

City of Highwood, Illinois

Annual Financial Report

April 30, 2016

CITY OF HIGHWOOD, ILLINOIS

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INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

The Honorable Mayor
Members of the City Council
City of Highwood, Illinois
Highwood, Illinois

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Highwood, Illinois, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Highwood Illinois as of April 30, 2016, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As disclosed in Note 1 to the financial statements, in 2016 the City adopted new accounting guidance required by Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to these matters.

As discussed in Note 6.A. to the financial statements, the beginning net position at May 1, 2015, has been restated to correct a material misstatement in prior year financial statements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary and pension information listed in the table of contents 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.

The Honorable Mayor
Members of the City Council
City of Highwood, Illinois
Page 3

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Highwood, Illinois' basic financial statements. The combining and individual fund financial statements and schedules and the supplemental data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Oakbrook Terrace, Illinois
December 21, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2016

Our discussion and analysis of the City of Highwood's financial performance provides an overview of the City of Highwood's financial activities for the fiscal year ended April 30, 2016. Please read it in conjunction with the City of Highwood's financial statements, which begin on page 17.

FINANCIAL HIGHLIGHTS

- The City of Highwood's net position (before the effect of the restatement for the implementation of GASB Statement No. 68 and correction of capital asset balances) decreased by a total of (\$61,182). Net position of business-type activities increased by \$61,388, or 351.7 percent, while net position of our governmental activities decreased (\$122,750), or 8.8 percent.
- During the year, expenses were \$122,570 more than the \$5,769,522 generated in tax and other revenues for governmental programs. In the prior year, expenses were \$423,240 less than the \$5,505,278 generated in tax and other revenues for the governmental programs.
- Revenues for business-type activities increased to \$1,490,292, or 10.2 percent, while expenses increased by 17.3 percent to \$1,501,749. The increase in the business-type activities expenses occurred due to a project to improve the City's water distribution system.
- Total cost of all programs increased by \$1,031,613, or 16.2 percent, in the current year.
- The General Fund reported a surplus this year of \$269,305 which took fund balance from \$1,124,851 to \$1,394,156 at the end of the current year.
- The resources available for appropriation were \$162,606 more than budgeted for the General Fund. In addition, expenditures were over appropriations by \$121,057.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 17-19) provide information about the activities of the City of Highwood as a whole and present a longer-term view of the City of Highwood's finances. Fund financial statements begin on page 20. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City of Highwood's operations in more detail than the government-wide statements by providing information about the City of Highwood's most significant funds. The remaining statements provide financial information about activities for which the City of Highwood acts solely as a trustee or agent for the benefit of those outside of the government.

City of Highwood, Illinois

Management's Discussion and Analysis

April 30, 2016

USING THIS ANNUAL REPORT - Continued

Government-Wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the City of Highwood's finances, in a matter similar to a private-sector business. The government-wide financial statements can be found on pages 17-19 of this report.

The Statement of Net Position reports information on all of the City of Highwood's assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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 City of Highwood is improving or deteriorating. Consideration of other non-financial factors, such as changes in the City of Highwood's property tax base and the condition of the City of Highwood's roads, is needed to assess the overall health of the City of Highwood.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City of Highwood that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Highwood include general government, public safety, public works, and culture and recreation. The business-type activities of the City of Highwood include waterworks and sewerage, and garbage.

The City of Highwood includes one separate legal entity in its report, the Highwood Library. Although legally separate, this "component unit" is important because the City of Highwood is financially accountable for it. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Highwood, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Highwood can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2016

USING THIS ANNUAL REPORT - Continued

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City of Highwood near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City of Highwood maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, and the TIF Capital Projects Fund, which are considered major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Highwood adopts an annual appropriated budget for all of the governmental funds. A budgetary comparison statement for these funds has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary Funds

The City of Highwood maintains enterprise funds that are proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Highwood utilizes enterprise funds to account for its waterworks and sewerage, and garbage operations.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Waterworks and Sewerage Fund, which is considered to be a major fund, and for the Garbage Fund, which is considered to be a nonmajor fund of the City of Highwood.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2016

USING THIS ANNUAL REPORT - Continued

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Highwood's own programs. The accounting use for fiduciary funds is much like that used for proprietary funds. The City of Highwood maintains Fiduciary Funds for the Downstate Police and Firefighters' Pension Funds.

The basic fiduciary fund financial statements can be found on pages 27 and 28 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-79 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Highwood I.M.R.F. and Police and Firefighters' pension obligations. Required supplementary information can be found on pages 80-91 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions.

Combining and individual fund statements and schedules can be found on pages 92-105 of this report.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following tables show that in the case of the City of Highwood, assets and deferred outflows exceeded liabilities and deferred inflows by \$1,349,791, increasing by 4.3 percent (after restatement) over prior years. 2015 balances have not been adjusted to reflect the effects of the restatement for GASB 68.

City of Highwood Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 4.5	\$ 4.1	\$ 1.9	\$ 1.3	\$ 6.4	\$ 5.4
Capital Assets	7.1	4.1	5.6	7.4	12.7	11.5
Deferred Outflows of Resources	1.0				1.0	
Total Assets and Deferred Outflows of Resources	12.6	8.2	7.5	8.7	20.1	16.9
Long-Term Debt Outstanding	8.8	3.1	6.6	4.4	15.4	7.5
Other Liabilities	0.3	0.4	0.8	0.3	1.1	0.7
Deferred Inflows of Resources	2.0	1.7			2.0	1.7
Total Liabilities and Deferred Inflows of Resources	11.1	5.2	7.4	4.7	18.5	9.9
Net Position						
Net Investment in Capital						
Assets	2.2	1.6	2.2	3.3	1.6	4.9
Restricted	0.9	0.9			0.9	0.9
Unrestricted (Deficit)	(1.8)	0.5	(2.1)	0.7	(1.1)	1.2
Total Net Position	\$ 1.3	\$ 3.0	\$ 0.1	\$ 4.0	\$ 1.4	\$ 7.0

A large portion of the City of Highwood's net position is its investment in capital assets (for example, land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City of Highwood uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Highwood's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

An additional portion of the City of Highwood's net position represents resources that are subject to external restrictions on how they may be used, mostly related to debt. The remainder represents unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors.

City of Highwood Change in Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for Services	\$ 1.5	\$ 1.5	\$ 1.4	\$ 1.2	\$ 2.9	\$ 2.7
Operating Grants/Contributions	0.2	0.2	0.1	0.1	0.3	0.3
General Revenues						
Property Taxes	1.7	1.5			1.7	1.5
Utility Taxes	0.3	0.3			0.3	0.3
Sales Taxes	0.7	0.6			0.7	0.6
Intergovernmental	1.3	1.2			1.3	1.2
Other General Revenues		0.2	0.1	0.1	0.1	0.3
Total Revenues	5.7	5.5	1.6	1.4	7.3	6.9
Expenses						
General Government	1.1	1.0			1.1	1.0
Public Safety	3.5	2.9			3.5	2.9
Public Works	1.0	0.9			1.0	0.9
Culture and Recreation	0.1	0.1			0.1	0.1
Interest and Fiscal Charges	0.1	0.1			0.1	0.1
Water			1.2	1.0	1.2	1.0
Garbage			0.3	0.3	0.3	0.3
Total Expenses	5.8	5.0	1.5	1.3	7.3	6.3
Increase in Net Position	(0.1)	0.5	0.1	0.1		0.6
Net Position - Beginning (2016 - Restated)	1.4	2.5		3.9	1.4	6.4
Net Position - Ending	\$ 1.3	\$ 3.0	\$ 0.1	\$ 4.0	\$ 1.4	\$ 7.0

Net position of the City of Highwood governmental activities (after restatement) decreased by 8.8 percent (\$122,570). Restatement was due to the implementation of GASB 68 for pensions (a \$2.5 million decrease) and the City beginning to maintain records to report capital assets (a \$998k decrease). Unrestricted net deficit, the part of net position that can be used to finance day-to-day operations without constraints, changed from (\$2.0 million) (restated) in the previous fiscal year to (\$1.8 million) in the current year, a slight increase.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Net position of business-type activities increased \$61,388 in the current year (after beginning net position as restated). Restatement was due to the implementation of GASB 68 for pensions (a \$52k decrease) and the City beginning to maintain records to report capital assets (a \$4.0 million decrease). The City of Highwood generally can only use this net position to finance the continuing operations of the waterworks and sewerage, and garbage operations. The water operations of the City continues to work on several capital projects that will be financed with current and future debt.

Total revenues increased by \$0.6 million compared to prior years. The increase in the current year is due to an increase in property tax income and an increase in water revenue due to increased rates.

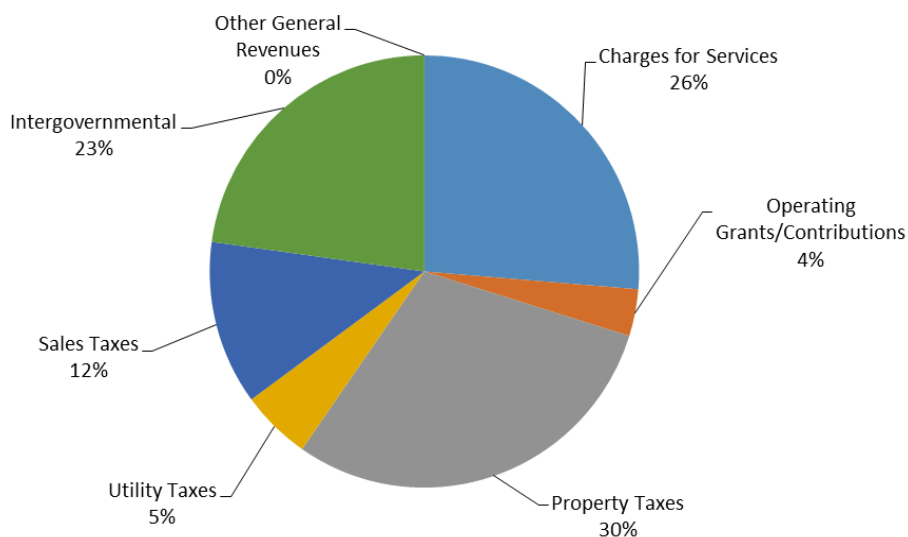
Governmental Activities

Revenues for governmental activities increased \$0.2 million due to the increase in property taxes. Expenses saw an increase of \$0.8 million. This was mostly due to the reporting of \$0.4 million in pension contributions in public safety expenses. It was also due to slight increases for many public works related expenses.

The cost of all governmental activities this year was \$5.8 million compared to \$5.0 million last year. Overall, governmental program revenues were \$1.7 million, including intergovernmental aid and fees for services. This remained consistent to the 2015 amount, which was also \$1.7 million.

The following table graphically depicts the major revenue sources of the City of Highwood. It clearly identifies the reliance of property and sales taxes and charges for services to fund governmental activities. The City continues to evaluate different revenue streams to fund the different operations of the City.

