

**VILLAGE OF PEORIA HEIGHTS, ILLINOIS
Annual Financial Report
And Supplementary Data
April 30, 2013
(with Independent Auditors' Report Thereon)**

VILLAGE OF PEORIA HEIGHTS, ILLINOIS

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Trustees
Village of Peoria Heights, Illinois

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and fund information of the Village of Peoria Heights, Illinois, 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 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 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.

Basis for Qualified Opinion

As discussed in Note 1, the basic financial statements referred to above do not include the Public Library Fund and the Police Pension Fund, which should be included to conform with U.S. generally accepted accounting principles. The Village has omitted disclosures required by Governmental Accounting Standards

Board Statement No. 45, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The amount of which this disclosure would affect the financial statements is not reasonably determinable. Accordingly, the accompanying basic financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and fund information of the Village of Peoria Heights, Illinois as of April 30, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 6, and the required supplementary information on pages 29 through 35 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village's basic financial statements. The supplemental financial information on pages 36 through 38 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information on pages 36 through 38 is the responsibility of management and was derived from and relates 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 supplementary financial information on pages 36 through 38 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Peoria, Illinois
December 19, 2013

London, Stockman & Waugh, P.C.

**The Village of Peoria Heights, Illinois
Management's Discussion and Analysis
For the year ended April 30, 2013**

Our discussion and analysis of the Village's financial performance provides an overview of the Village's financial activities for the fiscal year ended April 30, 2013. Please read it in conjunction with the Village's financial statements, which begin on page 7.

Financial Highlights

The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$10,873,950 (net position). Of this amount, \$2,719,763 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the Village's fund designation and fiscal policies.

The Village's total net position increased by \$186,528 during the fiscal year ended April 30, 2013.

At the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,354,312.

At the end of the current fiscal year, the Village did not have any bonded debt outstanding.

Overview of Financial Statements

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

As explained in note 1, the governmental-fund financial statements have been prepared on the modified accrual basis of accounting. The government-wide financial statements and the fund level proprietary financial statements have been prepared on the accrual basis of accounting.

Government-wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances.

The statement of net position presents information on all the Village's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. The statement of activities presents information showing how the Village's net position changed during the fiscal year.

Both of the government-wide financial statements distinguish between functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government and administration, ambulance service, police, fire protection, garbage collection and streets and alleys. The business-type activities include the waterworks operations. The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories, governmental funds and proprietary funds.

**The Village of Peoria Heights, Illinois
Management's Discussion and Analysis
For the year ended April 30, 2013**

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds focus on current sources and uses of spendable sources, as well as on balances of spendable resources available at the end of the fiscal year. The Village maintains the following governmental funds: the General Fund and the Special Revenue Funds (Police Pension Levy, Improvement, Capital Improvement, TIF, and Motor Fuel Tax). Information is presented separately in the governmental funds statements for each of these funds. The governmental fund financial statements can be found on pages 9 - 11.

Proprietary Funds - The Village has one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The Village uses an enterprise fund to account for the Waterworks fund. The proprietary fund financial statements can be found on pages 12 - 15.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 - 28.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the Village, assets exceed liabilities by \$10,873,950 as of April 30, 2013.

A significant portion of the Village's net assets (75 percent) reflects its investments in capital assets (e.g. land, buildings and improvements and equipment). The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Village of Peoria Heights' Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 2,128,522	\$ 1,946,493	\$ 887,221	\$ 846,962	\$ 3,015,743	\$ 2,793,455
Restricted assets	-	-	70,995	71,025	70,995	71,025
Internal balances	(160,000)	(160,000)	160,000	160,000	-	-
Capital assets	6,045,534	6,374,818	3,463,638	3,585,308	9,509,172	9,960,126
Total assets	8,014,056	8,161,311	4,581,854	4,663,295	12,595,910	12,824,606
Current liabilities	327,842	330,174	168,670	519,866	496,512	850,040
Long-term liabilities	150,000	226,228	1,075,448	1,060,916	1,225,448	1,287,144
Total liabilities	477,842	556,402	1,244,118	1,580,782	1,721,960	2,137,184
Net Position:						
Invested in capital assets	5,819,202	5,973,343	2,334,985	2,524,392	8,154,187	8,497,735
Unrestricted	1,717,012	1,631,566	1,002,751	558,121	2,719,763	2,189,687
Total net position	\$ 7,536,214	\$ 7,604,909	\$ 3,337,736	\$ 3,082,513	\$ 10,873,950	\$ 10,687,422

As of April 30, 2013 and 2012, the Village had positive balances in all categories of net position.

**The Village of Peoria Heights, Illinois
Management's Discussion and Analysis
For the year ended April 30, 2013**

Analysis of the Village's Operations - Overall the Village had an increase in net position of \$186,528.

Governmental Activities: Governmental activities decreased net position by \$68,695. Net position invested in capital assets, net of related debt decreased by \$154,141 primarily due to the excess of depreciation over debt payments and property and equipment purchased.

Total revenues from governmental activities increased by approximately \$224,653 primarily as a result of an increase in sales taxes and state income taxes.

Business-type Activities: Net position from business-type activities increased by \$255,223. The Village received \$441,383 in operating and capital grants and contributions in fiscal year 2013.

