

**VILLAGE OF WORTH, ILLINOIS**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
APRIL 30, 2008**

**Prepared By:**

**HEARNE & ASSOCIATES, P.C.  
Certified Public Accountants &  
Business Consultants**

# VILLAGE OF WORTH, ILLINOIS

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## Independent Auditor's Report

To the Honorable Members of the Village Council  
Village of Worth, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Worth, Illinois, as of and for the year ended April 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Worth, Illinois. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts, and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management; as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Worth, Illinois, as of April 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplemental information which includes management's discussion and analysis (pages 3-12), pension related schedules (pages 41-43) and budgetary schedule (page 44-52) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information; however, we did not audit the information and express no opinion on it.

## **Independent Auditor's Report**

To the Honorable Members of the Village Council  
Village of Worth, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Worth, Illinois, as of and for the year ended April 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Worth, Illinois. Our responsibility is to express opinions on these financial statements based on our audit.

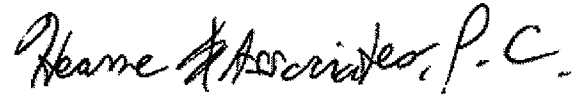
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining,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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Worth, Illinois, as of April 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplemental information which includes management's discussion and analysis (pages 3-12), pension related schedules (pages 41-43) and budgetary schedule (page 44-52) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information; however, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Village of Worth, Illinois. The combining fund financial statements and other schedules listed in the table of contents as supplemental data are presented for the purposes of additional analysis, and are not a required part of the basic financial statements. Such information, except for the information required by bond revenue ordinance on page 60 which is marked unaudited and on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**January 22, 2009**  
**Mokena, IL**



**Hearne & Associates, P.C.**  
**Certified Public Accountants**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

## **VILLAGE OF WORTH, ILLINOIS**

### **Management's Discussion and Analysis April 30, 2008**

The Village of Worth's (the "Village") Management Discussion and Analysis (MD&A) is designed to: (1) assist the reader in focusing on significant financial issues; (2) provide an overview of the Village's financial activity; (3) identify changes in the Village's financial position (its ability to address the next and subsequent year challenges); (4) identify any material deviations from the financial plan (the approved budget); and (5) identify individual fund issues or concerns.

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, please read it in conjunction with the Village's financial statements (beginning on page 13).

#### **Using the Financial Section of this Comprehensive Annual Report**

The management of the Village of Worth offers 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, 2008. This correspondence is intended to serve as an introduction to the Village's basic financial statements, which comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

#### **Government-Wide Financial Statements**

The government-wide financial statements (see pages 13-15) are designed to emulate the corporate sector in that all governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to bottom line results for the Village and its governmental and business-type activities. This statement combines and consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting and economic resources measurement focus.

The Statement of Activities (see page 15) is focused on both the gross and net cost of various activities (including governmental and business-type), which are supported by the government's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

The Governmental Activities reflect the Village's basic services, including police, public works, and administration. Shared state sales, local utility, and shared state income taxes finance the majority of these services. The Business-type Activities reflect private sector type operations (Waterworks and Sewerage and the Commuter Parking Lot), where the fee for service typically covers all or most of the cost of operation, including depreciation.

#### **Fund Financial Statements**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds, rather than (the previous model's) fund types.

## VILLAGE OF WORTH, ILLINOIS

### Management's Discussion and Analysis April 30, 2008

The Governmental Funds (see pages 16-19) presentation is presented on a source and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of government. Funds are established for various purposes, and the Fund Financial Statements allow the demonstration of sources and uses and/or budgeting compliance associated therewith.

The Fund Financial Statements also allow the government to address its Fiduciary Funds (Fire and Police Pension, see pages 23-24). While these Funds represent trust responsibilities of the government, these assets are restricted on purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-Wide Financial Statements.

While the Business-type Activities column on the Business-type Fund Financial Statements (see pages 20-22) is the same as the Business-type column on the Government-Wide Financial Statement, the Governmental Major Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement (see pages 17 and 19). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources, as well as, capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligation (bonds and others) into the Governmental Activities column (in the Government-wide financial statements).