Revenues by Sources - Governmental Activities

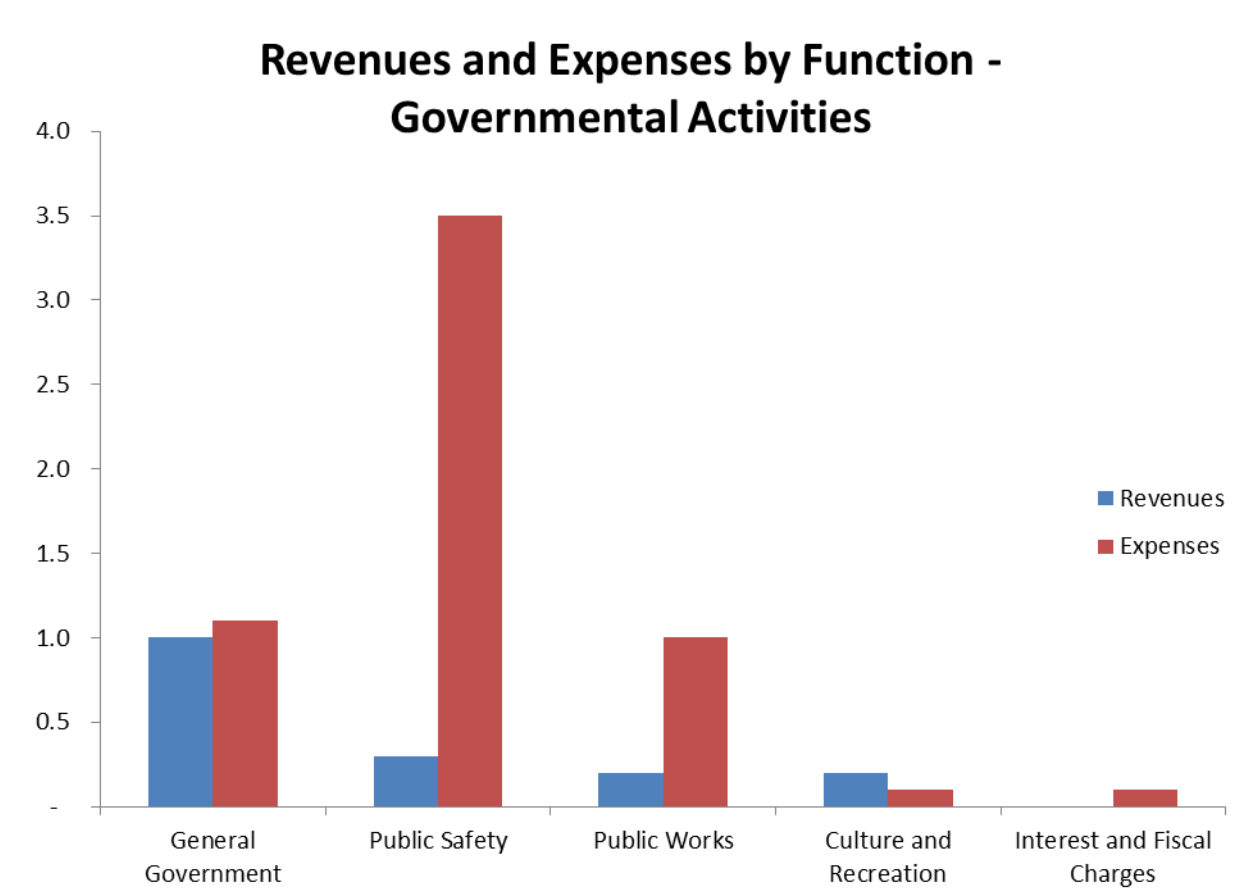


City of Highwood, Illinois

**Management’s Discussion and Analysis
April 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental Activities – Continued



The ‘Expenses and Program Revenues’ Table identifies those governmental functions where program expenses greatly exceed revenues. As can be seen by the above, Public Safety is very dependent on the general revenues of the City to function. The City continues to evaluate all available fees for comparability to other communities and collections to cover the costs of operations.

City of Highwood, Illinois

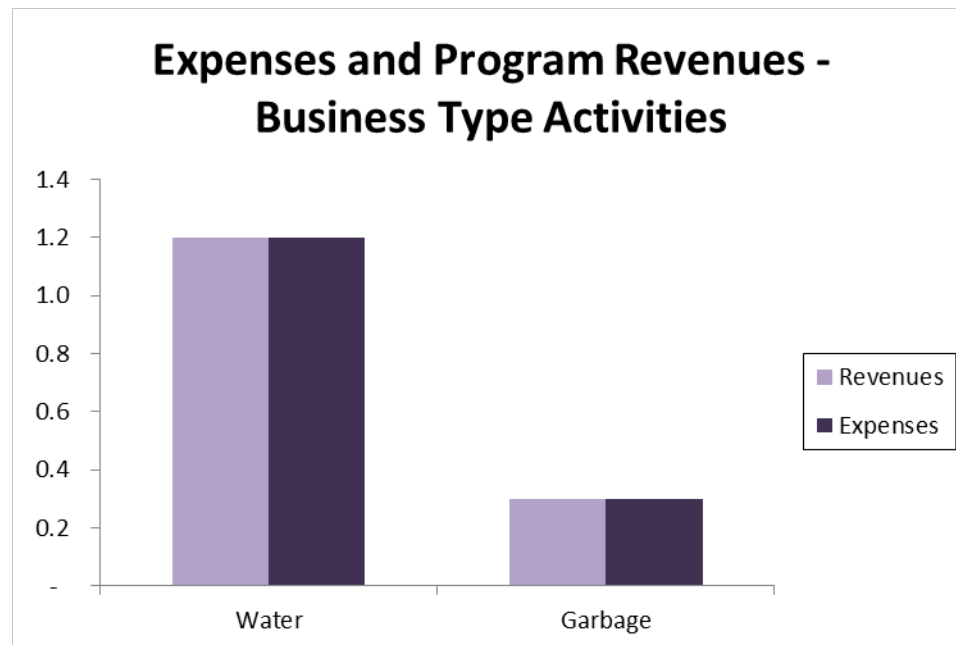
Management's Discussion and Analysis April 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Business-type Activities

Revenues of the City's business-type activities increased by 10.2 percent (\$1.4 million in 2015 compared to \$1.6 in 2016) and expenses increased by 17.3 percent (\$1.5 million in 2016 compared to \$1.3 million in 2015). Key factors behind these results include:

- The waterworks and sewerage system is dependent upon the sale of water. In years of mild summer temperatures, the usage of water will decline and the revenues will decline. In the City of Highwood, our costs related to the water and sewer system tend to be consistent year over year due to the fact that our water sold is based on water pumped out of Lake Michigan. City staff evaluate the costs to make sure that all costs are properly allocated to the proper funds.
- The Garbage Fund operated at a surplus of \$45,733 for the fiscal year. This was the fourth year of the garbage contract.



The above graph compares program revenues to expenses for waterworks and sewerage operations, and garbage operations.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2016

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Highwood uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

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

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$2.2 million which is an increase of \$197,296 over prior year. Although there was a net increase in fund balances, individual funds had different results. The General Fund has an increase of \$269,305 over the prior year. The TIF Fund had an increase of \$70,750; the Capital Projects Fund had a decrease of (\$121,486); the Debt Service Fund had an increase of \$217,763; the MFT Fund decreased (\$70,987); and the E-911 Fund had an increase of \$31,951.

Proprietary funds

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

The City reports the Waterworks and Sewerage Fund as a major proprietary fund. This fund accounts for all of the operations of the municipal water and sewer system. The City pumps and processes water directly from Lake Michigan. The spread between the sale rates and costs of processing the water pumped is intended to finance the operations of the waterworks and sewerage system, including labor costs, supplies, and infrastructure maintenance.

The City intends to run the fund at a breakeven rate. Periodically, there will be an annual surplus or draw down due to timing of capital projects and payments of debt service payments. The surplus during the current fiscal year was \$15,655. Unrestricted net position decreased by \$2,877,579 over the prior year due to the City maintaining capital assets records and recording them in their financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual charges to appropriations (expenditures) were \$121,057 over the budget amounts. Due to additional personnel costs there were two departments over budget – Public Safety and Public Works. No departments were significantly under budget.

In addition, resources available for appropriation were \$162,606 above the final budgeted amount. The City noted increases in Charges for Services – particularly Rental Fees and Park Recreation Fees.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Highwood investment in capital assets for its governmental and business-type activities as of April 30, 2016 was \$7.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements, vehicles, machinery and equipment, park facilities, roads, sidewalks, and bridges. The City began maintaining detailed records of their capital assets in the fiscal year ending April 30, 2016, which resulted in restatement of net position and capital asset beginning balances.

Capital Assets - Net of Depreciation (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 2.6	\$ 0.7	\$	\$	\$ 2.6	\$ 0.7
CIP	2.5		2.3		4.8	
Buildings	0.6	1.1	1.9	0.4	2.5	1.5
Machinery and Equipment	0.7		0.1		0.8	
Infrastructure	0.8	2.3	1.3	7.0	2.1	9.3
Total	\$ 7.2	\$ 4.1	\$ 5.6	\$ 7.4	\$ 12.8	\$ 11.5

Further detail on capital assets can be found in Note 6 to the financial statements.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

Debt and Long-Term Liabilities

At year-end, the City of Highwood had total outstanding bonded debt of \$15.4 million as compared to \$10.1 million (as restated) the previous year, an increase of 51.2 percent. The large increase in debt from the prior year is due to new Alternative Revenue Bonds of \$2.4 million, a Pension Liability increase of \$1.1 million, and IEPA loans of \$2.3 million. The following is a comparative statement of outstanding debt:

Long-Term Liabilities (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Bonds	\$ 4.6	\$ 2.5	\$ 3.5	\$ 3.7	\$ 8.1	\$ 6.2
Capital Lease Payables	0.1	0.1			0.1	0.1
Loan Payable	0.2	0.3	0.3	0.3	0.5	0.6
IEPA Loans			2.7	0.5	2.7	0.5
Other Liabilities	3.9	2.7	0.1		4.0	2.7
Total	\$ 8.8	\$ 5.6	\$ 6.6	\$ 4.5	\$ 15.4	\$ 10.1

Further detail on the City's long-term debt can be found in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2016 budget, tax rates, and fees that will be charged for its governmental and business-type activities. One of those factors is the economy. While the City has had several years of positive financial performance, the economy continues to play a role in future decisions.

As of April 30, 2016, the City and the Firefighters' union had agreed to dissolve the fire department effective June 30, 2016. Police FOP union contract expires June 30, 2021 and Police Lieutenant union contract expires June 30, 2020.

In the current year, the City of Highwood maintained their current bond rating from Standard and Poor's. The City's current rating is AA.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES – Continued

The City of Highwood has a large restaurant base which supports the operations of the City. With the struggling economy, the City needs to continue to find revenues streams which do not create undue burden on this reliable revenue base.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City Of Highwood finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to City Administrator, City of Highwood, 17 Highwood Avenue, Highwood, Illinois 60040.