	Village of Peoria Heights' Change in Net Position					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Fees, fines and charges						
for services	\$ 754,799	\$ 769,183	\$ 883,468	\$ 848,110	\$ 1,638,267	\$ 1,617,293
Operating grants and contributions	-	390	41,383	-	41,383	390
Capital grants and contributions	-	-	400,000	-	400,000	-
General revenues:						
Property taxes	355,298	339,221	-	-	355,298	339,221
Replacement taxes	110,180	104,101	-	-	110,180	104,101
Sales taxes	1,792,777	1,611,009	-	-	1,792,777	1,611,009
State income taxes	582,466	521,574	-	-	582,466	521,574
Motor fuel taxes	175,387	182,681	-	-	175,387	182,681
Other taxes	12,239	7,438	-	-	12,239	7,438
Franchise fees	119,498	102,066	-	-	119,498	102,066
Land lease	33,322	33,564	-	-	33,322	33,564
Interest	1,844	2,990	965	1,331	2,809	4,321
Miscellaneous	13,593	52,533	13,915	361	27,508	52,894
Total revenues	3,951,403	3,726,750	1,339,731	849,802	5,291,134	4,576,552
Expenses:						
General government and administration	706,634	753,942	-	-	706,634	753,942
Ambulance service	431,611	456,188	-	-	431,611	456,188
Police department	1,504,057	1,399,266	-	-	1,504,057	1,399,266
Fire protection	183,176	185,913	-	-	183,176	185,913
Garbage collection	413,505	396,784	-	-	413,505	396,784
Streets and alleys	779,016	775,381	-	-	779,016	775,381
Interest on long-term debt	2,099	1,216	-	-	2,099	1,216
Waterworks	-	-	1,084,716	880,149	1,084,716	880,149
Total expenses	4,020,098	3,968,690	1,084,716	880,149	5,104,814	4,848,839

**The Village of Peoria Heights, Illinois
Management's Discussion and Analysis
For the year ended April 30, 2013**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Excess (deficiency) of revenues over expenses	(68,695)	(241,940)	255,015	(30,347)	186,320	(272,287)
Transfers	-	-	208	364	208	364
Change in net position	(68,695)	(241,940)	255,223	(29,983)	186,528	(271,923)
Net position - beginning of year	7,604,909	7,846,849	3,082,513	3,112,496	10,687,422	10,959,345
Net position - end of year	<u>\$ 7,536,214</u>	<u>\$ 7,604,909</u>	<u>\$ 3,337,736</u>	<u>\$ 3,082,513</u>	<u>\$ 10,873,950</u>	<u>\$ 10,687,422</u>

Financial Analysis of the Government's Funds

Governmental funds - The focus of the Village's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. In particular, unrestricted fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,354,312. Additional information about the Village's fund balances can be found in note 9 on pages 27 and 28.

Proprietary funds - The Village's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail. Unrestricted net position of the proprietary fund are Waterworks \$1,002,751. Total net assets position increased \$255,223 in fiscal year 2013.

Capital Assets

The Village's investment in capital assets for its governmental and business-type activities as of April 30, 2013, amounts to \$9,509,172 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and equipment.

**Capital Assets at Year-End
Net of Accumulated Depreciation**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 1,986,090	\$ 1,986,090	\$ 38,942	\$ 38,942	\$ 2,025,032	\$ 2,025,032
Buildings and improvements	3,142,677	3,299,618	554,278	644,543	3,696,955	3,944,161
Capital equipment	916,767	1,089,110	2,870,418	2,901,823	3,787,185	3,990,933
	<u>\$ 6,045,534</u>	<u>\$ 6,374,818</u>	<u>\$ 3,463,638</u>	<u>\$ 3,585,308</u>	<u>\$ 9,509,172</u>	<u>\$ 9,960,126</u>

Additional information on the Village's capital assets can be found in note 3 on pages 22 and 23 of this report.

Budget

For the year ended April 30, 2013, the Village's actual expenditures for the general fund were less than the amounts budgeted. A comparison of budget to actual can be found on page 29 of this report.

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
STATEMENT OF NET POSITION
April 30, 2013

	Governmental Activities	Business-type Activities	Totals
Assets			
Current assets:			
Cash and investments	\$ 1,012,507	\$ 632,310	\$ 1,644,817
Inventory	9,625	15,832	25,457
Internal balances	(160,000)	160,000	-
Property taxes receivable	362,700	-	362,700
Other taxes receivable	670,372	-	670,372
Accounts receivable	10,354	201,832	212,186
Prepaid expenses	62,964	37,247	100,211
Total current assets	1,968,522	1,047,221	3,015,743
Restricted assets:			
Cash and investments	-	70,995	70,995
Capital assets (net of accumulated depreciation)	6,045,534	3,463,638	9,509,172
Total assets	\$ 8,014,056	\$ 4,581,854	\$ 12,595,910
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	\$ 76,966	\$ 15,464	\$ 92,430
Current portion of long-term debt	76,332	53,205	129,537
Accrued payroll and vacation	174,544	29,006	203,550
Total current liabilities	327,842	97,675	425,517
Current liabilities payable from restricted assets			
Customers' service deposits:			
Customers' deposits	-	70,835	70,835
Unclaimed checks	-	160	160
Total current liabilities payable from restricted assets	-	70,995	70,995
Noncurrent liabilities:			
Long-term debt due in more than one year	150,000	1,075,448	1,225,448
Total noncurrent liabilities	150,000	1,075,448	1,225,448
Total liabilities	477,842	1,244,118	1,721,960
Net Position			
Investment in capital assets, net of related debt	5,819,202	2,334,985	8,154,187
Unrestricted	1,717,012	1,002,751	2,719,763
Total net position	7,536,214	3,337,736	10,873,950
Total liabilities and net position	\$ 8,014,056	\$ 4,581,854	\$ 12,595,910

The accompanying notes are an integral part of these financial statements.

