the annual required contribution	<u>(358)</u>	<u>(8,515)</u>
Annual pension cost	181,316	189,987
Actual contribution	<u>179,943</u>	<u>193,745</u>
Increase in the NPO	1,373	(3,758)
NPO at April 30, 2012	<u>6,678</u>	<u>150,567</u>
NPO at April 30, 2013	<u>\$ 8,051</u>	<u>\$ 146,809</u>

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

	<u>Year</u>	<u>IMRF</u>	<u>Year</u>	<u>Police Pension Fund</u>
Annual pension cost (APC)	2012	\$ 181,316	2013	\$ 189,987
	2011	\$ 169,514	2012	\$ 185,388
	2010	\$ 137,539	2011	\$ 219,643
Actual contributions	2012	\$ 179,943	2013	\$ 193,745
	2011	\$ 192,835	2012	\$ 210,339
	2010	\$ 137,539	2011	\$ 158,858
Percentage of APC contributed	2012	99.2%	2013	102.0%
	2011	96.1%	2012	113.5%
	2010	100.0%	2011	72.0%
Net pension obligation	2012	\$ 8,051	2013	\$ 146,809
	2011	\$ 6,678	2012	\$ 150,567
	2010	\$ -	2011	\$ 175,518

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 12. POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

The Village provides the continuation of health care benefits and life insurance to employees who retire from the Village. Employees who terminate after reaching retirement eligibility in the plan may elect to continue their health care coverage by paying the monthly premium rate. Because the actuarial cost of health benefits for retirees exceed the average amount paid by retirees, the additional cost is paid by the Village and is the basis for the postemployment benefits (OPEB) obligation accounted for under GASB 45.

	<u>Participant Data</u>		
	<u>Police</u>	<u>Other Departments</u>	<u>Total</u>
Active participants	12	10	22
Retired participants	4	0	4
	<u>16</u>	<u>10</u>	<u>26</u>

Funding Policy

Funding is provided by the Village on a pay-as-you-go basis. The Village's contribution on behalf of the employees to the insurance provider was \$57,259 for 2013.

Annual OPEB cost and Net OPEB Obligation

The Village's annual OPEB cost (expense) is calculated on the annual required contribution. The annual required contribution represents the normal cost each year and an amounts to amortize the unfunded actuarial liability over thirty years. The following table shows the components of the Village's annual OPEB cost for 2013, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation:

	<u>Police</u>	<u>Other Departments</u>	<u>Total</u>
Annual required contribution	\$ 124,740	\$ 8,517	\$ 133,257
Interest on the net OPEB obligation	8,529	1,022	9,551
Adjustment to the annual required contribution	<u>(10,568)</u>	<u>(1,266)</u>	<u>(11,834)</u>
Annual OPEB cost	122,701	8,273	130,974
Contribution made	<u>(57,259)</u>	<u>-</u>	<u>(57,259)</u>
Increase in the net OPEB obligation	65,442	8,273	73,715
Net OPEB obligation beginning of year	<u>170,580</u>	<u>20,436</u>	<u>191,016</u>
Net OPEB obligation end of year	<u>\$ 236,022</u>	<u>\$ 28,709</u>	<u>\$ 264,731</u>

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 12. POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for 2013 was as follows:

<u>Year Ended</u>	<u>Three-Year Trend Information</u>		
	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
4/30/2013	\$ 130,974	43.7%	\$ 264,731
4/30/2012	89,960	32.7%	191,016
4/30/2011	90,722	29.8%	130,481

As of April 30, 2013, the actuarial accrued liability for benefits was \$1,716,083. The covered payroll was approximately \$1,318,139 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 130.2%.

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 annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan member.

In the April 30, 2013 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. Under this method, a normal cost is developed by spreading the actuarial value of benefits expected to be received by each active participant over the total working lifetime of that participant, from hire to termination, as a level percentage of pay. The actuarial assumptions included an annual healthcare cost trend rate 9 percent initially, reduced to an ultimate rate of 5 percent after five years. Rates include a 2.5 percent inflation assumption. The assumptions also include a 5.0 percent discount rate with 3.5 percent salary progression per year. The unfunded accrued actuarial liability is being amortized as a level dollar amount over 30 years.