BASIC FINANCIAL STATEMENTS

CITY OF HIGHWOOD, ILLINOIS

Statement of Net Position

April 30, 2016

	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Cash and Investments	\$ 2,041,559	873,099	2,914,658	350,250
Receivables, Net				
Taxes	2,117,683		2,117,683	238,201
Intergovernmental	350,407	618,473	968,880	
Accounts		277,843	277,843	
Other	33,118		33,118	
Due from Agency Fund	15,322		15,322	
Prepaid Expenses	11,548	2,051	13,599	10,186
Internal Balances	(92,365)	92,365		
Restricted Assets				
Cash and Investments	16,511	22,405	38,916	
Capital Assets				
Land	2,650,350		2,650,350	
Construction in Progress	2,468,516	2,254,141	4,722,657	
Other Capital Assets, Net of Depreciation	2,040,247	3,308,427	5,348,674	184,140
Total Assets	11,652,896	7,448,804	19,101,700	782,777
Deferred Outflows of Resources				
Deferred Outflows of Resources - Pensions	1,012,284	58,883	1,071,167	28,675
Unamortized Loss on Refunding	10,981		10,981	
Total Deferred Outflows of Resources	1,023,265	58,883	1,082,148	28,675
Liabilities				
Accounts Payable	134,512	701,685	836,197	3,807
Accrued Liabilities and Deposits	40,712	3,515	44,227	3,549
Other Accrued Liabilities	29,372	22,861	52,233	
Unearned Rent	113,119		113,119	
Accrued Interest Payable	24,080	127,717	151,797	
Noncurrent Liabilities				
Due Within One Year	586,322	319,832	906,154	
Due in More Than One Year	8,246,433	6,239,687	14,486,120	51,417
Total Liabilities	9,174,550	7,415,297	16,589,847	58,773
Deferred Inflows of Resources				
Deferred Inflows of Resources - Pensions	234,174	13,546	247,720	6,597
Deferred Property Taxes	1,996,490		1,996,490	238,201
Total Deferred Inflows of Resources	2,230,664	13,546	2,244,210	244,798
Net Position				
Net Investment in Capital Assets	2,193,227	2,207,226	1,576,262	184,140
Restricted for				
Debt Service	762,962		762,962	
Road Construction and Maintenance	70,379		70,379	
Public Safety	87,785		87,785	
Grant Programs				41,275
Unrestricted	(1,843,406)	(2,128,382)	(1,147,597)	282,466
Total Net Position	\$ 1,270,947	78,844	1,349,791	507,881

See Notes to Financial Statements

CITY OF HIGHWOOD, ILLINOIS

Statement of Activities

Year Ended April 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 1,123,366	975,529		
Public Safety	3,508,154	313,081		
Public Works	1,052,101	51,130	188,244	
Culture, Education and Recreation	108,861	171,912		
Interest and Fiscal Charges	99,610			
Total Governmental Activities	<u>5,892,092</u>	<u>1,511,652</u>	<u>188,244</u>	<u>-</u>
Business-type Activities				
Water and Sewer	1,240,899	1,141,610	96,085	
Garbage	260,850	252,597		
Total Business-type Activities	<u>1,501,749</u>	<u>1,394,207</u>	<u>96,085</u>	<u>-</u>
Total Primary Government	<u>\$ 7,393,841</u>	<u>2,905,859</u>	<u>284,329</u>	<u>-</u>
Component Unit				
Highwood Library	\$ 417,169	4,826	10,873	-

- General Revenues
- Property Taxes
- Utility Taxes
- Home Rule Sales Taxes
- Intergovernmental - Sales Taxes
- Intergovernmental - Other Taxes
- Unrestricted Investment Earnings
- Gain on Sale of Capital Assets
- Miscellaneous
- Total General Revenues

Change in Net Position

- Net Position
- May 1, as Originally Stated
- Restatement (Note 13)
- May 1, as Restated
- April 30

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	
(147,837)		(147,837)	
(3,195,073)		(3,195,073)	
(812,727)		(812,727)	
63,051		63,051	
(99,610)		(99,610)	
(4,192,196)	-	(4,192,196)	-
	(3,204)	(3,204)	
	(8,253)	(8,253)	
-	(11,457)	(11,457)	-
(4,192,196)	(11,457)	(4,203,653)	-
			(401,470)
1,648,604		1,648,604	230,430
332,332		332,332	
702,143		702,143	
508,518		508,518	
798,234		798,234	
3,894	1,668	5,562	1,107
61,200		61,200	
14,701	71,177	85,878	50,397
4,069,626	72,845	4,142,471	281,934
(122,570)	61,388	(61,182)	(119,536)
2,914,110	4,042,724	6,956,834	703,900
(1,520,593)	(4,025,268)	(5,545,861)	(76,483)
1,393,517	17,456	1,410,973	627,417
1,270,947	78,844	1,349,791	507,881

CITY OF HIGHWOOD, ILLINOIS

Balance Sheet - Governmental Funds

April 30, 2016

	General Fund	TIF Capital Projects Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Investments	\$ 1,154,336	748,229		138,994	2,041,559
Cash and Investments - Restricted	16,511				16,511
Receivables					
Property Tax	1,238,604	519,838		238,048	1,996,490
Other Taxes	108,892			12,301	121,193
Intergovernmental	350,407				350,407
Other Receivables, Net	33,118				33,118
Prepaid Items	11,548				11,548
Due from Other Funds				17,763	17,763
Due from Fiduciary Funds	15,322				15,322
Due from Component Unit					
Total Assets	\$ 2,928,738	1,268,067	-	407,106	4,603,911
Liabilities					
Accounts Payable	\$ 112,775	3,030	11,358	7,349	134,512
Accrued Payroll	40,712				40,712
Other Current Liabilities	29,372				29,372
Due to Other Funds			110,128		110,128
Unearned Rent	113,119				113,119
Total Liabilities	295,978	3,030	121,486	7,349	427,843
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	1,238,604	519,838		238,048	1,996,490
Fund Balances					
Nonspendable					
Prepaid Items	11,548				11,548
Restricted					
Debt Service		745,199		17,763	762,962
Road Construction and Maintenance				70,379	70,379
Public Safety	14,218			73,567	87,785
Unassigned	1,368,390		(121,486)		1,246,904
Total Fund Balances	1,394,156	745,199	(121,486)	161,709	2,179,578
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,928,738	1,268,067	-	407,106	4,603,911

CITY OF HIGHWOOD, ILLINOIS

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position

April 30, 2016

Total Fund Balances - Governmental Funds		\$ 2,179,578
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,159,113
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds, Notes, Loans and Capital Leases Payable	(4,885,180)	
Compensated Absences	(88,307)	
Net Pension Liability	(3,767,581)	
Accrued Interest	<u>(24,080)</u>	
		(8,765,148)
Deferred outflows of resources related to pensions are recorded on the Statement of Net Position.		1,012,284
Deferred inflows of resources related to pensions are recorded on the Statement of Net Position.		(234,174)
Losses on issuance of refunding bonds are reported as a deferred outflow and amortized over the life of the bonds on the Statement of Net Position.		10,981
Premiums on bonds are an other financing source in the year of issuance but are shown as an increase in bonds payable and amortized over the life of the bonds on the Statement of Net Position.		<u>(91,687)</u>
Net Position of Governmental Activities		<u>\$ 1,270,947</u>

CITY OF HIGHWOOD, ILLINOIS

Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds

Year Ended April 30, 2016

	General Fund	TIF Capital Projects Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property Tax	\$ 1,183,249	465,355			1,648,604
Other Taxes	1,034,475			40,921	1,075,396
Intergovernmental	1,315,822			138,253	1,454,075
Licenses and Permits	427,744				427,744
Fines, Forfeitures and Penalties	79,547				79,547
Public Charges for Services	980,682				980,682
Investment Income	1,803	1,492		599	3,894
Miscellaneous	38,380				38,380
Total Revenues	5,061,702	466,847	-	179,773	5,708,322
Expenditures					
Current					
General Government	985,167	29,100			1,014,267
Public Safety	2,973,504			9,026	2,982,530
Public Works	599,598			209,783	809,381
Culture, Recreation and Education	107,428				107,428
Capital Outlay	42,965	3,265	2,468,506		2,514,736
Debt Service					
Principal	132,848	296,331			429,179
Interest	12,087	66,526			78,613
Cost of Issuance				54,012	54,012
Fiscal Agent Fees		875			875
Total Expenditures	4,853,597	396,097	2,468,506	272,821	7,991,021
Excess (Deficiency) of Revenues over Expenditures	208,105	70,750	(2,468,506)	(93,048)	(2,282,699)
Other Financing Sources					
Bond Issuance			2,283,225	71,775	2,355,000
Bond Premium			63,795		63,795
Proceeds from the Sale of Capital Assets	61,200				61,200
Total Other Financing Sources	61,200	-	2,347,020	71,775	2,479,995
Net Change in Fund Balance	269,305	70,750	(121,486)	(21,273)	197,296
Fund Balance					
May 1	1,124,851	674,449		182,982	1,982,282
April 30	\$ 1,394,156	745,199	(121,486)	161,709	2,179,578

CITY OF HIGHWOOD, ILLINOIS

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended April 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 197,296
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Net Position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	2,468,516
Depreciation is reported in the government-wide financial statements.	(376,530)
The issuance of long-term debt is reported as an other financing source in governmental funds, but as an increase of principal outstanding in the Statement of Net Position.	(2,355,000)
The premium on bonds issued is reported as an other financing use in the governmental funds, but is amortized over the life of the bond in the Statement of Activities.	(63,795)
Principal repaid on long-term debt.	429,179
Some of the bonds outstanding are accretion bonds. Accretion of the bonds during the year increases the carrying value of the bonds and will be repaid using future year resources. The current year's accretion is charged to interest expense in the Statement of Activities.	(29,189)
The amortization of premiums on bonds and losses on refunding are not a use of financial resources in the governmental funds.	4,854
Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Changes in	
Compensated Absences	68,534
Increase in Net Pension Liabilities and Pension Related	
Deferred Inflows/Outflows	(470,648)
Accrued Interest on Debt	4,213
Change in Net Position	<u>\$ (122,570)</u>

CITY OF HIGHWOOD, ILLINOIS

Statement of Net Position - Proprietary Funds

April 30, 2016

	Waterworks and Sewerage Fund	Nonmajor Enterprise Fund - Garbage Fund	Total
Assets			
Current Assets			
Cash and Investments	\$ 567,213	305,886	873,099
Receivables			
Accounts, Net	268,604	9,239	277,843
Intergovernmental	618,473		618,473
Due from Other Funds	110,128		110,128
Prepaid Items	2,051		2,051
Restricted Assets			
Cash and Investments	22,405		22,405
Total Current Assets	1,588,874	315,125	1,903,999
Noncurrent Assets			
Capital Assets			
Land			
Construction in Progress	2,254,141		2,254,141
Property and Equipment	8,512,000		8,512,000
Less Accumulated Depreciation	(5,203,573)		(5,203,573)
Total Noncurrent Assets	5,562,568	-	5,562,568
Total Assets	7,151,442	315,125	7,466,567
Deferred Outflows of Resources			
Deferred Outflows of Resources - Pensions	58,883		58,883
Liabilities			
Current Liabilities			
Accounts Payable	678,412	23,273	701,685
Accrued Payroll	2,852	663	3,515
Other Current Liabilities	22,791	70	22,861
Due to Other Funds	17,763		17,763
Interest Payable	127,717		127,717
Total Current Liabilities	849,535	24,006	873,541
Noncurrent Liabilities			
Long-Term Debt			
Due Within One Year	319,832		319,832
Due in More Than One Year	6,239,687		6,239,687
Total Noncurrent Liabilities	6,559,519	-	6,559,519
Total Liabilities	7,409,054	24,006	7,433,060
Deferred Inflows of Resources			
Deferred Inflows of Resources - Pensions	13,546		13,546
Net Position			
Net Investment in Capital Assets	2,207,226		2,207,226
Unrestricted (Deficit)	(2,419,501)	291,119	(2,128,382)
Total Net Position (Deficit)	\$ (212,275)	291,119	78,844

See Notes to Financial Statements

CITY OF HIGHWOOD, ILLINOIS

Statement of Revenues, Expenses, and Changes in
Net Position - Proprietary Funds

Year Ended April 30, 2016

	Waterworks and Sewerage Fund	Nonmajor Enterprise Fund - Garbage Fund	Total
Operating Revenues			
Public Charges for Services	\$ 1,141,610	252,597	1,394,207
Operating Expenses			
Personnel	281,689	43,107	324,796
Contractual Services	453,899	217,743	671,642
Materials and Supplies	36,357		36,357
Capital Outlay	19,817		19,817
Depreciation	153,535		153,535
Total Operating Expenses	945,297	260,850	1,206,147
Operating Income (Loss)	196,313	(8,253)	188,060
Nonoperating Revenues (Expenses)			
Investment Income	1,407	261	1,668
Interest Subsidy	96,085		96,085
Miscellaneous Revenue	17,452	53,725	71,177
Miscellaneous Expense	(1,584)		(1,584)
Interest Expense	(292,668)		(292,668)
Fiscal Agent Fees	(1,350)		(1,350)
Total Nonoperating Revenues (Expenses)	(180,658)	53,986	(126,672)
Change in Net Position	15,655	45,733	61,388
Net Position			
May 1, as Originally Stated	3,797,338	245,386	4,042,724
Restatement (Note 13)	(4,025,268)		(4,025,268)
May 1, as Restated	(227,930)	245,386	17,456
April 30	\$ (212,275)	291,119	78,844