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government and administration	\$ 706,634	\$ 717,257	\$ -	\$ -	\$ 10,623	\$ -	\$ 10,623
EMT	431,611	-	-	-	(431,611)	-	(431,611)
Police department	1,504,057	-	-	-	(1,504,057)	-	(1,504,057)
Fire protection	183,176	-	-	-	(183,176)	-	(183,176)
Garbage collection	413,505	-	-	-	(413,505)	-	(413,505)
Streets and alleys	779,016	37,542	-	-	(741,474)	-	(741,474)
Interest on long-term debt	2,099	-	-	-	(2,099)	-	(2,099)
Total governmental activities	<u>4,020,098</u>	<u>754,799</u>	<u>-</u>	<u>-</u>	<u>(3,265,299)</u>	<u>-</u>	<u>(3,265,299)</u>
Business-type activities:							
Waterworks	<u>1,084,716</u>	<u>883,468</u>	<u>41,383</u>	<u>400,000</u>	<u>-</u>	<u>240,135</u>	<u>240,135</u>
Total	<u>\$ 5,104,814</u>	<u>\$ 1,638,267</u>	<u>\$ 41,383</u>	<u>\$ 400,000</u>	<u>\$ (3,265,299)</u>	<u>\$ 240,135</u>	<u>\$ (3,025,164)</u>
General revenues:							
Taxes:							
Property					\$ 355,298	\$ -	\$ 355,298
Replacement					110,180	-	110,180
Sales					1,792,777	-	1,792,777
State income					582,466	-	582,466
Motor fuel					175,387	-	175,387
Other					12,239	-	12,239
Franchise fees					119,498	-	119,498
Miscellaneous					13,593	13,915	27,508
Land lease					33,322	-	33,322
Investment earnings					1,844	965	2,809
Transfers					-	208	208
Total general revenues and transfers					<u>3,196,604</u>	<u>15,088</u>	<u>3,211,692</u>
Change in net position					(68,695)	255,223	186,528
Net position - beginning					<u>7,604,909</u>	<u>3,082,513</u>	<u>10,687,422</u>
Net position - ending					<u>\$ 7,536,214</u>	<u>\$ 3,337,736</u>	<u>\$ 10,873,950</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
GOVERNMENTAL FUNDS
BALANCE SHEET
April 30, 2013

	Special Revenue						Total Governmental Funds
	General	Police Pension Levy	Tax Increment Financing	Improvement	Capital Improvement	Motor Fuel Tax	
Assets							
Cash and investments	\$ 540,142	\$ -	\$ 16,275	\$ 9,520	\$ 215,000	\$ 231,570	\$ 1,012,507
Gasoline inventory	9,625	-	-	-	-	-	9,625
Due from other funds	2,500	-	-	-	-	113	2,613
Property taxes receivable	124,602	233,816	4,282	-	-	-	362,700
Other taxes receivable	655,226	-	-	-	-	15,146	670,372
Accounts receivable	10,354	-	-	-	-	-	10,354
Prepaid expenses	62,964	-	-	-	-	-	62,964
Total assets	<u>\$ 1,405,413</u>	<u>\$ 233,816</u>	<u>\$ 20,557</u>	<u>\$ 9,520</u>	<u>\$ 215,000</u>	<u>\$ 246,829</u>	<u>\$ 2,131,135</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 76,172	\$ -	\$ -	\$ -	\$ -	\$ 794	\$ 76,966
Accrued salaries	174,544	-	-	-	-	-	174,544
Due to other funds	160,113	-	2,500	-	-	-	162,613
Unearned revenue	124,602	233,816	4,282	-	-	-	362,700
Total liabilities	<u>535,431</u>	<u>233,816</u>	<u>6,782</u>	<u>-</u>	<u>-</u>	<u>794</u>	<u>776,823</u>
Fund balances							
Nonspendable	72,589	-	-	-	-	-	72,589
Restricted	-	-	13,775	9,520	215,000	246,035	484,330
Unassigned	797,393	-	-	-	-	-	797,393
Total fund balances	<u>869,982</u>	<u>-</u>	<u>13,775</u>	<u>9,520</u>	<u>215,000</u>	<u>246,035</u>	<u>1,354,312</u>
Total liabilities and fund balances	<u>\$ 1,405,413</u>	<u>\$ 233,816</u>	<u>\$ 20,557</u>	<u>\$ 9,520</u>	<u>\$ 215,000</u>	<u>\$ 246,829</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,045,534
Property taxes are not available to pay for current period expenditures and, therefore, are deferred in the funds.	362,700
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(226,332)</u>

Net position of governmental activities \$ 7,536,214

The accompanying notes are an integral part of these financial statements.

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED APRIL 30, 2013

	Special Revenue						Total Governmental Funds
	General	Police Pension Levy	Tax Increment Financing	Improvement	Capital Improvement	Motor Fuel Tax	
Revenues							
Property taxes	\$ 121,865	\$ 211,764	\$ 5,638	\$ -	\$ -	\$ -	\$ 339,267
Licenses and permits	205,291	-	-	-	-	37,542	242,833
Franchise fees	119,498	-	-	-	-	-	119,498
State sales tax	828,421	-	-	-	-	-	828,421
Home rule sales tax	865,565	-	-	-	-	-	865,565
Local use tax	98,791	-	-	-	-	-	98,791
State income tax	582,466	-	-	-	-	-	582,466
Personal property replacement tax	110,180	-	-	-	-	-	110,180
Other taxes	12,239	-	-	-	-	-	12,239
Motor fuels tax	-	-	-	-	-	175,387	175,387
Charges for services	283,950	-	-	-	-	-	283,950
Fines	228,016	-	-	-	-	-	228,016
Interest	1,475	-	17	-	-	352	1,844
Land lease	33,322	-	-	-	-	-	33,322
Miscellaneous	13,593	-	-	-	-	-	13,593
Total revenues	3,504,672	211,764	5,655	-	-	213,281	3,935,372
Expenditures							
Current							
Administration department	557,903	-	-	-	-	-	557,903
Police department	1,219,072	211,764	-	-	-	-	1,430,836
EMT	395,930	-	-	-	-	-	395,930
Fire protection	124,719	-	-	-	-	-	124,719
Garbage collection	413,505	-	-	-	-	-	413,505
Streets and alleys	479,094	-	-	-	-	247,702	726,796
Capital outlay	39,026	-	-	-	-	-	39,026
Debt service principal	175,143	-	-	-	-	-	175,143
Debt service interest	2,099	-	-	-	-	-	2,099
Total expenditures	3,406,491	211,764	-	-	-	247,702	3,865,957
Excess (deficiency) of revenues over expenditures	98,181	-	5,655	-	-	(34,421)	69,415
Other financing sources (uses)							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-
Net other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances	98,181	-	5,655	-	-	(34,421)	69,415
Prior year fund balances	771,801	-	8,120	9,520	215,000	280,456	1,284,897
Current year ending fund balances	\$ 869,982	\$ -	\$ 13,775	\$ 9,520	\$ 215,000	\$ 246,035	\$ 1,354,312

The accompanying notes are an integral part of these financial statements.