In accordance with GASB Statement No. 45, the Village will have an actuarial valuation done once every three years. The above information is from the most recent valuation as of April 30, 2013.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 13. PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

The following is a description of the GASB authoritative pronouncements, which have been issued but have not yet been adopted by the Village of Orland Hills.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus, an Amendment of GASB Statements No. 14 and No. 34*. The objective of the Statement is to improve financial reporting for a governmental financial reporting entity by modifying certain requirements for inclusion of component unit in the financial entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement also amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. The Statement also clarifies the reporting of equity interest in legally separate organization. Statement No. 61 is effective for the Village’s fiscal year ending April 30, 2014.

In April 2012, GASB issued Statement No. 66, *Technical Corrections- 2012*. The objective of this Statement is to enhance the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. Statement No. 66 is effective for the Village’s fiscal year ending April 30, 2014.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. Statement No. 67 is effective for the Village’s fiscal year ending April 30, 2015.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to establish accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. Statement No. 68 is effective for the Village’s fiscal year ending April 30, 2015.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this statement is to establish accounting and financial reporting requirements for government combinations and disposal of government operations. Statement No. 69 is effective for the Village’s fiscal year ending April 30, 2015.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to require governments that extend a nonexchange financial guarantee to recognize a liability under certain circumstances and provides for disclosure requirements for governments giving or receiving guarantees. Statement No. 70 is effective for the Village’s fiscal year ending April 30, 2015.

The Village is currently evaluating the impact, if any, of adopting the above Statements.

VILLAGE OF ORLAND HILLS, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2013

NOTE 14. MANGEMENT’S PLAN TO REDUCE DEFICIT

The Village experienced several recent shortfalls that have impacted its operating position. In fiscal year 2013, two significant non-recurring expenditures contributed to the deficit. The first was approximately \$205,000 owed back to Cook County for tax refunds in the former TIF district. The second was approximately \$174,000 of retro pay resulting from the settlement of the police contract that covered the period from 2009 through 2015.

Management has plans to reduce the deficit position and has other options available should the need arise. Specifically, plans include the following:

- Restructure the \$390,000 note payable to the South Suburban Mayors and Managers Association to extend the maturity date.
- Request Village board approval to forgive amounts due by the General Fund to other funds resulting in an increase in fund balance of the General Fund of \$111,000.
- Reduce police overtime expenditures due to provisions in the new collective bargaining agreement.

Due to the Village’s non-reliance on general obligation debt in prior years, the Village has the ability to obtain \$718,000 in general obligation bonds based on statutory debt limits should the need arise. In addition, the Village is expecting long-term growth in its economic base, which would be used to generate additional sales tax revenues through planned expansion of businesses within the Village.

REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF ORLAND HILLS, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED APRIL 30, 2013**

Illinois Municipal Retirement Fund

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a/c)]</u>
12/31/2012	\$ 1,917,202	\$ 3,759,555	\$ 1,842,353	51.00%	\$ 1,118,352	164.74%
12/31/2011	\$ 1,730,644	\$ 3,644,629	\$ 1,913,985	47.48%	\$ 1,113,025	171.96%
12/31/2010	\$ 1,442,058	\$ 2,924,745	\$ 1,482,687	49.31%	\$ 1,034,129	143.38%

Police Pension Fund

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a/c)]</u>
5/1/2012	\$ 2,864,714	\$ 4,306,877	\$ 1,442,163	66.51%	\$ 667,820	215.95%
5/1/2011	\$ 2,636,784	\$ 3,933,179	\$ 1,296,395	67.04%	\$ 738,726	175.49%
5/1/2010	\$ 2,392,603	\$ 4,289,129	\$ 1,896,526	55.78%	\$ 600,011	316.08%

Other Post Employment Benefits

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a/c)]</u>
4/30/2013	\$ -	\$ 1,716,083	\$ 1,716,083	0.00%	\$ 1,318,139	130.19%
4/30/2012	-	\$ 1,120,618	\$ 1,120,618	0.00%	\$ 1,637,648	68.43%
4/30/2011	-	\$ 1,064,955	\$ 1,064,955	0.00%	\$ 1,582,268	67.31%