CITY OF HIGHWOOD, ILLINOIS

Statement of Cash Flows - Proprietary Funds

Year Ended April 30, 2016

	Waterworks and Sewerage Fund	Nonmajor Enterprise Fund - Garbage Fund	Total
Cash Flows from Operating Activities			
Received from Customers	\$ 467,383	251,634	719,017
Paid to Suppliers for Grounds and Services	(559,761)	(211,084)	(770,845)
Paid to Employees for Services	(282,131)	(44,023)	(326,154)
Other Operating Revenue	14,518	53,725	68,243
Net Cash Provided by Operating Activities	<u>(359,991)</u>	<u>50,252</u>	<u>(309,739)</u>
Cash Flows from Investing Activities			
Investment Income	1,407	261	1,668
Cash Flows from Noncapital Financing Activities			
Interfund Transactions	<u>(92,365)</u>		<u>(92,365)</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from Loans	2,258,814		2,258,814
Debt Retired	(235,691)		(235,691)
Interest Paid	(171,012)		(171,012)
Purchases of Capital Assets	<u>(1,635,668)</u>		<u>(1,635,668)</u>
Net Cash Used by Capital and Related Financing Activities	<u>216,443</u>	<u>-</u>	<u>216,443</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(234,506)	50,513	(183,993)
Cash and Cash Equivalents			
May 1	824,124	255,373	1,079,497
April 30	<u>\$ 589,618</u>	<u>305,886</u>	<u>895,504</u>
Represented by			
Unrestricted	\$ 567,213	305,886	873,099
Restricted	<u>22,405</u>		<u>22,405</u>
	<u>\$ 589,618</u>	<u>305,886</u>	<u>895,504</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 196,313	(8,253)	188,060
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	153,535		153,535
Other Operating Revenue	14,518	53,725	68,243
Pension Related Items	7,760		7,760
Changes in Assets and Liabilities			
Increase in Accounts Receivable	(55,754)	(963)	(56,717)
Increase in Prepaid Expenses	(136)		(136)
Increase (Decrease) in Accounts Payable	(669,304)	6,988	(662,316)
Decrease in Accrued Payroll	(5,948)	(916)	(6,864)
Increase (Decrease) in Other Liabilities	1,279	(329)	950
Decrease in Compensated Absences	<u>(2,254)</u>		<u>(2,254)</u>
Net Cash Provided by Operating Activities	<u>\$ (359,991)</u>	<u>50,252</u>	<u>(309,739)</u>
Noncash Capital Financing Activities			
Capital Assets Not Yet Paid and Included in Accounts Payable			<u>\$ 618,473</u>

See Notes to Financial Statements

CITY OF HIGHWOOD, ILLINOIS

Statement of Fiduciary Net Position - Fiduciary Funds

April 30, 2016

	Pension Trust Funds	Agency Fund
Assets		
Cash and Cash Equivalents	\$ 27,481	18,593
Investments		
U.S. Treasuries	529,537	
U.S. Agencies	2,563,138	
Mutual Funds	2,598,534	
Municipal Bonds	528,649	
Receivables, Net		
Accrued Interest	29,563	
Due from Other Organizations		
Prepaid Expenses		
Total Assets	6,276,902	18,593
Liabilities		
Accounts Payable	8,544	
Deposits		630
Due to Other Organizations		2,641
Due to City		15,322
Total Liabilities	8,544	18,593
Net Position		
Restricted for Pensions	\$ 6,268,358	-

CITY OF HIGHWOOD, ILLINOIS

Statement of Changes in Fiduciary Net Position

Year Ended April 30, 2016

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer	\$ 387,348
Plan Members	84,942
Repayment of Refunds	35,873
Total Contributions	<u>508,163</u>
Investment Income	
Investment Income	223,184
Gains on Investments	(116,926)
Investment Expense	(25,317)
Total Investment Income	<u>80,941</u>
Total Additions	<u>589,104</u>
Deductions	
Benefits	277,152
Administration	101,748
Refunds of Contributions	9,186
Other Expenses	
Transfers to Other Pension Plans	82,896
Total Deductions	<u>470,982</u>
Change in Net Position	118,122
Net Position Restricted for Pensions	
May 1	<u>6,150,236</u>
April 30	<u>\$ 6,268,358</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

1. Summary of Significant Accounting Policies

The City of Highwood, Illinois (City) is a municipal corporation, which operates under the Council-Manager form of government. The City's major operations include police and fire safety, highway and street maintenance and reconstruction, building code enforcement, public improvements, community development, planning and zoning, waterworks and sewerage services and general administrative services.

The accounting policies of the City of Highwood, Illinois conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

This report includes all of the funds of the City of Highwood, Illinois. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government is such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable for the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body, and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

Fiduciary Component Units

The Police Pension Employees Retirement System (PPERS or Police Pension Fund) is established for the City's police employees. PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the City's Mayor, one pension beneficiary elected by the membership, and two police employees selected by the membership constitute the pension board. The City and the PPERS participants are obligated to fund all PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the City is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many characteristics of a legally separate government, PPERS is reported as if it were part of the primary government because its sole purpose is to finance and administer the pensions of the City's police employees and because of the fiduciary nature of such activities. PPERS is reported as a pension trust fund. No separate annual financial report is issued for the PPERS.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

1. Summary of Significant Accounting Policies (Cont.)

A. Reporting Entity (Cont.)

Fiduciary Component Units (Cont.)

The Firefighters' Pension Employees Retirement System (FPERS) is established for the City's firefighters. FPERS functions for the benefit of these employees and is governed by a five-member pension board. The City's Mayor appoints two people to the board and two fire employees and one retiree are elected by the membership. The City and the FPERS participants are obligated to fund all FPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the City is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many characteristics of a legally separate government, FPERS is reported as if it were part of the primary government because its sole purpose is to finance and administer the pensions of the City's police employees and because of the fiduciary nature of such activities. FPERS is reported as a pension trust fund. No separate annual financial report is issued for the FPERS.

Discretely Presented Component Unit

Highwood Public Library

The government-wide financial statements include the Highwood Public Library (Library) as a component unit. The Library is a legally separate organization. The board of the Library is appointed by the Mayor with the approval of the City Council. The Library's budget and tax levy is subject to approval by the City Council. As a component unit, the Library's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended April 30, 2016. The Library does not issue separate financial statements.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole, except for fiduciary activities. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities of the City and its discretely presented component unit. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

1. Summary of Significant Accounting Policies (Cont.)

B. Government-Wide and Fund Financial Statements (Cont.)

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred inflows/outflows of resources, liabilities, net position/fund balance (deficit), revenues, and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary statements. A fund is considered major if it is the primary operating fund of the City (the General Fund) or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type.
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

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

The City reports the following major governmental funds:

The **General Fund** accounts for the City's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

The **TIF Capital Projects Fund** accounts for resources accumulated and payments made for development within the TIF District.

The **Capital Projects Fund** accounts for the acquisition or construction of general capital assets.

The City reports the following major enterprise fund:

The **Waterworks and Sewerage Fund** accounts for the operations of the water and sewer system of the City.

The City reports the following nonmajor governmental and enterprise funds:

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

Motor Fuel Tax Fund
E-911 Fund

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

1. Summary of Significant Accounting Policies (Cont.)

B. Government-Wide and Fund Financial Statements (Cont.)

Debt Service Funds – specifically established to account for and service the long-term obligations of the governmental funds' debt.

Debt Service Fund

Enterprise Funds – may be used to report any activity for which a fee is charged to external uses for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

Garbage Fund

In addition, the City reports the following fiduciary fund types:

Pension (and other employee benefit) trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans.

Police Pension Fund Firefighters' Pension Fund

Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Escrow Fund

C. Measurement Focus, Basis of Accounting, and Basis of Presentation

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's business-type activities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

1. Summary of Significant Accounting Policies (Cont.)
 - C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Cont.)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of income taxes. Income taxes received after 60 days will be considered as available in order to properly reflect 12 months of revenue in the financial statements. The current fiscal problems facing the State of Illinois have caused delays in these payments. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided and the revenue is collected.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unavailable revenues. Amounts received prior to the entitlement period are recorded as unearned revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments, and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The City reports unavailable and unearned revenues on its governmental funds balance sheet. For the governmental fund financial statements, unavailable revenues arise when revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. The revenue is recognized in the period when the revenue becomes both "measurable" and "available." Unavailable revenues arise from taxes levied in the current year which are intended to finance the subsequent year's operations and when the resources for a receivable are not received within 60 days of fiscal year end. Unearned revenues arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures, or rent collected in advance of the period earned. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds also follow the accrual basis of accounting, but do not have a measurement focus.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

1. Summary of Significant Accounting Policies (Cont.)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Cont.)

The 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 Waterworks and Sewerage Fund are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position or Fund Balance

Deposits and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents. Investments consist of certificates of deposit, treasury obligations, and insurance contracts with maturities greater than three months. Investments with maturities of greater than one year are reported at fair value. Fair value is based on quoted market prices.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

Receivables

Property taxes for levy year 2015 attached as an enforceable lien on January 1, 2015, on property values assessed as of the same date. Taxes are levied by December following the lien date (by passage of a Tax Levy Ordinance). Property taxes for levy year 2015 still outstanding as of April 30, 2016, are recorded as receivables. The 2016 tax levy, which attached as an enforceable lien on the property as of January 1, 2016, has not been recorded as a receivable and deferral as of April 30, 2016, as the tax has not yet been levied by the City and will not be levied until December 2016 and, therefore, the levy is not measurable at April 30, 2016. Receivable at April 30, 2016, is related to remaining distributions on 2015 levy.

Tax bills are prepared by Lake County and issued on or about June 1, and are payable in two installments, on or about July 1 and September 1, or within 30 days of the tax bills being issued.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

1. Summary of Significant Accounting Policies (Cont.)

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position or Fund Balance (Cont.)

The County collects the property taxes and remits them periodically. The 2015 property tax levy is recognized as a receivable and deferral in fiscal 2016, net the allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues at the fund and entity-wide levels. At April 30, 2016, the property taxes receivable and deferred inflows consisted of the estimated amount collectible from the 2015 levy.

Interfunds

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

Capital Assets

Government-Wide Statements

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$10,000 for general capital assets and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of capital asset is as follows:

Buildings	50 Years
Land Improvements	20 Years
Equipment and Vehicles	3 - 20 Years
Infrastructure	15 - 50 Years

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

1. Summary of Significant Accounting Policies (Cont.)

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position or Fund Balance (Cont.)

Capital Assets (Cont.)

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at April 30, 2016, are determined on the basis of current salary rates and include incremental salary related payments.

Deferred Outflows/Inflows of Resources

The City reports deferred outflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category; they are the unamortized loss on refunding of bonds and deferred outflows for pensions reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The deferred outflows related to pensions represents pension items that will be recognized as pension expense in future periods.

The City reports deferred inflows of resources on its statement of net position and on its balance sheet – governmental funds. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Accordingly, the items, unavailable/unearned property taxes and deferred inflows for pensions, are reported in the statement of net position and the governmental funds balance sheet, as noted. The unavailable/deferred property taxes are recognized as an inflow of resources in the period that the amount becomes available and/or were intended to finance. The deferred inflows related to pensions represents pension items that will be recognized as reductions in pension expense in future periods.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

1. Summary of Significant Accounting Policies (Cont.)

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position or Fund Balance (Cont.)

Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of the long-term debt, plus any premiums or less any discounts, are reported as other financing sources in the period issued and payments of principal and interest are reported as expenditures when made. The accounting in proprietary funds is the same as it is in the government-wide statements.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. The liability for claims and judgments is only reported in governmental funds if it has matured. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. Refer to Note 15 for Commitments and Contingencies.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Police, Firefighters, IMRF, and SLEP pension plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Equity Classifications

Government-Wide and Proprietary Fund Financial Statements

Equity is classified as net position and displayed in three components:

- a. **Net Investment in Capital Assets** – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.
- b. **Restricted Net Position** – Consists of net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

1. Summary of Significant Accounting Policies (Cont.)

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position or Fund Balance (Cont.)

Equity Classifications (Cont.)

Government-Wide and Proprietary Fund Financial Statements (Cont.)

- c. **Unrestricted Net Position** – All other net position that does not meet the definitions of “restricted” or “net investment in capital assets.”

Governmental Fund Financial Statements

There are five classifications of fund balance:

- (1) Nonspendable – amounts that are not in spendable form (such as inventory or land held for resale) or are required to be maintained intact.
- (2) Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) or imposed by law through constitutional provisions or enabling legislation.
- (3) Committed – amounts constrained to a specific purpose by a government itself, using its highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action (the adoption of another ordinance) to remove or change the constraint.
- (4) Assigned – amounts a government intends to use for a specific purpose. Intent can be expressed by the City Manager.
- (5) Unassigned – amounts that are available for any purpose. These amounts are only reported in the General Fund, except for deficit balances in other funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy is to use restricted resources first, then unrestricted resources as they are needed. Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

1. Summary of Significant Accounting Policies (Cont.)

E. Implementation of New Accounting Standard

In 2016, the City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*, which have as their objectives improving the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. Adoption of GASB Statement No. 68 resulted in a restatement of beginning net position at May 1, 2015, and is described in Note 13. In addition, the Statement changed the requirements for information disclosed in the notes to the financial statements and information required to be presented as required supplementary information.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

Prior to April 30, the Finance Director submits to the City Council a proposed operating budget for the fiscal year commencing May 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to July 31, the budget is legally enacted through the passage of an ordinance. Formal budgetary integration is employed as a management control device during the year for the General Fund, debt service, special revenue, capital projects and enterprise funds.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The appropriated budget is prepared by fund, function, and department. Before final action is taken on the appropriation ordinance, the City Council may revise, alter, increase, or decrease the items contained therein. All appropriations lapse at year end.

B. Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

The following funds had a deficit fund balance as of April 30, 2016:

Fund	Deficit Fund Balance
Waterworks and Sewage Fund	\$ 212,275
Capital Project Fund	121,486

The City plans to alleviate the fund deficits through fund transfers from the General Fund, sufficient to fund operations until the deficit is alleviated.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
 April 30, 2016

3. Deposits and Investments

The City's investment policy follows the state statute for allowable investments. Illinois Statutes authorize the City to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Investment Pool.

The City maintains a cash and investment pool that is available for use by all funds. Each fund type or fund's portion of this pool is displayed on the statement of net position and balance sheet, as applicable, as cash and investments. In addition, investments are also separately held by several of the City's funds. The deposits and investments of the pension trust funds are held separately from those of other funds.

The City's deposits and investments at year end were comprised of the following:

	Carrying Value	Bank/Broker Statement Balances
Deposits	\$ 1,490,712	1,491,854
Illinois Funds (Investments)	1,480,555	1,480,555
Petty Cash	900	900
	<u>\$ 2,972,167</u>	<u>2,973,309</u>

Reconciliation to financial statements:

	Government-Wide Statement of Net Position	Agency Fund	Totals
Cash and Investments - Unrestricted	\$ 2,914,658		2,914,658
Cash and Investments - Restricted	38,916		38,916
Cash		18,593	18,593
	<u>\$ 2,953,574</u>	<u>18,593</u>	<u>2,972,167</u>

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. The fair value of the positions in the pool is the same as the value of the pool shares. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the *Investment Company Act of 1940*. The Fund has an affirmed AAAM Standard & Poor's credit quality rating. The fund issues a publicly available financial report which may be obtained from the State of Illinois Treasurer, Illinois Funds Administrative Office, 300 W. Jefferson, Springfield, Illinois 62702.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

3. Deposits and Investments (Cont.)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City.

Deposits – The City's investment policy states that funds on deposit (checking accounts, certificates of deposit, etc.) in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement, and held at an independent, third party institution in the name of municipality. As of April 30, 2016, none of the City's total bank balances were exposed to custodial credit risk.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states that securities will be held by an independent third party custodian designated by the Treasurer and evidenced by safekeeping receipts and a written custodial agreement. The City does not have any investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the investments in commercial paper to the top three ratings of two nationally recognized statistical rating organizations (NRSROs). The City's investment policy does not further limit investment instrument choices.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy states that the investment portfolio shall be diversified based on the type of funds invested and the cash flow needs of those funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. The City's investment policy states that public funds shall be invested in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds. More specifically, the Treasurer shall attempt to match the City's investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer will not directly invest in securities maturing more than two years from the date of purchase. Reserve funds may be invested in securities exceeding two years if the maturities of such investments are made to coincide, as nearly as practicable, with the expected use of the funds. The City's investment in the Illinois Funds has an average investment maturity of less than one year.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

4. Receivables

	Governmental Funds			Proprietary Funds		Total
	General Fund	TIF Capital Projects Fund	Nonmajor Funds	Waterworks and Sewerage Fund	Nonmajor Garbage Fund	
Receivables						
Property Taxes	\$ 1,238,604	519,838	238,048			1,996,490
Other Taxes						
Sales Tax	78,656					78,656
Utility Tax	30,236					30,236
Intergovernmental						
Sales Tax	113,919					113,919
Telecom	19,717					19,717
Use Tax	20,206					20,206
Income Tax	195,073					195,073
Replacement Tax	1,492					1,492
Motor Fuel Tax			12,301			12,301
IEPA Loan				618,473		618,473
Accounts, Net	33,118			268,604	9,239	310,961
	<u>\$ 1,731,021</u>	<u>519,838</u>	<u>250,349</u>	<u>887,077</u>	<u>9,239</u>	<u>3,397,524</u>

All of the receivables on the balance sheet are expected to be collected within one year. As of April 30, 2016, the General, Waterworks and Sewerage, and Garbage Funds have recorded allowance for uncollectible accounts of \$31,050; \$36,738; and \$2,415, respectively.

5. Restricted Assets

The following represent the balances of the restricted assets:

Unspent Bond Proceeds – Unspent portion of 2010 A and B Series Bonds.

Deposits in Escrow – Unspent portion of 2010 A and B Series Bonds held in escrow in connection with projects being executed under intergovernmental agreements and unspent portion of loans payable that were issued during the current and previous fiscal year and had not been spent entirely out of the escrow at April 30, 2016.

Following is a list of restricted assets at April 30, 2016:

	Restricted Assets	Noncurrent Liabilities Payable from Restricted Assets	Restricted Net Position
Governmental Activities			
Deposits in Escrow	\$ 16,511	(16,511)	
Business-type Activities			
Unspent Bond Proceeds	22,405	(22,405)	
Total	<u>\$ 38,916</u>	<u>(38,916)</u>	<u>-</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

6. Capital Assets

A. Governmental Activities

Prior to the year-end April 30, 2016, the City did not maintain adequate records to support reported capital assets for fiscal year 2015 or prior years. During the year ended April 30, 2016, the City engaged a third party firm to value all capital assets held by the City. Accordingly, beginning net position and capital assets beginning net value balance were restated (see Note 13) and capital assets additions, disposals, depreciation expense, and ending net balance for the year ended April 30, 2016, are recorded based on this valuation project.

B. Governmental Activities

A summary of changes in capital assets for the governmental activities of the City is as follows:

	Balances May 1 (Restated)	Additions	Deletions	Balances April 30
Capital Assets Not Being Depreciated				
Land	\$ 2,650,350			2,650,350
Construction in Progress		2,468,516		2,468,516
	<u>2,650,350</u>	<u>2,468,516</u>	<u>-</u>	<u>5,118,866</u>
Capital Assets Being Depreciated				
Land improvements	741,240			741,240
Buildings	2,180,900			2,180,900
Equipment and Vehicles	2,360,100		61,200	2,298,900
Infrastructure	10,880,000			10,880,000
	<u>16,162,240</u>	<u>-</u>	<u>61,200</u>	<u>16,101,040</u>
Less Accumulated Depreciation for				
Land improvements	741,240			741,240
Buildings	1,560,644	40,429		1,601,073
Equipment and Vehicles	1,552,125	143,272	61,200	1,634,197
Infrastructure	9,891,454	192,829		10,084,283
	<u>13,745,463</u>	<u>376,530</u>	<u>61,200</u>	<u>14,060,793</u>
Total Capital Assets Being Depreciated, Net	<u>2,416,777</u>	<u>(376,530)</u>	<u>-</u>	<u>2,040,247</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,067,127</u>	<u>2,091,986</u>	<u>-</u>	<u>7,159,113</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

6. Capital Assets (Cont.)

C. Business-type Activities

A summary of capital assets for business-type activities of the City is as follows:

	Balances May 1 (Restated)	Additions	Deletions	Balances April 30
Capital Assets Not Being Depreciated				
Construction in Progress	\$	2,254,141		2,254,141
Capital Assets Being Depreciated				
Land Improvements	41,900			41,900
Buildings	3,851,500			3,851,500
Machinery and Equipment	350,600			350,600
Waterworks and Sewerage System	4,268,000			4,268,000
	<u>8,512,000</u>	-	-	<u>8,512,000</u>
Less Accumulated Depreciation for				
Land Improvements	41,900			41,900
Buildings	1,926,485	58,450		1,984,935
Machinery and Equipment	250,913	9,725		260,638
Waterworks and Sewerage System	2,830,740	85,360		2,916,100
	<u>5,050,038</u>	<u>153,535</u>	-	<u>5,203,573</u>
Total Capital Assets Being Depreciated, Net	<u>3,461,962</u>	<u>(153,535)</u>	-	<u>3,308,427</u>
Business-type Activities Capital Assets, Net	<u>\$ 3,461,962</u>	<u>2,100,606</u>	-	<u>5,562,568</u>

D. Depreciation Expense

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

Governmental Activities		
General Government	\$	26,407
Public Safety		111,650
Public Works		237,803
Culture, Education and Recreation		670
		<u>\$ 376,530</u>
Business-type Activities		
Water	\$	100,825
Sewer		52,710
		<u>\$ 153,535</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

7. Interfund Transactions

A. Interfund Receivables/Payables

The principal purpose of these interfunds is to cover temporary cash overdrafts. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

The following is a schedule of interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
Water Fund	Capital Projects Fund	\$ 110,128
Debt Service Fund	Water Fund	<u>17,763</u>
Total Fund Financial Statements		127,891
Less Government-wide Eliminations		<u> </u>
Total Internal Balances - Government-wide Statement of Net Position		<u><u>\$ 92,365</u></u>
General Fund	Agency Fund	<u><u>\$ 15,322</u></u>

All amounts are due within one year.

B. Transfers

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

There were no transfers for the year ended April 30, 2016.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

8. Deferred Inflows of Resources and Unearned Income

As of April 30, 2016, the various components of deferred inflows of resources related to revenue recognition (excludes pension items) and unearned revenue reported in the governmental funds balance sheet, and the governmental activities in the statement of net position were as follows:

	Deferred Inflows of Resources	Unearned	Total
Property Taxes Receivable for Subsequent Year	\$ 1,996,490		1,996,490
Rental Income Received in Advance		113,119	113,119
 Total Deferred/Unearned Revenue per Statement of Net Position	 \$ 1,996,490	 113,119	 2,109,609

There were no differences between the governmental funds balance sheet and the governmental activities in the statement of net position related to revenue recognition, and there were no deferred inflows of resources related to revenue recognition or unearned revenues for the enterprise funds or business-type activities as of April 30, 2016. See Note 1.D. for information on all deferred inflows of resources reported by the City.