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

Net change in fund balances of Governmental Funds \$ 69,415

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period, net of disposals. (329,284)

The repayment of long-term debt consumes current financial resources of governmental funds, however, the transaction has no effect on net assets. 175,143

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 16,031

Change in net assets of governmental activities \$ (68,695)

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 April 30, 2013

	Business-type Activities - Enterprise Fund
Assets	
Current assets	Waterworks
Cash and investments:	
Operations and maintenance account	\$ 632,310
Accounts receivable:	
Billed	78,931
Unbilled charges - estimated	122,901
Total accounts receivable	201,832
Due from other funds	160,000
Inventory, at cost	15,832
Prepaid expenses	37,247
Total current assets	1,047,221
Restricted assets	
Cash and investments	70,995
Property, plant and equipment, at cost	
Property, plant and equipment	8,149,680
Less accumulated depreciation	4,724,984
	3,424,696
Land	38,942
Net property, plant and equipment	3,463,638
Total assets	\$ 4,581,854
Liabilities and Net Position	
Current liabilities	
Current portion of long term debt	\$ 53,205
Accounts payable	15,464
Accrued payroll and vacation	29,006
Total current liabilities	97,675
Current liabilities payable from restricted assets	
Customers' service deposits:	
Customers' deposits	70,835
Unclaimed checks	160
Total current liabilities payable from restricted assets	70,995
Long term liabilities	
Notes payable	1,075,448
Total long term liabilities	1,075,448
Total liabilities	1,244,118
Net Position	
Invested in capital, net of related debt	2,334,985
Unrestricted	1,002,751
Total net position	3,337,736
Total liabilities and net position	\$ 4,581,854

The accompanying notes are an integral part of these financial statements.

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED APRIL 30, 2013

	Business-type Activities - Enterprise Fund
	Waterworks
Operating revenues	
Water sales	\$ 878,791
Service connection fees	4,677
Total operating revenues	883,468
Plant operating and commercial expenses	1,062,886
Operating income (loss)	(179,418)
Nonoperating revenues (expenses)	
Interest income on investments	965
Energy efficiency program rebate	41,383
Capital contribution	400,000
Interest expense	(21,830)
Miscellaneous	13,915
Total nonoperating revenues (expenses)	434,433
Net income before operating transfers	255,015
Operating transfers in	208
Increase in net position	255,223
Net position	
Beginning of year	3,082,513
End of year	\$ 3,337,736

The accompanying notes are an integral part of these financial statements.

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED APRIL 30, 2013

	Business-type Activities - Enterprise Fund
	Waterworks
Cash flows from operating activities	
Receipts from customers	\$ 868,298
Payments to suppliers	(366,359)
Payments to employees	(365,573)
Net cash provided by operating activities	136,366
Cash flows from noncapital financing activities	
Miscellaneous nonoperating revenue	13,915
Energy efficiency program rebate	41,383
Operating transfers in	208
Operating transfers out	-
Net cash provided by noncapital financing activities	55,506
Cash flows from capital and related financing activities	
Proceeds from IEPA loan	497,898
Loan repayments	(30,161)
Interest	(21,830)
Capital assets purchased	(591,155)
Net cash (used for) capital and related financing activities	(145,248)
Cash flows from investing activities	
Interest received	965
Net cash provided by investing activities	965
Net change in cash and investments	47,589
Cash and investments	
Beginning of year	655,716
End of year	\$ 703,305

The accompanying notes are an integral part of these financial statements.

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED APRIL 30, 2013

	Business-type Activities - Enterprise Fund
	Waterworks
Cash flows from operating activities	
Operating income (loss)	\$ (179,418)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	292,916
Bad debts	26,000
Changes in assets and liabilities	
Increase in accounts receivable	(15,170)
Decrease in inventory	330
Increase in prepaid expenses	(3,800)
Increase in accounts payable	8,468
Increase in accrued salaries	7,070
Decrease in current liabilities payable from restricted assets	<u>(30)</u>
Net cash provided by operating activities	<u>\$ 136,366</u>
Reconciliation of total cash and investments:	
Current assets - cash and investments	\$ 632,310
Restricted assets - cash and investments	<u>70,995</u>
Total cash and investments	<u>\$ 703,305</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2013

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of the Village of Peoria Heights, Illinois (the "Village") relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (where applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Village has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

The more significant of the Village's accounting policies are described below.

A. Reporting Entity

The financial statements of the Public Library Fund and the Police Pension Fund have not been included in these financial statements. GASB Statement No. 14, *The Financial Reporting Entity*, requires the accompanying financial statements to present the Village's primary government and component units over which the Village exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Village (as distinct from legal relationship).

Statement No. 14 defines the governmental financial reporting entity as being made up of two parts, the primary government and those component units for which the primary government is financially accountable. A primary government has an elected governing board; a legally separate status (i.e., must have its own name, must be able to sue or be sued and must be able to buy, sell or lease property); and is fiscally independent (i.e., must have final authority to approve or modify its budget, set its own tax rates and issue bonded debt). The primary government is financially accountable if it appoints a voting majority of a component unit's governing body and if it either has the ability to impose its will on the component unit or the financial benefit or burden consideration exists; i.e., there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

B. Basis of Presentation

The Village is reporting under GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, which includes the following segments:

Management's Discussion and Analysis: Provides introductory information on basic financial statements and an analytical overview of the Village's financial activities.