**VILLAGE OF ORLAND HILLS, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED APRIL 30, 2013**

Illinois Municipal Retirement Fund

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>
12/31/2012	\$ 181,173	\$ 179,943	99%
12/31/2011	\$ 169,514	\$ 162,835	96%
12/31/2010	\$ 137,539	\$ 137,539	100%

Police Pension Fund

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>
5/1/2012	\$ 189,987	\$ 193,745	102%
5/1/2011	\$ 185,338	\$ 210,339	113%
5/1/2010	\$ 220,623	\$ 158,858	72%

Other Post Employment Benefits

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>
4/30/2013	\$ 130,974	\$ 57,259	44%
4/30/2012	\$ 89,960	\$ 29,417	33%
4/30/2011	\$ 90,722	\$ 26,995	30%

VILLAGE OF ORLAND HILLS, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SCHEDULE OF STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND AND MOTOR FUEL TAX FUND
YEAR ENDED APRIL 30, 2013

	General Fund			Motor Fuel Tax Fund		
	Original and Final Budget	Actual	Variance Over (Under) Final	Original and Final	Actual	Variance Over (Under) Final
Revenues						
Taxes	\$ 1,496,600	\$ 1,542,483	\$ 45,883	\$ 10,000	\$ 23,298	\$ 13,298
Licenses and permits	180,350	171,049	(9,301)	-	-	-
Intergovernmental	2,088,500	2,204,964	116,464	190,000	203,561	13,561
Fees and charges for services	707,350	638,897	(68,453)	-	-	-
Fines	175,010	174,017	(993)	-	-	-
Investment income	810	3,984	3,174	100	227	127
Other revenues	235,090	291,995	56,905	-	-	-
Total Revenues	<u>4,883,710</u>	<u>5,027,389</u>	<u>143,679</u>	<u>200,100</u>	<u>227,086</u>	<u>26,986</u>
Expenditures						
Administration	1,078,650	1,232,953	154,303	-	-	-
Building and zoning department	237,780	232,240	(5,540)	-	-	-
Police department	2,121,300	2,629,084	507,784	-	-	-
Fire and police commission	6,000	4,281	(1,719)	-	-	-
ESDA	3,300	3,301	1	-	-	-
Parks and recreation	501,837	485,835	(16,002)	-	-	-
Orland Towne Village festival	40,000	35,352	(4,648)	-	-	-
Concession stand/ seniors	5,400	5,579	179	-	-	-
Special transportation	88,185	85,761	(2,424)	-	-	-
Highway and streets	566,400	582,868	16,468	131,000	95,152	(35,848)
Flood prevention	8,000	12,225	4,225	-	-	-
Capital outlay	34,000	21,998	(12,002)	200,000	70,762	(129,238)
Debt Service-principal retired	130,000	130,000	-	-	-	-
Debt Service- interest and fees	5,000	6,282	1,282	-	-	-
Total Expenditures	<u>4,825,852</u>	<u>5,467,760</u>	<u>641,908</u>	<u>331,000</u>	<u>165,915</u>	<u>(165,085)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>57,858</u>	<u>(440,371)</u>	<u>(498,229)</u>	<u>(130,900)</u>	<u>61,172</u>	<u>192,072</u>
Other Financing Sources/(Uses)						
Transfers In	168,200	67,833	(100,367)	-	31,194	31,194
Transfers Out	(225,000)	(83,577)	141,423	-	-	-
Total other financing sources	<u>(56,800)</u>	<u>(15,744)</u>	<u>41,056</u>	<u>-</u>	<u>31,194</u>	<u>31,194</u>
Net Change in Fund Balance	<u>\$ 1,058</u>	<u>(456,115)</u>	<u>\$ (457,173)</u>	<u>\$ (130,900)</u>	<u>92,366</u>	<u>\$ 223,266</u>
Fund Balances						
Beginning of Year		<u>(462,616)</u>			<u>199,938</u>	
End of Year		<u>\$ (918,731)</u>			<u>\$ 292,304</u>	

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE- GENERAL FUND AND MOTOR FUEL TAX FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
APRIL 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUDGETARY DATA

A budget to actual comparison is presented for the General fund and major special revenue funds. The budget is prepared on the modified accrual basis of accounting, which is the same basis used in reporting the governmental funds financial statements.