9. Long-Term Debt Obligations

Long-term obligations activity for the year ended April 30, 2016, was as follows:

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Amount Due Within One Year
<u>Governmental Activities</u>					
Bonds and Notes Payable					
Alternative Revenue Bonds*	\$ 2,462,706	29,189	275,000	2,216,895	310,000
General Obligation Bonds		2,355,000		2,355,000	135,000
Bond Premium	35,898	63,795	8,006	91,687	
Capital Lease Payable	142,036		28,201	113,835	29,083
Loans Payable	325,428		125,978	199,450	94,578
	<u>2,966,068</u>	<u>2,447,984</u>	<u>437,185</u>	<u>4,976,867</u>	<u>568,661</u>
Other Liabilities					
Vested Compensated Absences	156,841		68,534	88,307	17,661
Net Pension Liability	2,534,750	1,232,831		3,767,581	
	<u>2,691,591</u>	<u>1,232,831</u>	<u>68,534</u>	<u>3,855,888</u>	<u>17,661</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 5,657,659</u>	<u>3,680,815</u>	<u>505,719</u>	<u>8,832,755</u>	<u>586,322</u>

*\$29,189 represents accreted interest on Capital Appreciation Bonds.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

9. Long-Term Debt Obligations (Cont.)

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Amount Due Within One Year
<u>Business-type Activities</u>					
Bonds and Notes Payable					
2010A General Obligation Build America Bonds	\$ 660,000		140,000	520,000	150,000
2010B General Obligation Recovery Zone Economic Development Bonds	3,000,000			3,000,000	
Bond Discount	(25,081)		(2,411)	(22,670)	
Loan Payable	311,963		34,618	277,345	35,793
IEPA Loans	479,868	2,258,814	63,484	2,675,198	133,226
	<u>4,426,750</u>	<u>2,258,814</u>	<u>235,691</u>	<u>6,449,873</u>	<u>319,019</u>
Other Liabilities					
Vested Compensated Absences	6,319		2,254	4,065	813
Net Pension Liability	58,211	47,370		105,581	
	<u>64,530</u>	<u>47,370</u>	<u>2,254</u>	<u>109,646</u>	<u>813</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 4,491,280</u>	<u>2,306,184</u>	<u>237,945</u>	<u>6,559,519</u>	<u>319,832</u>

The General Fund and Waterworks and Sewerage Fund are expected to pay the Net Pension Liability. For the governmental activities, the compensated absences are generally liquidated by the General Fund.

The City is subject to the Illinois Municipal Code, which limits the amount of certain indebtedness to 8.625% of the most recent available equalized assessed valuation of the City.

Legal Debt Margin

Assessed Valuation – 2015	<u>\$ 129,409,991</u>
Legal Debt Limit – 8.625% of Assessed Valuation	\$ 11,161,612
Amount of Debt Applicable to Debt Limit	<u>5,875,000</u>
Legal Debt Margin	<u>\$ 5,286,612</u>

Chapter 65, Section 5/8-5-1 of the Illinois Compiled Statutes provides, "...no municipality having a population of less than 500,000 shall become indebted in any manner or for any purpose, to an amount, including existing indebtedness in the aggregate exceeding 8.625% on the value of the taxable property therein, to be ascertained by the last assessment for state and county purposes, previous to the incurring of the indebtedness or, until January 1, 1983, if greater, the sum that is produced by multiplying the municipality's 1978 equalized assessed valuation by the debt limitation percentage in effect on January 1, 1979."

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

9. Long-Term Debt Obligations (Cont.)

Alternative Revenue Debt

The alternative revenue bonds are direct obligations and pledge the full faith and credit of the City. Governmental activities alternative revenue bonds are payable from revenues derived from Tax Incremental Revenues and are paid by the TIF Capital Projects Fund. Business-type activities alternative revenue bonds are payable only from revenues derived from the operation of the Waterworks and Sewerage Fund.

Governmental Activities - Alternative Revenue Debt

Alternative revenue debt payable at April 30, 2016, consists of the following:

Governmental Activities Alternative Revenue Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance April 30, 2016
Series 2002 CAB	2002	1/1/2021	4.00% - 5.40%	\$ 786,403	\$ 511,895
Series 2013 GO	2013	1/1/2022	2.00% - 4.00%	2,160,000	1,705,000
Series 2015 GO	2015	12/1/2030	1.85% - 4.00%	2,355,000	<u>2,355,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 4,571,895</u>

General Obligation Debt

Business-type Activities - General Obligation Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and improvements. General obligation bonds have been issued for general business-type activities.

General obligation debt payable at April 30, 2016, consists of the following:

Business-type Activities General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance April 30, 2016
Series 2010A GO BAB	2011	12/1/2019	3.22% - 4.72%	\$ 800,000	\$ 520,000
Series 2010B GO RZEDB	2011	12/1/2033	5.62% - 6.84%	3,000,000	<u>3,000,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 3,520,000</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

9. Long-Term Debt Obligations (Cont.)

General Obligation Debt (Cont.)

Debt service requirements to maturity are as follows:

Year	Governmental Activities Alternative Revenue Source	
	Principal	Interest
2017	\$ 419,440	154,738
2018	463,700	141,628
2019	508,733	126,845
2020	549,402	110,426
2021	595,620	89,818
2022-2026	1,140,000	250,268
2027-2031	895,000	108,750
	<u>\$ 4,571,895</u>	<u>982,470</u>

Year	Business-type Activities					
	2010A General Obligation Build America Bonds			2010B General Obligation Recovery Zone Economic Development Bonds		
	Principal	Gross Interest	Estimated Net Interest*	Principal	Gross Interest	Estimated Net Interest**
2017	\$ 150,000	24,544	15,954	\$	190,926	105,009
2018	150,000	17,464	11,352		190,926	105,009
2019	155,000	10,384	6,750		190,926	105,009
2020	65,000	3,068	1,994	95,000	190,926	105,009
2021				165,000	185,587	102,073
2022-2026				910,000	782,939	430,617
2027-2031				1,080,000	483,246	265,786
2032-2035				750,000	103,968	57,182
	<u>\$ 520,000</u>	<u>55,460</u>	<u>36,050</u>	<u>\$ 3,000,000</u>	<u>2,319,444</u>	<u>1,275,694</u>

*Net interest represents a reduction due to Build America Bonds subsidy at 35% and the semi-annual subsidies are subject to sequestration by the U.S. Government.

**Net interest represents a reduction due to Recovery Zone Economic Development Bonds subsidy at 45% and the semi-annual subsidies are subject to sequestration by the U.S. Government.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

9. Long-Term Debt Obligations (Cont.)

Other Notes or Loans Payable

In prior years, the City had entered into various other loans and notes payable agreements. See tables below for summary of these items.

Governmental Activities - Other Notes or Loans Payable	Date of Issue	Original Indebtedness	Final Maturity	Interest Rates	Balance April 30, 2016
LED Light Loan	11/21/2012	\$ 165,000	9/15/2017	2.85%	\$ 68,465
Fire Alarm Monitoring Equipment Loan	11/21/2012	155,000	9/15/2019	3.12%	92,145
Police Vehicles Loan	11/1/2013	113,000	11/1/2016	3.11%	<u>38,840</u>
					<u>\$ 199,450</u>

Business-type Activities - Other Notes or Loans Payable	Date of Issue	Original Indebtedness	Final Maturity	Interest Rates	Balance April 30, 2016
Illinois Environmental Protection Agency (IEPA) Loan Payable of 2002	4/30/2002	\$ 1,170,000	12/30/2021	2.54%	\$ 416,384
Loan Payable - Water*	3/10/2016	2,610,846	8/26/2035	2.21%	2,050,521
Loan Payable - Sewer	3/10/2016	249,578	9/4/2035	2.21%	<u>208,293</u>
					<u>\$ 2,675,198</u>
Water Meter Loan	11/21/2012	380,000	9/15/2022	Various	<u>\$ 277,345</u>

*The total eligible IEPA Loan is \$2,610,847. IEPA will disburse the loan proceeds as the City incurs expenses on the project. Amount presented as a payable is the amount that has been incurred as costs by the City at April 30, 2016, and requested for loan disbursements from IEPA. As of the date of the audit report, the City has yet to receive a final repayment schedule on the loan. Loan payable principal and interest balances on the preceding page are based on a preliminary repayment schedule and do not include the effects of subsequent expenses and requested loan disbursements. The City has recorded a corresponding receivable at April 30, 2016, in the amount of \$618,473 which represents the expenses incurred in fiscal year 2016, but not yet reimbursed by the IEPA at April 30, 2016. The \$618,473 was received by the City from IEPA in June 2016.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

9. Long-Term Debt Obligations (Cont.)

Debt service requirements to maturity are as follows:

Year	Governmental Activities Loans Payable		Business-type Activities Loans Payable	
	Principal	Interest	Principal	Interest
2017	\$ 94,578	5,889	\$ 169,019	55,364
2018	57,386	3,178	173,399	50,983
2019	23,379	1,482	177,896	46,487
2020	24,107	752	182,513	41,869
2021			187,254	37,130
2022-2026			557,205	128,315
2027-2031			443,627	76,377
2032-2036			443,157	24,843
	<u>\$ 199,450</u>	<u>11,301</u>	<u>2,334,070</u>	<u>461,368</u>

Capital Leases Payable

Governmental Activities - Capital Leases Payable	Date of Issue	Original Indebtedness	Final Maturity	Interest Rates	Balance April 30, 2016
Public Works Capital Lease	12/10/2012	\$ 202,020	1/1/2020	3.00%	<u>\$ 113,835</u>

Debt service requirements to maturity are as follows:

Year	Governmental Activities Capital Lease Payable	
	Principal	Interest
2017	\$ 29,083	3,182
2018	29,992	2,273
2019	30,929	1,336
2020	23,831	369
	<u>\$ 113,835</u>	<u>7,160</u>

Advance Refunding

In prior years, the City has defeased \$2,125,000 of the 2002 Tax Increment Financing Alternate Revenue Bonds by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in trust funds. The investments and fixed earnings for the investment are sufficient to fully service the defeased debt until the debt matures. For financial reporting purposes, the debt has been considered defeased; therefore, the above listed debt was removed from the City's financial statements. The outstanding balance as of April 30, 2016, was \$1,715,000.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

10. Highwood Public Library – Component Unit

This report contains the Highwood Public Library (Library), which is included as a component unit. Financial information is presented as a discrete column in the statement of net position and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

A. Basis of Accounting/Measurement Focus

The Library follows the modified accrual basis of accounting and the flow of economic resources measurement focus.

B. Deposits and Investments

	Carrying Value	Statement Balance
Deposits Illinois Funds	\$ 350,250	349,970
	<u>\$ 350,250</u>	<u>349,970</u>

C. Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the Library's deposits may not be returned to the Library.

Investments

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

The Library does not have any investments exposed to custodial credit risk.

D. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

See Note 1.D. for further information on deposit and investment policies.

E. Long-Term Liabilities

The Library's long-term liabilities at April 30, 2016, includes a net pension liability in the amount of \$51,417. See Note 11 for further detail on net pension liability.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

10. Highwood Public Library – Component Unit (Cont.)

E. Capital Assets

A summary of changes in capital assets for Component Unit activities of the City is as follows:

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance	Useful Lives (Years)
Building and Improvements	\$ 766,560			766,560	20 - 50
Machinery and Equipment	1,282,000			1,282,000	5 - 20
Less Accumulated Depreciation	(1,721,940)	(142,480)		(1,864,420)	
	<u>\$ 326,620</u>	<u>(142,480)</u>	<u>-</u>	<u>184,140</u>	

11. Employee Retirement Systems

The City contributes to four defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), (Regular and SLEP) agent multiple-employer defined benefit pension plans administered by IMRF, a public employee retirement system; the Police Pension Plan, which is a single-employer pension plan; and the Firefighters' Pension Plan, which is also a single-employer pension plan. The benefits, benefit levels, employee contributions, and employer contributions for all three plans are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly. The Police and Firefighters' Pension Plans do not issue separate reports on the pension plans. IMRF issues a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report may be obtained on-line at www.imrf.org.