Government-Wide Financial Statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2013

Note 1. Summary of Significant Accounting Policies (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 revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) operating or capital 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.

Fund Financial Statements: The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following governmental funds:

The *General Fund* is the general operating fund of the Village. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid through other funds.

The *Special Revenue Funds*, which consist of the Police Pension Levy Fund, the Tax Increment Financing Fund, the Improvement Fund, the Capital Improvement Fund, and the Motor Fuel Tax Fund, are utilized to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

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

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The Village reports the following proprietary fund type:

The *Enterprise Fund*, which consists of the Waterworks Fund, is used to account for operations that are 1) financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on all capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

D. Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Village Board Administration Committee submits to the Village Board a proposed operating budget for the fiscal year commencing the following May 1. The operating budget includes proposed expenses and the means of financing them.
2. In April, public hearings are conducted to obtain public comments.
3. Prior to May 1, the final operations budget is then adopted through Board legislation.

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

4. The Village is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenses of any fund must be approved by the Village Board.

The budgetary data presented in the financial statements are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The level of legal control is considered to be at the fund level. The budget was adopted by the Village on March 13, 2012.

E. Cash and Investments

The Village maintains cash and investment balances separately in each fund. Cash balances include checking and savings accounts maintained at various financial institutions. Investment balances represent certificates of deposit with financial institutions and deposits in Illinois Funds. Investments are stated at cost, which approximates market.

Illinois Funds represent deposits which are remitted to the third-party agents of the investment pool. The Village does not control the nature, type or amount which is invested by the administrators of the investment pool. The Illinois Funds are considered cash equivalents for reporting purposes based on the liquidity of the funds.

F. Inventory

Inventory is recorded at cost on a first-in, first-out basis.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as having a useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Years</u>
Buildings and improvements	20 - 50
Improvements other than buildings	7 - 20
Capital equipment	5 - 10
Fire hydrants, water mains and meters	20
Furniture and fixtures	3 - 20
Wells	20 - 50

**VILLAGE OF PEORIA HEIGHTS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2013**

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for the amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

I. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets and adding back unspent proceeds. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

J. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except reimbursements, are reported as transfers.

K. Property Taxes

The following are the assessed valuations, the tax rates applicable to the various levies per \$100 of assessed valuation, extension and collections or receivables for the 2012 levy:

Assessed valuation			<u>\$ 91,500,517</u>	
	<u>Fund</u>	<u>Levy</u>	<u>Rate per \$100</u>	<u>Extension</u>
				<u>Estimated Receivable</u>
General:				
	General corporate	\$ 124,533	0.13611	\$ 124,602
				\$ 124,602
Special Revenue:				
	Police pension	<u>233,697</u>	<u>0.25541</u>	<u>233,816</u>
				<u>233,816</u>
	Total all funds	<u>\$ 358,230</u>	<u>0.39152</u>	<u>\$ 358,418</u>
				<u>\$ 358,418</u>

Property taxes attach as an enforceable lien on property as of January 1. The Village's property tax is levied each year at the time the budget for the ensuing year is passed and is extended against the assessed valuation of the Village on the following January 1. The levy was adopted on December 4, 2012. Taxes are due and payable in two installments in June and September at the County Collector's office. Sales of taxes on any uncollected amounts are prior to November 30 or shortly thereafter by the County Collector's office. The Village receives the bulk of its property taxes from Peoria County in the months of June, July

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

and September. Final distribution to all taxing bodies is usually made no later than the first quarter of the next calendar year by the County Collector's office.

Property taxes levied in 2012 would normally be reflected as receipts in fiscal year 2014.

L. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. Subsequent Events

Management has evaluated subsequent events for potential recognition or disclosure through December 19, 2013, which is the date the financial statements were available to be issued. No items requiring disclosure were identified.

Note 2. Deposits and Investments

The Village maintains cash and investment accounts for various funds. Investment balances represent certificates of deposit with financial institutions and deposits in Illinois Funds. The Village is authorized by state statute and its own local ordinances to invest in obligations of the United States Treasury, agencies, instrumentalities, savings accounts and certificates of deposit. The following details the Village's cash and investments as of April 30, 2013:

Illinois Funds	\$	573,353
Demand Deposits and Certificates of Deposit		1,142,302
Cash on hand		<u>157</u>
Total cash and investments	\$	<u><u>1,715,812</u></u>

The state treasurer maintains the Illinois Funds Money Market at cost and fair value through daily adjustment in the interest earnings. The state treasurer also maintains the average duration of the pool at less than 25 days. The fair value of the Village's investment in the funds is the same as the value of the pool shares. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. The pool maintains a Standard and Poor's AAA rating. The Village's investments in the Illinois Funds are not required to be categorized because these are not securities. The relationship between the Village and the investment agent is a direct contractual relationship, and the investments are not supported by a transferable instrument that evidences ownership or creditorship.

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2013

Note 2. Deposits and Investments (Continued)

A. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of April 30, 2013, none of the Village's bank deposits were uninsured or uncollateralized.

B. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Village's investment in a single issuer.