#### **Infrastructure Assets**

The Governmental Accounting Standards Board Statement No. 34 (GASB 34) requires that a government's largest group of assets (infrastructure - roads, bridges, storm sewers, etc.) be valued and reported within the Governmental column of the Government-wide Financial Statements. Additionally, the government must elect to either (1) depreciate these assets over their estimated useful lives or (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach) which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The Village has chosen to depreciate assets over their useful lives. If a road project is considered maintenance - a recurring cost that does not extend the road's original useful life or expand its capacity - the cost of the project will be expensed.

#### **Government-Wide Financial Statements**

##### **Statement of Net Assets**

Net assets serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$ 6.6 million as of April 30, 2008.



**VILLAGE OF WORTH, ILLINOIS**

**Management's Discussion and Analysis  
April 30, 2008**

A significant portion of the Village's net assets (72 %) reflects its investment in capital assets (i.e., land, land improvements, streets and bridges, storm sewers, water mains, buildings, and vehicles), less any related debt used to acquire those assets that are still outstanding. The Village uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

**Table 1  
Statement of Net Assets  
As of April 30, 2008**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total Primary</u>
Current Assets	\$ 4,644,999	\$ 898,940	\$ 5,543,939
Non Current Assets	10,131,885	3,666,503	13,798,388
<b>Total Assets</b>	<b><u>\$ 14,776,884</u></b>	<b><u>\$ 4,565,443</u></b>	<b><u>\$ 19,342,327</u></b>
Current Liabilities	\$ 3,176,668	\$ 1,063,459	\$ 4,240,127
Non Current Liabilities	7,918,536	604,882	8,523,418
<b>Total Liabilities</b>	<b><u>\$ 11,095,204</u></b>	<b><u>\$ 1,668,341</u></b>	<b><u>\$ 12,763,545</u></b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	\$ 2,423,967	\$ 3,079,182	\$ 5,503,149
Unrestricted (Deficit)	1,257,712	(182,080)	1,075,632
<b>Total Net Assets</b>	<b><u>\$ 3,681,679</u></b>	<b><u>\$ 2,897,102</u></b>	<b><u>\$ 6,578,781</u></b>

**Statement of Net Assets  
As of April 30, 2007**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total Primary</u>
Current Assets	\$ 5,078,600	\$ 280,800	\$ 5,359,400
Non Current Assets	10,069,600	3,789,800	13,859,400
<b>Total Assets</b>	<b><u>\$ 15,148,200</u></b>	<b><u>\$ 4,070,600</u></b>	<b><u>\$ 19,218,800</u></b>
Current Liabilities	\$ 3,383,400	\$ 358,800	\$ 3,742,200
Non Current Liabilities	8,635,600	671,800	9,307,400
<b>Total Liabilities</b>	<b><u>\$ 12,019,000</u></b>	<b><u>\$ 1,030,600</u></b>	<b><u>\$ 13,049,600</u></b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	\$ 1,709,700	\$ 3,051,600	\$ 4,761,300
Unrestricted (Deficit)	1,419,500	(11,600)	1,407,900
<b>Total Net Assets</b>	<b><u>\$ 3,129,200</u></b>	<b><u>\$ 3,040,000</u></b>	<b><u>\$ 6,169,200</u></b>

For more detailed information see the Statement of Net Assets (page 13-14).

## VILLAGE OF WORTH, ILLINOIS

### Management's Discussion and Analysis April 30, 2008

The Village's combined net assets (which is the Village's equity) increased to \$ 6,578,781 from \$ 6,169,236 as a result of the increase in net assets primarily in the Governmental Activities. Net assets of the Village's governmental activities were \$ 3,681,679. The Village's unrestricted net assets for governmental activities, the part of net assets that can be used to finance day-to-day operations, were \$ 1,257,712. The net assets of business-type activities decreased to \$ 2,897,102 from \$ 3,040,032. The Village can use unrestricted net assets to finance the continuing operation of its waterworks and sewerage system.

#### **NORMAL IMPACTS**

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Assets summary presentation.

**Net Results of Activities** - which will impact (increase/decrease) current assets and unrestricted net assets.

**Borrowing for Capital** - which will increase current assets and long-term debt.

**Spending Borrowed Proceeds on New Capital** - which will reduce current assets and increase capital assets. There is a second impact, an increase in invested capital assets and an increase in related net debt which will not change the invested in capital assets, net of debt.

**Spending of Non-borrowed Current Assets on New Capital** - which will (a) reduce current assets and increase capital assets and (b) will reduce unrestricted net assets and increase invested in capital assets, net of debt.

**Principal Payment on Debt** - which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net assets and increase invested in capital assets, net of debt.