The aggregate totals for all pension items for the four plans are as follows (IMRF Regular and SLEP Plans combined due to insignificant size of SLEP):

	Governmental Activities	Business-type Activities*	Total City	Component Unit Library	Plan Totals
Net Pension Liability					
IMRF	\$ 276,875	105,581	382,456	51,417	433,873
Police	2,119,268		2,119,268		2,119,268
Firefighters	1,371,438		1,371,438		1,371,438
	<u>\$ 3,767,581</u>	<u>105,581</u>	<u>3,873,162</u>	<u>51,417</u>	<u>3,924,579</u>
Deferred Outflows of Resources					
IMRF	\$ 167,231	58,883	226,114	28,675	254,789
Police	527,161		527,161		527,161
Firefighters	317,892		317,892		317,892
	<u>\$ 1,012,284</u>	<u>58,883</u>	<u>1,071,167</u>	<u>28,675</u>	<u>1,099,842</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement Systems (Cont.)

	Governmental Activities	Business-type Activities*	Total City	Component Unit Library	Plan Totals
Deferred Inflows of Resources					
IMRF	\$ 37,672	13,546	51,218	6,597	57,815
Police	196,502		196,502		196,502
	<u>\$ 234,174</u>	<u>13,546</u>	<u>247,720</u>	<u>6,597</u>	<u>254,317</u>
Pension Expense					
IMRF	\$ 74,473	25,673	100,146	12,502	112,648
Police	348,009		348,009		348,009
Firefighters	484,563		484,563		484,563
	<u>\$ 907,045</u>	<u>25,673</u>	<u>932,718</u>	<u>12,502</u>	<u>945,220</u>

*Same amounts are also reported in the proprietary fund statements.

A. Illinois Municipal Retirement Fund

Plan Description

The City's agent multiple-employer defined benefit pension plan for regular employees (other than those covered by the Police or Firefighters' Pension Plans), provides retirement, disability, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The City maintains accounts for regular employees and for Sheriff's Law Enforcement Personnel (SLEP) which provides benefits solely to a former police chief. A summary of IMRF's pension benefits is provided in the "Benefits Provided" described below. Details of all benefits are available from IMRF. The Illinois Pension Code establishes the benefit provisions of the plan which can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org/pubs/ or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees of the City of Highwood Library (Library), a component unit of the City, also participates in the City's IMRF plan. Pension items have been allocated to the Library on the basis of employer contributions to total employer contributions for the fiscal year. The City's portion was 88.6%.

Benefits Provided

All employees (other than those covered by the Police or Firefighters' Pension Plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after 8 years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with 8 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
 April 30, 2016

11. Employee Retirement System (Cont.)

A. Illinois Municipal Retirement Fund (Cont.)

Benefits Provided (Cont.)

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

The Sheriff's Law Enforcement Personnel Fund (SLEP) members, having accumulated at least 30 years of SLEP service and terminating IMRF participation on or after July 1, 1988, may elect to retire at or after age 50 with no early retirement discount penalty. SLEP members meeting these two qualifications are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.50% of their final rate of earnings, for each year of credited service up to 20 years, 2.00% of their final earnings rate for the next 10 years of credited service and 1.00% for each year thereafter. For those SLEP members retiring with less than 20 years of SLEP service, the regular IMRF pension formula applies. SLEP also provides death and disability benefits. Members receive an annual increase based upon the original amount of the annuity of 3% or one-half of the increase in the consumer price index, whichever is less. These benefit provisions and all other requirements are established by State statutes. For the SLEP Plan, members are required to contribute 7.50% of their annual covered salary.

Employees Covered by Benefit Terms

At December 31, 2015, the measurement date for the net pension liability, the following employees were covered by the benefit terms:

	Regular	SLEP
Retirees and Beneficiaries Currently Receiving Benefits	17	
Terminated Employees Entitled to But Not Yet Receiving Benefits	45	1
Current Employees	11	
	73	1

Contributions

As set by statute, employees participating in the IMRF plan are required to contribute 4.50% of their annual covered salary. The member rate is also established by State statute. The City is required to contribute at an actuarially determined rate. The employer annual required contribution rate for calendar year 2015 was 11.49%. For the year ended April 30, 2016, the City contributed \$73,859 to the plan. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. For the SLEP Plan, members are required to contribute 7.50% of their annual covered salary. The employer rate for calendar year 2015 was 15.54%. For the year ended April 30, 2016, the City contributed \$0 to the SLEP Plan.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

A. Illinois Municipal Retirement Fund (Cont.)

Actuarial Assumptions

The following are the methods and assumptions used to determine the net pension liability as of April 30, 2016:

Actuarial Valuation Date	December 31, 2015
Measurement Date	December 31, 2015
Actuarial Cost Method	Entry-age Normal
Assumptions	
Price Inflation	2.75%
Salary Increases	3.75% - 14.50%, Including Inflation
Investment Rate of Return	7.49%
Asset Valuation Method	Market Value of Assets

Retirement age is based on Experienced-Based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.

Mortality – For non-disabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

A. Illinois Municipal Retirement Fund (Cont.)

Investments

The long-term expected rate of return on pension plan investments of 7.50% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Percentage	Expected Real Rate of Return
Domestic Equity	38.00%	7.39%
International Equity	17.00%	7.59%
Fixed Income	27.00%	3.00%
Alternative Investments	8.00%	2.75% - 8.15%
Real Estate	9.00%	6.00%
Short-term	<u>1.00%</u>	2.25%
	<u><u>100.00%</u></u>	

Discount Rate

A single discount rate (SDR) of 7.49% for the Regular Plan and 7.50% for the SLEP Fund was used to measure the total pension liability. The projection of cash flow used to determine the SDR assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Regular Plan's fiduciary net position was projected to be depleted in 2088 and the SLEP Plan's fiduciary net position was projected to be in 2115. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and (2) the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). For the purpose of the recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57% and the resulting SDR is 7.49% for the Regular Plan, and 7.50% for the SLEP Fund.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

A. Illinois Municipal Retirement Fund (Cont.)

Changes in Net Pension Liability – Regular Plan

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, Beginning of Year	\$ 4,338,822	4,090,374	248,448
Changes for the Year			
Service Cost	78,742		78,742
Interest	320,640		320,640
Differences Between Expected and Actual Experience	(121,880)		(121,880)
Changes in Assumptions	5,758		5,758
Contributions - Employer		76,453	(76,453)
Contributions - Employee		28,766	(28,766)
Net Investment Income		20,200	(20,200)
Benefit Payments, Including Refunds of Employees' Contributions	(205,996)	(205,996)	
Administrative Expenses			
Other (Net Transfer)		(44,338)	44,338
Net Changes	77,264	(124,915)	202,179
Balance, End of Year	\$ 4,416,086	3,965,459	450,627

Changes in assumptions related to retirement age and mortality were made since the prior measurement date.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

A. Illinois Municipal Retirement Fund (Cont.)

Changes in Net Pension Liability (Asset) – SLEP

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, Beginning of Year	\$ 41,839	64,624	(22,785)
Changes for the Year			
Service Cost			
Interest	1,757		1,757
Differences Between Expected and Actual Experience	(215)		(215)
Changes in Assumptions			
Contributions - Employer			
Contributions - Employee			
Net Investment Income		323	(323)
Benefit Payments, Including Refunds of Employees' Contributions			
Administrative Expenses			
Other (Net Transfer)		(4,812)	4,812
Net Changes	1,542	(4,489)	6,031
Balance, End of Year	\$ 43,381	60,135	(16,754)

Discount Rate Sensitivity

The following is an analysis of the sensitivity of the City's net pension liability (asset) to changes in the discount rate. The table below represents the net pension liability (asset) of the City's Regular Plan and SLEP Fund calculated using the discount rate of 7.49% and 7.50%, respectively, as well as what the City's net pension liability would be if it were calculated using discount rates that are one percentage point lower (6.49% and 6.50%) or one percentage point higher (8.49% and 8.50%) than the current rate:

Regular Plan

	1% Decrease (6.49%)	Current Discount Rate (7.49%)	1% Increase (8.49%)
City's Net Pension Liability (Asset)	\$ 1,078,613	450,627	(44,212)

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

A. Illinois Municipal Retirement Fund (Cont.)

Discount Rate Sensitivity (Cont.)

SLEP

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability (Asset)	\$ (10,901)	(16,754)	(21,593)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IMRF financial report.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2016, the City recognized pension expense of \$108,806 and \$3,842 for the Regular Plan and SLEP, respectively. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred (Inflows) Outflows Related to Pensions	Regular Plan	SLEP	Total
Differences Between Expected and Actual Experience	\$ (57,815)		(57,815)
Changes in Assumptions	2,732		2,732
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	224,909	3,474	228,383
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	169,826	3,474	173,300
Pension Contributions Made Subsequent to the Measurement Date	23,674		23,674
	<u>\$ 193,500</u>	<u>3,474</u>	<u>196,974</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

A. Illinois Municipal Retirement Fund (Cont.)

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont.)

Deferred outflows of resources of \$23,674 for City contributions made subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended April 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending April 30,	Amount
2017	\$ 2,013
2018	57,096
2019	57,096
2020	57,095
	<u>\$ 173,300</u>

B. Police Pension

Plan Description and Provisions

Police sworn personnel are covered by the Police Pension Plan, which is a defined benefit, single-employer pension plan. Although this is a single-employer pension plan, the defined benefits as well as the employee and employer contribution levels are mandated by Chapter 40 Illinois Compiled Statute 5 and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. The plan does not issue a stand-alone financial statement.

Benefits Provided

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 2.5% of final salary for each year of service up to 30 years, to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% simple interest annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of one-half of the annual change in the Consumer Price Index or 3.00% compounded. The

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

B. Police Pension (Cont.)

Benefits Provided (Cont.)

annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., 1/2% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or one-half of the change in the Consumer Price Index for the proceeding calendar year.

Employees Covered by Benefit Terms

At April 30, 2016, the Police Pension membership consisted of:

Inactive Plan Members Currently Receiving Benefits	6
Inactive Plan Members Entitled But Not Yet Receiving Benefits	3
Active Plan Members	<u>10</u>
	<u><u>19</u></u>

Contributions

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan, as actuarially determined by an enrolled actuary. By the year 2040, the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is 90% funded. Administrative expenses are generally paid from plan assets. For the year ended April 30, 2016, the City contributed \$267,185 to the Police Pension Plan.

Investment Policy

The deposits and investments of the pension funds are held separately from those of other City funds. In addition to the aforementioned investments in Note 3, pension funds are also permitted to invest in the following instruments:

- General accounts of Illinois-licensed life insurance companies.
- Separate accounts of Illinois-licensed insurance companies invested in stocks, bonds, and real estate, limited to 10% of the fund's investments.
- Bonds issued by any county, city, township, incorporated town, municipal corporation, or school district in Illinois.
- Tax anticipation warrants issued by any city, township, incorporated town, or fire protection district in Illinois.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
 April 30, 2016

11. Employee Retirement System (Cont.)

B. Police Pension (Cont.)

- Equity accounts up to a limit of 45% of the aggregate fair value of the fund's assets.
- Direct obligations of the State of Israel.