Note 3. Capital Assets

Capital asset activity for the year ended April 30, 2013, was as follows:

A. Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 1,986,090	\$ -	\$ -	\$ 1,986,090
Capital assets, being depreciated				
Buildings and improvements	4,596,918	-	-	4,596,918
Capital equipment	3,083,534	39,026	-	3,122,560
Total capital assets being depreciated	7,680,452	39,026	-	7,719,478
Less accumulated depreciation for				
Buildings and improvements	1,297,300	156,941	-	1,454,241
Capital equipment	1,994,424	211,369	-	2,205,793
Total accumulated depreciation	3,291,724	368,310	-	3,660,034
Total capital assets being depreciated, net	4,388,728	(329,284)	-	4,059,444
Governmental activities capital assets, net	\$ 6,374,818	\$ (329,284)	\$ -	\$ 6,045,534

Land with a value of approximately \$1,415,000 was acquired with federal and state grant funds under the Flood Hazard Mitigations Grant Program. The land is in a flood plain along the Illinois River. The grant program contained restrictions which require the Village to keep the land open in perpetuity.

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2013

Note 3. Capital Assets (Continued)

B. Business-type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 38,942	\$ -	\$ -	\$ 38,942
Construction in Progress	1,609,816	-	1,609,816	-
Total Capital Assets not being depreciated	1,648,758	-	1,609,816	38,942
Capital assets, being depreciated				
Water tower	2,932,712	-	-	2,932,712
Fire hydrants and service connections	122,988	-	-	122,988
Meters	171,609	25,000	-	196,609
Vehicles and equipment	483,740	19,493	-	503,233
Pump house equipment	458,118	14,481	-	472,599
Wells	289,068	384,780	-	673,848
Reservoir	33,105	-	-	33,105
Water mains	1,742,070	1,337,308	-	3,079,378
Stand pipe	135,208	-	-	135,208
Total capital assets being depreciated	6,368,618	1,781,062	-	8,149,680
Less accumulated depreciation for				
Water tower	2,288,169	90,265	-	2,378,434
Fire hydrants and service connections	96,854	3,284	-	100,138
Meters	110,967	8,789	-	119,756
Vehicles and equipment	370,099	35,931	-	406,030
Pump house equipment	195,012	23,513	-	218,525
Wells	190,229	13,855	-	204,084
Reservoir	33,105	-	-	33,105
Water mains	1,039,308	114,775	-	1,154,083
Stand pipe	108,325	2,504	-	110,829
Total accumulated depreciation	4,432,068	292,916	-	4,724,984
Total capital assets being depreciated, net	1,936,550	1,488,146	-	3,424,696
Business-type activities capital assets, net	\$ 3,585,308	\$ 1,488,146	\$ 1,609,816	\$ 3,463,638

Construction in progress at April 30, 2012 represented construction of a new well and replacement of water mains. Construction was completed in the current fiscal year.

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2013

Note 3. Capital Assets (Continued)

C. Depreciation Expense

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government and administration	\$	148,731
EMT		35,681
Streets and alleys		52,220
Police department		73,221
Fire protection		58,457
Total depreciation expense - governmental activities	\$	368,310

Note 4. Defined Benefit Pension Plan

Plan Description. The employer'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 employer plan is affiliated with the Illinois Municipal Retirement Fund (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. That report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, your employer Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2012 was 11.09 percent. The employer 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, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. The required contribution for calendar year 2012 was \$125,596.

Three-Year Trend Information for the Regular Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2012	\$ 125,596	100%	\$ -
12/31/2011	113,331	100%	-
12/31/2010	107,524	100%	-

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2013

Note 4. Defined Benefit Pension Plan (Continued)

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, included (a) 7.5 percent 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 your employer Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The employer 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.

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 79.06 percent funded. The actuarial accrued liability for benefits was \$2,254,124 and the actuarial value of assets was \$1,782,205, resulting in an underfunded actuarial accrued liability (UAAL) of \$471,919. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$1,132,513 and the ratio of the UAAL to the covered payroll was 42 percent.

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 accrued liability for benefits.

Note 5. Risk of Loss

The Village is exposed to various risks of loss related to torts, theft of, damages to, and destruction of assets; injuries to employees; and natural disasters. The Village purchases commercial insurance for these risks of loss. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 6. Deficit Fund Equity

As of April 30, 2013, no individual fund had a deficit fund balance.

Note 7. Loans Payable

Under the terms of a loan agreement dated October 4, 2005, between the Village and the Illinois Finance Authority, the Village received an interest free loan of \$250,000 which was used to fund part of the purchase price of a new aerial ladder fire truck. The loan is payable in equal annual installments of \$12,500 beginning November 1, 2006, through November 1, 2025.

On December 30, 2008, the Village purchased property to be used as police headquarters. The Village paid \$95,000 and executed a noninterest bearing promissory note for \$400,000. The note is due in four equal annual installments of \$100,000 beginning January 15, 2010. The final installment was paid in the current fiscal year.

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2013

Note 7. Loans Payable (Continued)

On December 15, 2009, the Village purchased property to be used as a parking lot. The Village paid \$30,000 and executed a noninterest bearing promissory note for \$120,000. The note is due in four equal annual installments of \$30,000 beginning December 16, 2010.

On January 4, 2011, the Village purchased an ambulance. The Village paid \$37,358 and obtained a note payable of \$100,000 with an interest rate of 3%. The note is due in three installments of \$34,741 beginning June 1, 2011 through June 1, 2013.

On September 7, 2011, the Village entered into a loan agreement with the Illinois Environmental Protection Agency to finance construction of a new well and replacement water mains. The project was completed during the year ended April 30, 2013. On December 17, 2012, the Village signed a Loan Agreement Amendment establishing the repayment terms. The final loan balance was \$1,558,814 less a forgiveness provision of \$400,000. The remaining balance is payable in semiannual installments in January and July of each year of \$33,574 including interest at 1.250%. The final installment is due January 28, 2032. In fiscal year 2013 the Village recognized a capital contribution of \$400,000 resulting from the forgiveness of debt.