**Reduction of Capital Assets through Depreciation** - which will reduce capital assets and invested in capital assets, net of debt.

#### **CURRENT YEAR IMPACTS**

The Village's total net assets increased \$ 410,000 and can be attributed to several factors. The Village's revenues increased by \$ 91 thousand, and expenses increased by \$ 783 thousand.

**VILLAGE OF WORTH, ILLINOIS**

**Management's Discussion and Analysis  
April 30, 2008**

**Changes In Net Assets**

The following chart compares the revenue and expenses for the current fiscal year.

**Table 2  
Changes In Net Assets  
For the Fiscal Year Ended April 30, 2008**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total Primary</u>
<b>REVENUES</b>			
Program Revenues			
Charges for Services	\$ 3,396,028	\$ 1,898,336	\$ 5,294,364
Operating Grants and Contributions	378,975	-	378,975
General Revenues			
Property Taxes	2,705,110	-	2,705,110
Other Taxes	2,458,267	-	2,458,267
Other	283,455	34,696	318,151
<b>Total Revenues</b>	<b>\$ 9,221,835</b>	<b>\$ 1,933,032</b>	<b>\$ 11,154,867</b>
<b>EXPENSES</b>			
General Government	\$ 819,146	\$ -	\$ 819,146
Building Department	99,995	-	99,995
Boat Launch	25,009	-	25,009
Health Department	7,725	-	7,725
Fire Department	336,020	-	336,020
Ambulance & Paramedic Department	1,209,391	-	1,209,391
Police Department	3,082,657	-	3,082,657
Street and Bridge	485,966	-	485,966
Crossing Guard	-	-	-
Golf Course	1,727,586	-	1,727,586
Worth Days	100,263	-	100,263
Motor Fuel Tax Project	341,094	-	341,094
Senior Citizens	-	-	-
Interest	434,509	-	434,509
Waterworks & Sewerage	-	1,973,751	1,973,751
Commuter Parking Lot	-	102,211	102,211
<b>Total Expenses</b>	<b>\$ 8,669,361</b>	<b>\$ 2,075,962</b>	<b>\$ 10,745,323</b>
<b>Change In Net Assets</b>	<b>\$ 552,474</b>	<b>\$ (142,930)</b>	<b>\$ 409,544</b>
<b>Beginning Net Assets</b>	<b>3,129,205</b>	<b>3,040,032</b>	<b>6,169,237</b>
<b>Ending Net Assets</b>	<b>\$ 3,681,679</b>	<b>\$ 2,897,102</b>	<b>\$ 6,578,781</b>

**VILLAGE OF WORTH, ILLINOIS**

**Management's Discussion and Analysis  
April 30, 2008**

**Changes In Net Assets  
For the Fiscal Year Ended April 30, 2007**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total Primary</u>
<b>REVENUES</b>					
Program Revenues					
Charges for Services	\$ 3,395,200	\$	1,773,600	\$	5,168,800
Operating Grants and Contributions	480,500		-		480,500
General Revenues					
Property Taxes	2,556,500		-		2,556,500
Other Taxes	2,381,200		-		2,381,200
Other	313,600		163,500		477,100
<b>Total Revenues</b>	<b>\$ 9,127,000</b>	<b>\$</b>	<b>1,937,100</b>	<b>\$</b>	<b>11,064,100</b>
<b>EXPENSES</b>					
General Government	\$ 1,131,600	\$	-	\$	1,131,600
Building Department	104,100		-		104,100
Boat Launch	22,600		-		22,600
Health Department	4,400		-		4,400
Fire Department	161,900		-		161,900
Ambulance & Paramedic Department	919,200		-		919,200
Police Department	2,510,100		-		2,510,100
Street and Bridge	367,900		-		367,900
Crossing Guard	-		-		-
Golf Course	1,706,200		-		1,706,200
Worth Days	73,600		-		73,600
Motor Fuel Tax Project	108,700		-		108,700
Senior Citizens	-		-		-
Interest	474,200		-		474,200
Waterworks & Sewerage	-		2,289,300		2,289,300
Commuter Parking Lot	-		88,800		88,800
<b>Total Expenses</b>	<b>\$ 7,584,500</b>	<b>\$</b>	<b>2,378,100</b>	<b>\$</b>	<b>9,962,600</b>
<b>Change In Net Assets</b>	<b>\$ 1,542,500</b>	<b>\$</b>	<b>(441,000)</b>	<b>\$</b>	<b>1,101,500</b>
<b>Beginning Net Assets</b>	<b>1,586,700</b>		<b>3,481,000</b>		<b>5,067,700</b>
<b>Ending Net Assets</b>	<b>\$ 3,129,200</b>	<b>\$</b>	<b>3,040,000</b>	<b>\$</b>	<b>6,169,200</b>