All departments of the Village submit requests for appropriation so that an appropriation ordinance may be prepared. The appropriation ordinance is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed appropriation ordinance is presented to the governing body for review. The governing body holds public hearings and may add to, subtract from, or change appropriations. All appropriations are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The appropriation ordinance may be amended by the governing body.

Expenditures may not legally exceed appropriation allocations at the fund level.

The Village also adopts an operating budget, which is used as a management tool.

NOTE 2. EXPENDITURES OVER BUDGET

The following funds have an excess of actual expenditures over budget for the year ended April 30, 2013:

<u>Fund</u>	<u>Amount</u>
General	\$ 641,908
Non-Drug Seized	11,889
TIF Eligible Expense	4,916

SUPPLEMENTARY INFORMATION

VILLAGE OF ORLAND HILLS, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES- BUDGET AND ACTUAL
YEAR ENDED APRIL 30, 2013

Revenues	Original/ Final Budget	Actual	Variance Over (Under) Final Budget
Taxes			
Property tax	\$ 320,000	\$ 521,151	\$ 201,151
Road and bridge property tax	15,000	-	(15,000)
Non home-rule sales tax	660,000	696,345	36,345
Telecommunication utility tax	210,000	205,470	(4,530)
Non-retail business tax	256,000	87,857	(168,143)
Vehicle lease tax	35,600	31,660	(3,940)
Total taxes	<u>1,496,600</u>	<u>1,542,483</u>	<u>45,883</u>
Licenses and permits			
Vehicle licenses	71,050	71,193	143
Liquor licenses	38,000	33,850	(4,150)
Other licenses and permits	6,300	6,915	615
Business licenses	45,000	38,800	(6,200)
Contractor licenses	20,000	20,292	292
Total licenses and permits	<u>180,350</u>	<u>171,049</u>	<u>(9,301)</u>
Intergovernmental revenues			
Personal property replacement tax	3,500	3,449	(51)
State income tax	550,000	706,138	156,138
State sales tax	1,425,000	1,381,979	(43,021)
DCEO grant	-	50	50
Use tax	110,000	113,348	3,348
Total intergovernmental revenues	<u>2,088,500</u>	<u>2,204,964</u>	<u>116,464</u>
Fees and charges for services			
Franchise fees	445,000	391,747	(53,253)
Permit and inspection fees	60,100	66,952	6,852
Recreation fees	132,750	112,590	(20,160)
Video provider fee	40,000	35,490	(4,510)
Other fees and charges	29,500	32,119	2,619
Total fees and charges for services	<u>707,350</u>	<u>638,897</u>	<u>(68,453)</u>
Fines			
Police fines	95,000	135,563	40,563
Forfeiture proceeds	10	-	(10)
Miscellaneous fines	80,000	38,454	(41,546)
Total fines	<u>175,010</u>	<u>174,017</u>	<u>(993)</u>
Investment income	810	3,984	3,174
Other revenue			
Donations	43,600	65,697	22,097
Reimbursements	120,000	137,694	17,694
Miscellaneous	71,490	88,604	17,114
Total other revenue	<u>235,090</u>	<u>291,995</u>	<u>56,905</u>
Total revenues	<u>\$ 4,883,710</u>	<u>\$ 5,027,389</u>	<u>\$ 143,679</u>