Future debt requirements for all governmental and business type activities debt are as follows:

Year Ended 4/30	Illinois Finance Authority	Parking Lot Promissory Note	Ambulance Note	I.E.P.A Note	Total
2014	\$ 12,500	\$ 30,000	\$ 33,832	\$ 53,205	\$ 129,537
2015	12,500	-	-	53,872	66,372
2016	12,500	-	-	54,548	67,048
2017	12,500	-	-	55,232	67,732
2018	12,500	-	-	55,924	68,424
Thereafter	100,000	-	-	855,872	955,872
Total	\$ 162,500	\$ 30,000	\$ 33,832	\$ 1,128,653	\$ 1,354,985

**VILLAGE OF PEORIA HEIGHTS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2013**

Note 8. Due From / Due To Other Funds

Due from / due to other funds at April 30, 2013, is as follows:

	Due From	Due to
General Fund:		
Due from TIF	\$ 2,500	\$ -
Due to Waterworks Fund	-	160,000
Due to Motor Fuel Tax Fund	-	113
Motor Fuel Tax Fund:		
Due from General Fund	113	-
Waterworks Fund:		
Due from General Fund	160,000	-
TIF		
Due to General Fund	-	2,500
Total	\$ 162,613	\$ 162,613

Interfund receivables and payables result from receipts being deposited in the wrong fund or payments made from the wrong fund.

Note 9. Fund Balance Reporting

Beginning with fiscal year 2012, the Village implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. Fund balances of the Governmental Funds are classified as follows:

A. Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. Inventory and prepaid expenses totaling \$72,589 are reported in this category.

B. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Special Revenue Funds are by definition restricted

**VILLAGE OF PEORIA HEIGHTS, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2013**

Note 9. Fund Balance Reporting (Continued)

for those specified purposes. The Police Pension Levy, Tax Increment Financing, Improvement, Capital Improvement, and Motor Fuel tax Funds are included in this category.

C. Committed Fund Balance

The committed fund balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the Village Board). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts. The Village Board has not committed any Fund Balances by Board action.

D. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Assignments may be made only by the governing board or official.

No amounts of Fund Balance have been assigned by the Village's administration to be used for a specific purpose.

E. Unassigned Fund Balance

This classification represents the residual positive balance within the General Fund, which has not been restricted, committed or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances.

The Village uses restricted amounts first when both restricted and unrestricted fund balances are available.

As of April 30, 2013, the Village's governmental fund balances were classified as follows:

Fund	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
General Fund	\$ 72,589	\$ -	\$ -	\$ -	\$ 797,393	\$ 869,982
Police Pension Levy	-	-	-	-	-	-
Tax Increment Financing	-	13,775	-	-	-	13,775
Improvement	-	9,520	-	-	-	9,520
Capital Improvement	-	215,000	-	-	-	215,000
Motor Fuel Tax	-	246,035	-	-	-	246,035
Total fund balances	\$ 72,589	\$ 484,330	\$ -	\$ -	\$ 797,393	\$ 1,354,312

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ACTUAL AND BUDGET
GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2013

	<u>Actual</u>	<u>Original/Final Budget</u>	<u>Over (Under) Budget</u>
Revenues			
Property taxes	\$ 121,865	\$ 124,533	\$ (2,668)
Licenses and permits	205,291	217,650	(12,359)
Franchise fees	119,498	123,000	(3,502)
State sales tax	828,421	905,000	(76,579)
Home rule sales tax	865,565	910,000	(44,435)
Local use tax	98,791	90,000	8,791
State income tax	582,466	500,000	82,466
Corporate personal property replacement tax	110,180	90,000	20,180
Other taxes	12,239	7,400	4,839
Contracted gas service fee	-	300	(300)
State and federal grants	-	10,500	(10,500)
Charges for services	283,950	330,000	(46,050)
Fines	228,016	248,500	(20,484)
Interest	1,475	1,510	(35)
Land lease	33,322	33,400	(78)
Sales of property and equipment	-	-	-
Miscellaneous	13,593	41,825	(28,232)
Total revenues	<u>3,504,672</u>	<u>3,633,618</u>	<u>(128,946)</u>
Expenditures			
Administration department	561,841	632,152	(70,311)
Police department	1,237,517	1,150,200	87,317
Ambulance	395,930	466,100	(70,170)
Fire protection	136,082	252,949	(116,867)
Garbage collection/ Recycling	413,505	414,707	(1,202)
Streets and alleys	484,374	577,050	(92,676)
Debt service	177,242	224,741	(47,499)
Total expenditures	<u>3,406,491</u>	<u>3,717,899</u>	<u>(311,408)</u>
Excess (deficiency) of revenues over expenditures	<u>98,181</u>	<u>(84,281)</u>	<u>182,462</u>
Other financing sources (uses)			
Transfers out	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	98,181	<u>\$ (84,281)</u>	<u>\$ 182,462</u>
Prior year fund balance	<u>771,801</u>		
Current year ending fund balance	<u>\$ 869,982</u>		

** The Village prepares the budgetary information on the same basis as the fund financial statements.

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ACTUAL AND BUDGET
POLICE PENSION LEVY FUND
FOR THE YEAR ENDED APRIL 30, 2013

	Actual	Original/Final Budget	Over (Under) Budget
Revenues			
Property taxes	\$ 211,764	\$ 216,415	\$ (4,651)
Total revenues	211,764	216,415	(4,651)
Expenditures			
Police department	211,764	216,415	(4,651)
Total expenditures	211,764	216,415	(4,651)
Net change in fund balance	-	\$ -	\$ -
Prior year fund balance	-		
Current year ending fund balance	\$ -		

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ACTUAL AND BUDGET
IMPROVEMENT FUND
FOR THE YEAR ENDED APRIL 30, 2013

	Actual	Original/Final Budget	(Over) Under Budget
Revenues			
Transfers	\$ -	\$ -	\$ -
Total revenues	-	-	-
Expenditures			
Transfers	-	-	-
Total expenditures	-	-	-
Net change in fund balance	-	\$ -	\$ -
Prior year fund balance	9,520		
Current year ending fund balance	\$ 9,520		