## VILLAGE OF WORTH, ILLINOIS

### Management's Discussion and Analysis April 30, 2008

There are eight basic impacts on revenues and expenses as reflected below:

#### **NORMAL IMPACTS**

##### *Revenues:*

**Economic Condition** - which can reflect a declining, stable or growing economic environment and has a substantial impact on state income, sales and utility tax revenue, as well as, public spending habits for building permits, elective user fees and volumes of consumption.

**Increase/Decrease in Village Board Approved Rates** - while certain tax rates are set by statute, the Village Board has significant authority to impose and periodically increase/decrease rates (water, wastewater, impact fee, building fees, home rule sales tax, etc.)

**Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring)** - certain recurring revenues (state shared revenues, etc.) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.

**Market Impacts on Investment Income** - the Village's investment portfolio is managed using a similar average maturity to most governments. Market conditions may cause investment income to fluctuate.

##### *Expenses:*

**Introduction of New Programs** - within the functional expense categories (Public Safety, Public Works, General Government, etc.) individual programs may be added or deleted to meet changing community needs.

**Increase in Authorized Personnel** - changes in service demand may cause the Village Board to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent 80% of the Village's operating costs.

**Salary Increases (annual adjustments and merit)** - the ability to attract and retain human and intellectual resources requires the Village to strive to approach a competitive salary range position in the marketplace.

**Inflation** - while overall inflation appears to be reasonably modest, the Village is a major consumer of certain commodities such as supplies, fuels and parts. Some functions may experience unusual commodity specific increases.

#### **CURRENT YEAR IMPACTS**

##### *Revenues:*

For the fiscal year ended April 30, 2008, revenues from all activities totaled \$ 11,154,867, 1% over 2007. The Village has a very diversified revenue structure and depends on several key revenue sources to help pay for the services we provide.

## VILLAGE OF WORTH, ILLINOIS

### Management's Discussion and Analysis April 30, 2008

#### Expenses:

The Village's total expenses for all activities for the year ended April 30, 2008 and 2007 were \$ 10,745,323 and \$ 9,962,600, respectively. The Village provides Lake Michigan water to its residents by purchasing its water supply from the City of Chicago. The waterworks and sewerage accounted for 95% of the total Public Works activities. The remaining public works activities relate to the maintaining of Village streets and storm sewers.

Public safety expenses relate to the operations of the Police Department, Fire Department, and Ambulance Department and they accounted for \$ 4.7 million of the total expenses in 2008 and \$ 3.6 million of the total expenses in 2007. Personnel costs including pension benefits accounted for 72% of this total. The Village has an authorized strength of 27 sworn personnel. The patrol officers are members of the Illinois Fraternal Order of Police Labor Chapter 143.

The cost of providing employee benefits continued to increase. The most significant increases were in Workmen's Compensation claims, which the Village self-insures.

#### FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

##### Governmental Funds

At April 30, 2008, the governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$ 2,630,135 compared to \$ 2,846,951 in 2007. Expenses exceeded revenues and other financing sources (uses) in 2008.

##### General Fund Budgetary Highlights

At the first Village Board meeting in May, the Mayor submits to the Village Council a proposed operating budget for the fiscal year commencing on May 1. The operating budget includes proposed expenditures and the means to finance them. The Village had no budget amendments in fiscal year 2008. Below is a table that reflects the original budget and the actual activity for the revenues and expenditures for the General Fund.

**Table 3  
General Fund Budgetary Highlights**

<u>General Fund</u>	<u>Original Budget</u>	<u>Actual</u>
Revenues and Other Financing Sources		
Taxes	\$ 3,617,000	\$ 3,517,521
Licenses, Permits, and Fees	937,600	1,046,177
Intergovernmental	1,892,843	1,646,234
Fines and Forfeitures	263,000	154,740
Golf Course	1,929,234	2,032,782
Other	899,550	419,244
Total	<u>\$ 9,539,227</u>	<u>\$ 8,816,698</u>