**VILLAGE OF ORLAND HILLS
GENERAL FUND
SCHEDULE OF EXPENDITURES- BUDGET AND ACTUAL
YEAR ENDED APRIL 30, 2013**

Expenditures	Original/ Final Budget	Actual	Variance Over (Under) Final Budget
General Government			
Administration			
Personal services	\$ 605,800	\$ 589,237	\$ 16,563
Contractual	404,200	572,980	(168,780)
Commodities	67,650	68,832	(1,182)
Capital outlay	1,000	1,905	(905)
Total Administration	<u>1,078,650</u>	<u>1,232,953</u>	<u>(154,303)</u>
Building & Zoning Department			
Personal services	209,380	202,918	6,462
Contractual	25,850	23,775	2,075
Commodities	2,550	5,547	(2,997)
Total building & zoning department	<u>237,780</u>	<u>232,240</u>	<u>5,540</u>
Total general government	<u>1,316,430</u>	<u>1,465,193</u>	<u>(148,763)</u>
Public Safety			
Police department			
Personal services	1,578,100	2,002,529	(424,429)
Contractual	411,300	516,888	(105,588)
Commodities	128,900	103,345	25,555
Capital outlay	3,000	6,322	(3,322)
Total police department	<u>2,121,300</u>	<u>2,629,084</u>	<u>(507,784)</u>
Fire and Police Commission			
Contractual	5,500	3,906	1,594
Commodities	500	375	125
Total fire and police commission	<u>6,000</u>	<u>4,281</u>	<u>1,719</u>
ESDA			
Personal services	2,100	351	1,749
Contractual	300	240	60
Commodities	900	2,710	(1,810)
Total ESDA	<u>3,300</u>	<u>3,301</u>	<u>(1)</u>
Total public safety	<u>2,130,600</u>	<u>2,636,666</u>	<u>(506,066)</u>
Culture and Recreation			
Parks and recreation			
Personal services	301,137	288,118	13,019
Contractual	112,300	115,899	(3,599)
Commodities	86,900	79,725	7,175
Capital outlay	1,500	2,094	(594)
Total parks and recreation	<u>\$ 501,837</u>	<u>\$ 485,835</u>	<u>\$ 16,002</u>

VILLAGE OF ORLAND HILLS, ILLINOIS
GENERAL FUND
SCHEDULE OF EXPENDITURES- BUDGET AND ACTUAL
YEAR ENDED APRIL 30, 2013

	Original/ Final Budget	Actual	Variance Over (Under) Final Budget
Culture and Recreation (Continued)			
Orland Towne Village festival			
Commodities	\$ 40,000	\$ 35,352	\$ 4,648
Concession stand/seniors			
Personal services	-	183	(183)
Contractual	400	194	206
Commodities	5,000	5,202	(202)
Total concession stand/seniors	5,400	5,579	(179)
Special transportation			
Personal services	75,185	78,661	(3,476)
Contractual	6,000	1,166	4,834
Commodities	7,000	5,933	1,067
Total special transportation	88,185	85,761	2,424
Total culture and recreation	635,422	612,527	22,895
Highways and Streets			
Public works			
Personal services	400,700	423,522	(22,822)
Contractual	126,500	122,957	3,543
Commodities	39,200	32,636	6,564
Capital outlay	-	3,755	(3,755)
Total public works	566,400	582,868	(16,468)
Flood Prevention	8,000	12,225	(4,225)
Total highways and streets	574,400	595,094	(20,694)
Capital outlay	34,000	21,998	12,002
Debt service- principal retired	130,000	130,000	-
Debt service- interest and fees	5,000	6,282	(1,282)
Total expenditures	\$ 4,825,852	\$ 5,467,760	\$ (641,908)

**VILLAGE OF ORLAND HILLS, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
APRIL 30, 2013**

	Nonmajor Special Revenue Funds	Debt Service Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
Assets:				
Cash and cash equivalents	\$ 22,909	\$ -	\$ -	\$ 22,909
Short-term investments	50,848	108	310	51,266
Receivables				
Property taxes	14,628	-	-	14,628
Hotel taxes	30,514	-	-	30,514
Due from other funds	42,354	-	99,980	142,334
Total assets	<u>161,253</u>	<u>108</u>	<u>100,290</u>	<u>261,651</u>
Liabilities, Deferred Inflows of Resources And Fund Balance				
Liabilities:				
Accounts payable	210,835	-	-	210,835
Due to other funds	-	53,567	-	53,567
Total liabilities	<u>210,835</u>	<u>53,567</u>	<u>-</u>	<u>264,402</u>
Deferred inflows of resources				
Unearned revenues	14,628	-	-	14,628
Total deferred inflows of resources	<u>14,628</u>	<u>-</u>	<u>-</u>	<u>14,628</u>
Fund Balances (Deficit)				
Unreserved, reported in				
Special Revenue Funds	(64,210)	-	-	(64,210)
Debt Service Funds	-	(53,459)	-	(53,459)
Capital Projects Fund	-	-	100,290	100,290
	<u>(64,210)</u>	<u>(53,459)</u>	<u>100,290</u>	<u>(17,379)</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 161,253</u>	<u>\$ 108</u>	<u>\$ 100,290</u>	<u>\$ 261,651</u>