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ACTUAL AND BUDGET
CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED APRIL 30, 2013

	Actual	Original/Final Budget	Over (Under) Budget
Revenues			
Transfers	\$ -	\$ -	\$ -
Total revenues	-	-	-
Expenditures			
Transfers	-	-	-
Total expenditures	-	-	-
Net change in fund balance	-	\$ -	\$ -
Prior year fund balance	215,000		
Current year ending fund balance	\$ 215,000		

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ACTUAL AND BUDGET
MOTOR FUEL TAX FUND
FOR THE YEAR ENDED APRIL 30, 2013

	<u>Actual</u>	<u>Original/Final Budget</u>	<u>Over (Under) Budget</u>
Revenues			
Licenses and permits	\$ 37,542	\$ 42,000	\$ (4,458)
Intergovernmental revenues	175,387	170,000	5,387
Interest	<u>352</u>	<u>200</u>	<u>152</u>
Total revenues	<u>213,281</u>	<u>212,200</u>	<u>1,081</u>
Expenditures			
Streets and alleys	126,073	122,950	3,123
Improvements	<u>121,629</u>	<u>137,016</u>	<u>(15,387)</u>
Total expenditures	<u>247,702</u>	<u>259,966</u>	<u>(12,264)</u>
Net change in fund balance	(34,421)	<u>\$ (47,766)</u>	<u>\$ 13,345</u>
Prior year fund balance	<u>280,456</u>		
Current year ending fund balance	<u>\$ 246,035</u>		

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ACTUAL AND BUDGET
TAX INCREMENT FINANCING FUND
FOR THE YEAR ENDED APRIL 30, 2013

	<u>Actual</u>	<u>Original/Final Budget</u>	<u>Over (Under) Budget</u>
Revenues			
Property taxes	\$ 5,638	\$ -	5,638
Interest	<u>17</u>	<u>-</u>	<u>17</u>
Total revenues	<u>5,655</u>	<u>-</u>	<u>5,655</u>
Expenditures			
Administration	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	5,655	<u>\$ -</u>	<u>\$ 5,655</u>
Prior year fund balance	<u>8,120</u>		
Current year ending fund balance	<u>\$ 13,775</u>		

**VILLAGE OF PEORIA HEIGHTS, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)
April 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2012	\$ 1,782,205	\$ 2,254,124	\$ 471,919	79.06%	\$ 1,132,513	41.67%
12/31/2011	1,482,911	2,036,102	553,191	72.83%	1,137,865	48.62%
12/31/2010	1,253,512	1,766,499	512,987	70.96%	1,083,908	47.33%

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$1,856,693. On a market basis, the funded ratio would be 82.37%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the Village of Peoria Heights. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
PLANT AND OPERATING COMMERCIAL EXPENSES
WATERWORKS FUND
FOR THE YEAR ENDED APRIL 30, 2013

Salaries and payroll taxes	\$	372,643
Group insurance		17,977
Gasoline, oil, etc.		22,435
Utilities		86,109
Maintenance and supplies:		
Vehicles		5,161
Building		3,748
Computers and software		5,780
Equipment		64,359
Utility System		28,806
Insurance		37,755
Depreciation		292,916
Operating supplies		29,387
Utility supplies		24,408
Office expenses		17,416
Engineering services		12,469
Auditing fees		8,600
Other professional services		1,296
Laundry services		982
Testing services		3,981
Bad debt expense		26,000
Miscellaneous expense		658
		658
 Total plant operating and commercial expenses	 \$	 <u><u>1,062,886</u></u>

**VILLAGE OF PEORIA HEIGHTS, ILLINOIS
SCHEDULE OF PROPERTY TAX LEVIES, RATES, COLLECTIONS
AND ASSESSED VALUATIONS
2010 THROUGH 2012**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assessed Valuations	\$ <u>91,500,517</u>	\$ <u>94,856,081</u>	\$ <u>95,913,483</u>
Tax Levy:			
General Fund:			
General Corporate	\$ 124,533	\$ 124,533	\$ 124,533
Special Revenue:			
Police Pension	<u>233,697</u>	<u>216,415</u>	<u>200,334</u>
Total	<u>\$ 358,230</u>	<u>\$ 340,948</u>	<u>\$ 324,867</u>
Tax Rate:			
General Fund:			
General Corporate	0.13611	0.13129	0.12984
Special Revenue:			
Police Pension	<u>0.25541</u>	<u>0.22816</u>	<u>0.20887</u>
Total	<u>0.39152</u>	<u>0.35945</u>	<u>0.33871</u>
Amounts Extended:			
General Fund:			
General Corporate	\$ 124,602	\$ 124,616	\$ 124,594
Special Revenue:			
Police Pension	<u>233,816</u>	<u>216,423</u>	<u>200,429</u>
Total	<u>\$ 358,418</u>	<u>\$ 341,039</u>	<u>\$ 325,023</u>
Amounts Collected:			
General Fund:			
General Corporate		\$ 121,865	\$ 121,711
Special Revenue:			
Police Pension		<u>211,764</u>	<u>195,769</u>
Total		<u>\$ 333,629</u>	<u>\$ 317,480</u>

VILLAGE OF PEORIA HEIGHTS, ILLINOIS
SCHEDULE OF PROPERTY TAX LEVIES, RATES, COLLECTIONS
AND ASSESSED VALUATIONS
TAX INCREMENT FINANCING FUND
2010 THROUGH 2012

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Assessed Valuation</u>	\$ 1,197,380	\$ 1,029,840	\$ 45,220
<u>Tax Rate</u>	0.35760	0.46600	9.09940
<u>Tax Extension</u>	4,282	5,638	4,115
<u>Collection</u>		5,638	2,798
Percentage of extension collected		100.00%	68.00%