VILLAGE OF ORLAND HILLS, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2013

Revenues	Nonmajor Special Revenue Funds	Debt Service Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
Property taxes	\$ 28,946	\$ -	\$ -	\$ 28,946
Hotel taxes	113,697	-	-	113,697
Investment income	95	-	-	95
Other revenue	-	-	-	-
Total revenues	<u>142,738</u>	<u>-</u>	<u>-</u>	<u>142,738</u>
Expenditures				
Administration	74,922	-	-	74,922
Police department	21,889	-	-	21,889
Total expenditures	<u>96,811</u>	<u>-</u>	<u>-</u>	<u>96,811</u>
Excess of Revenues Over Expenditures	45,927	-	-	45,927
Other Financing (Uses)				
Transfers In	52,383	-	-	52,383
Transfers Out	(67,833)	-	-	(67,833)
Total other financing sources (uses)	<u>(15,450)</u>	<u>-</u>	<u>-</u>	<u>(15,450)</u>
Net Change in Fund Balance	30,477	-	-	30,477
Fund Balance (Deficit)				
Beginning of Year	<u>(94,687)</u>	<u>(53,459)</u>	<u>100,290</u>	<u>(47,856)</u>
End of Year	<u>\$ (64,210)</u>	<u>\$ (53,459)</u>	<u>\$ 100,290</u>	<u>\$ (17,379)</u>

VILLAGE OF ORLAND HILLS, ILLINOIS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 APRIL 30, 2013

SPECIAL REVENUE FUNDS

	Integrity Fund	Tourism Fund	Park Donation Fund	Wetland Maintenance Fund	Working Cash Fund	Special Service Area Fund	Non-Drug Seizure Fund	TIF Eligible Fund	Tax Rebate Fund	Alternate Revenue Fund	Total
Assets:											
Cash and cash equivalents	\$ 3	\$ 18,155	\$ -	\$ -	\$ -	\$ -	\$ 2,678	\$ 2,071	\$ -	\$ 1	\$ 22,908
Short-term investments	-	46,275	1,777	1,590	568	298	341	-	-	-	50,848
Receivables											
Property taxes	-	-	-	-	-	14,628	-	-	-	-	14,628
Hotel taxes	-	30,514	-	-	-	-	-	-	-	-	30,514
Due from other funds	-	11,066	-	-	-	-	-	31,288	-	-	42,354
Total assets	<u>\$ 3</u>	<u>\$ 106,010</u>	<u>\$ 1,777</u>	<u>\$ 1,590</u>	<u>\$ 568</u>	<u>\$ 14,926</u>	<u>\$ 3,019</u>	<u>\$ 2,071</u>	<u>\$ 31,288</u>	<u>\$ 1</u>	<u>\$ 161,253</u>
Liabilities, Deferred Inflows of Resources and Fund Balance											
Liabilities:											
Accounts payable	\$ -	\$ 5,798	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 205,038	\$ -	\$ -	\$ 210,835
Total liabilities	<u>-</u>	<u>5,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,038</u>	<u>-</u>	<u>-</u>	<u>210,835</u>
Deferred Inflows of Resources											
Unearned revenue	-	-	-	-	-	14,628	-	-	-	-	14,628
Total deferred inflows of resource	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,628</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,628</u>
Fund Balances (Deficit)											
Unreserved	<u>3</u>	<u>100,213</u>	<u>1,777</u>	<u>1,590</u>	<u>568</u>	<u>298</u>	<u>3,019</u>	<u>(202,967)</u>	<u>31,288</u>	<u>1</u>	<u>(64,210)</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3</u>	<u>\$ 106,011</u>	<u>\$ 1,777</u>	<u>\$ 1,590</u>	<u>\$ 568</u>	<u>\$ 14,926</u>	<u>\$ 3,019</u>	<u>\$ 2,071</u>	<u>\$ 31,288</u>	<u>\$ 1</u>	<u>\$ 161,253</u>

VILLAGE OF ORLAND HILLS, ILLINOIS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED APRIL 30, 2013

SPECIAL REVENUE FUNDS

	Integrity Fund	Tourism Fund	Park Donation Fund	Wetland Maintenance Fund	Working Cash Fund	Special Service Area Fund	Non-Drug Seizure Fund	TIF Eligible Fund	Tax Rebate Fund	Alternate Revenue Fund	Total
Revenue											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,946	\$ -	\$ -	\$ -	\$ -	\$ 28,946
Hotel tax	-	113,697	-	-	-	-	-	-	-	-	113,697
Investment income	-	42	1	1	-	23	15	12	-	-	95
Other revenue	-	-	-	-	-	-	-	-	-	-	-
Total revenue	-	113,739	1	1	-	28,969	15	12	-	-	142,737
Expenditures											
Administration	-	50,006	-	-	-	-	-	24,916	-	-	74,922
Police department	-	-	-	-	-	-	21,889	-	-	-	21,889
Total expenditures	-	50,006	-	-	-	-	21,889	24,916	-	-	96,811
Excess(Deficiencies) of Revenue Over Expenditures	-	63,734	1	1	-	28,969	(21,874)	(24,904)	-	-	45,927
Other Financing (Uses)											
Transfers in	-	21,095	-	-	-	-	-	-	31,288	-	52,383
Transfers out	-	(20,000)	-	-	-	(47,833)	-	-	-	-	(67,833)
Net Change in Fund Balances	-	64,829	1	1	-	(18,864)	(21,874)	(24,904)	31,288	-	30,477
Fund Balances (Deficit)											
Beginning of Year	3	35,384	1,776	1,589	568	19,162	24,893	(178,063)	-	1	(94,687)
End of Year	\$ 3	\$ 100,213	\$ 1,777	\$ 1,590	\$ 568	\$ 298	\$ 3,019	\$ (202,967)	\$ 31,288	\$ 1	\$ (64,210)

VILLAGE OF ORLAND HILLS, ILLINOIS
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
APRIL 30, 2013

	<u>Incremental Sales Tax Fund</u>	<u>1992 G.O. Corporate Bond Fund</u>	<u>Total</u>
Assets			
Short-term investments	\$ -	\$ 108	\$ 108
Liabilities and Fund Balance			
Liabilities			
Due to other funds	53,567	-	53,567
Fund Balance			
Unreserved	(53,567)	108	(53,459)
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 108</u>	<u>\$ 108</u>

VILLAGE OF ORLAND HILLS, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
DEBT SERVICE FUNDS
YEAR ENDED APRIL 30, 2013

	<u>Incremental Sales Tax Fund</u>	<u>1992 G.O. Corporate Bond Fund</u>	<u>Total</u>
Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficit)			
Beginning of year	<u>(53,567)</u>	<u>108</u>	<u>(53,459)</u>
End of year	<u><u>\$ (53,567)</u></u>	<u><u>\$ 108</u></u>	<u><u>\$ (53,459)</u></u>

STATISTICAL SECTION

**VILLAGE OF ORLAND HILLS, ILLINOIS
GENERAL PROPERTY TAX DATA
LAST TEN YEARS
(Unaudited)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Assesed										
Valuation	\$ 143,633,188	\$ 155,343,519	\$ 181,065,140	\$ 169,916,160	\$ 154,791,619	\$ 139,502,747	\$ 137,805,740	\$ 118,061,057	\$ 116,156,506	\$ 109,405,985
Tax Rate										
General	0.369	0.331	0.278	0.269	0.280	0.279	0.288	0.282	0.316	0.321
Gross Levy										
General	529,320	513,365	503,858	456,555	444,960	411,821	395,813	383,805	366,680	351,193