In addition, pension funds with net position of \$2.5 million or more may invest up to 35% of plan net position in a separate account of life insurance companies and mutual funds. If pension funds have net position of at least \$5 million and have an appointed investment advisor, the pension funds may, through that investment advisor, invest up to 35% of the plan's net position in common and preferred stocks which meet specific restrictions.

The Police Pension Fund's investment policy in accordance with ILCS establishes the following ranges and target allocation across asset classes:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Large Cap Domestic Equity	28.00%	6.80%
Small Cap Domestic Equity	8.00%	8.90%
International Equity	4.00%	7.00%
Fixed Income	<u>60.00%</u>	2.00%
	<u><u>100.00%</u></u>	

The long-term expected rate of return of the Police Pension Fund's investments of 6.50% was determined using an asset allocation study conducted by the Police Pension Fund's investment manager consultant in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in the Fund's target asset allocation as of April 30, 2016, are listed in the table above.

Investment Rate of Return

For the year ended April 30, 2016, the annual money-weighted rate of return on the Police Pension Plan investments, net of pension plan investment expense, was 1.28%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deposits with Financial Institutions

None of the Police Pension Fund's deposits with financial institutions were exposed to custodial credit risk, as those deposits were insured, or fully collateralized by investments held by an independent third party in the City's name.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

B. Police Pension (Cont.)

Interest Rate Risk

As of April 30, 2016, the Police Pension Fund has the following investments and maturities:

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1 to 5	6 to 10	Greater Than 10
US Government Treasuries	\$ 189,933	30,600	128,142	31,191	
US Agency Securities	1,164,958	20,565	223,244	920,266	883
Municipal Bonds	234,006	20,346	48,841	86,235	78,584
Total	\$ 1,588,897	71,511	400,227	1,037,692	79,467
Not Subject to Interest					
Rate Risk:					
Mutual Funds	<u>\$ 1,168,167</u>				

The Police Pension Funds' investment policy does not limit investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. The objective is the preservation of capital while providing for the long-term growth of principal without undue exposure to risk.

Credit Risk

The Police Pension Fund limits its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. As of April 30, 2016, the investments in securities of the U.S. Government and agency obligations were rated accordingly:

Type of Investment	Fair Value	Moody's / S&P Ratings
U.S. Agencies	\$ 1,164,075	Aaa / AA+
U.S. Agencies	883	NR / NR
Total U.S. Agencies	<u>1,164,958</u>	
Municipal Bonds	27,205	Aaa / NR
Municipal Bonds	26,517	Aa2 / NR
Municipal Bonds	35,309	Aa3 / NR
Municipal Bonds	20,625	NR/ AA+
Municipal Bonds	75,676	NR / AA
Municipal Bonds	37,129	NR / AA-
Municipal Bonds	11,545	NR / NR
Total Municipal Bonds	<u>234,006</u>	

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

B. Police Pension (Cont.)

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Police Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Police Pension Fund requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Police Pension Fund's agency separate from where the investment was purchased. The mutual funds and common stocks are not subject to custodial credit risk.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2016, using the following actuarial methods and assumptions.

Actuarial Valuation Date	May 1, 2016
Measurement Date	April 30, 2016
Actuarial Cost Method	Entry-age Normal
Assumptions	
Inflation	2.50%
Salary Increases	4.00% - 10.83%, Including Inflation
Investment Rate of Return	6.50%
Asset Valuation Method	Market Value of Assets

Mortality rates are based on rates developed in the Lauterbach & Amen, LLP 2016 Mortality Table for Illinois Police Officers.

Discount Rate

The discount rate used to measure the total pension liability was 6.50% (5.86% in prior year). The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Police Pension Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

B. Police Pension (Cont.)

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, Beginning of Year	\$ 4,452,581	2,744,799	1,707,782
Changes for the Year			
Service Cost	212,460		212,460
Interest	280,126		280,126
Differences Between Expected and Actual Experience	473,707		473,707
Changes in Assumptions	(225,443)		(225,443)
Contributions - Employer		267,185	(267,185)
Contributions - Employee		102,682	(102,682)
Net Investment Income		35,829	(35,829)
Benefit Payments, Including Refunds of Employees' Contributions	(285,904)	(285,904)	
Administrative Expenses		(76,332)	76,332
Net Changes	454,946	43,460	411,486
Balance, End of Year	\$ 4,907,527	2,788,259	2,119,268

Changes in assumptions related to salary increases, inflation, retirement age, disability rates, termination, and mortality were made since the prior measurement date.

Discount Rate Sensitivity

The following is an analysis of the sensitivity of the City's net pension liability to changes in the discount rate. The table below represents the net pension liability of the City calculated using the discount rate of 6.50% as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
City's Net Pension Liability	\$ 2,941,643	2,119,268	1,461,085

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

B. Police Pension (Cont.)

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2016, the City recognized pension expense of \$348,009. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 412,897	
Changes in Assumptions		196,502
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	114,264	
	<u>\$ 527,161</u>	<u>196,502</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending April 30,	Amount
2017	\$ 60,436
2018	60,436
2019	60,436
2020	60,432
2021	31,869
Thereafter	<u>57,050</u>
	<u>\$ 330,659</u>

C. Firefighters' Pension

Plan Description and Provisions

Fire sworn personnel are covered by the Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. Although this is a single-employer pension plan, the defined benefits as well as the employee and employer contribution levels are mandated by Chapter 40 Illinois Compiled Statutes 5 and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. The plan does not issue a stand-alone financial statement.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

C. Firefighters' Pension (Cont.)

Plan Description and Provisions (Cont.)

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service. The monthly pension shall be increased by one-twelfth of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years to a maximum of 75% of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement, and paid upon reaching at least the age 55, by 3% of the original pension and 3% annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for pension purposes is capped at \$106,800, plus the lesser of one-half of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., 1/2% for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or one-half of the change in the Consumer Price Index for the proceeding calendar year.

Employees Covered by Benefit Terms

At April 30, 2016, the Firefighters' Pension Plan membership consisted of:

Inactive Plan Members Currently Receiving Benefits	6
Inactive Plan Members Entitled But Not Yet Receiving Benefits	4
Active Plan Members	<u>2</u>
	<u><u>12</u></u>

Contributions

Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan, as actuarially determined by an enrolled actuary. By the year 2040, the City's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is 90% funded. Administrative expenses are generally paid from plan assets. For the year ended April 30, 2016, the City contributed \$120,163 to the Firefighters' Pension Plan.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

C. Firefighters' Pension (Cont.)

Investment Policy

The deposits and investments of the pension funds are held separately from those of other City funds. In addition to the aforementioned investments in Note 3, pension funds are also permitted to invest in the following instruments:

- General accounts of Illinois-licensed life insurance companies.
- Separate accounts of Illinois-licensed insurance companies invested in stocks, bonds and real estate, limited to 10% of the fund's investments.
- Bonds issued by any county, city, township, incorporated town, municipal corporation or school district in Illinois.
- Tax anticipation warrants issued by any city, township, incorporated town or fire protection district in Illinois.
- Equity accounts up to a limit of 45% of the aggregate fair value of the fund's assets.
- Direct obligations of the State of Israel.

In addition, pension funds with net position of \$2.5 million or more may invest up to 35% of plan net position in a separate account of life insurance companies and mutual funds. If pension funds have net position of at least \$5 million and have an appointed investment advisor, the pension funds may, through that investment advisor, invest up to 35% of the plan's net position in common and preferred stocks which meet specific restrictions.

The Firefighters' Pension Fund's investment policy in accordance with ILCS establishes the following ranges and target allocation across asset classes:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Large Cap Domestic Equity	28.00%	6.80%
Small Cap Domestic Equity	8.00%	8.90%
International Equity	4.00%	7.00%
Fixed Income	<u>60.00%</u>	2.00%
	<u><u>100.00%</u></u>	

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

C. Firefighters' Pension (Cont.)

Investment Policy (Cont.)

The long-term expected rate of return of the Firefighters' Pension Fund's investments of 5.00% was determined using an asset allocation study conducted by the Firefighters' Pension Fund's investment manager consultant in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in the Fund's target asset allocation as of April 30, 2016, are listed in the table above.

Investment Rate of Return

For the year ended April 30, 2016, the annual money-weighted rate of return on the Firefighters' Pension Plan investments, net of pension plan investment expense, was 1.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deposits with Financial Institutions

None of the Firefighters' Pension Fund's deposits with financial institutions were exposed to custodial credit risk, as those deposits were insured, or fully collateralized by investments held by an independent third party in the City's name.

Interest Rate Risk

As of April 30, 2016, the Firefighters' Pension Fund has the following investments and maturities:

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1 to 5	6 to 10	Greater Than 10
US Government Treasuries	\$ 339,604	123,135	190,477		25,992
US Agency Securities	1,398,180		303,173	971,009	123,998
Municipal Bonds	294,643	81,009	58,505	109,227	45,902
Total	\$ 2,032,427	204,144	552,155	1,080,236	195,892
Not Subject to Interest Rate Risk:					
Mutual Funds	<u>\$ 1,430,367</u>				

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

C. Firefighters' Pension (Cont.)

Credit Risk

The Firefighters' Pension Fund limits its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. As of April 30, 2016, the investments in securities of the U.S. Government and agency obligations were rated accordingly:

Type of Investment	Fair Value	Moody's / S&P Ratings
U.S. Agencies	\$ 1,346,861	Aaa / AA+
U.S. Agencies	51,319	NR / AA+
Total U.S. Agencies	1,398,180	
Municipal Bonds	26,768	Aa1 / AA+
Municipal Bonds	31,322	Aa1 / NR
Municipal Bonds	87,572	Aa2 / NR
Municipal Bonds	35,309	Aa3 / NR
Municipal Bonds	47,352	NR / AA+
Municipal Bonds	45,975	NR / AA
Municipal Bonds	20,345	NR / AA-
Total Municipal Bonds	294,643	

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Firefighters' Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Firefighters' Pension Fund requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Firefighters' Pension Fund's agency separate from where the investment was purchased. The mutual funds and common stocks are not subject to custodial credit risk.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2016, using the following actuarial methods and assumptions.

Actuarial Valuation Date	May 1, 2016
Measurement Date	April 30, 2016
Actuarial Cost Method	Entry-age Normal

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

C. Firefighters' Pension (Cont.)

Actuarial Assumptions (Cont.)

Assumptions	
Inflation	2.50%
Salary Increases	3.25% - 10.96%, Including Inflation
Investment Rate of Return	5.00%
Asset Valuation Method	Market Value of Assets

Mortality rates are based on rates developed in the Lauterbach & Amen, LLP 2016 Mortality Table for Illinois Firefighters.

Discount Rate

The discount rate used to measure the total pension liability was 5.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Firefighters' Pension Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

C. Firefighters' Pension (Cont.)

Changes to Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, Beginning of Year	\$ 4,093,301	3,405,437	687,864
Changes for the Year			
Service Cost	47,232		47,232
Interest	202,582		202,582
Differences Between Expected and Actual Experience	94,500		94,500
Changes in Assumptions	497,252		497,252
Contributions - Employer		120,163	(120,163)
Contributions - Employee		18,133	(18,133)
Net Investment Income		45,112	(45,112)
Benefit Payments, Including Refunds of Employees' Contributions	(83,330)	(83,330)	
Administrative Expenses		(25,416)	25,416
Net Changes	758,236	74,662	683,574
Balance, End of Year	\$ 4,851,537	3,480,099	1,371,438

Changes in assumptions related to salary increases, inflation, retirement age, disability rates, termination, and mortality were made since the prior measurement date.

Discount Rate Sensitivity

The following is an analysis of the sensitivity of the City's net pension liability to changes in the discount rate. The table below represents the net pension liability of the City calculated using the discount rate of 5.00% as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.00%) or one percentage point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
City's Net Pension Liability	\$ 2,254,926	1,371,438	677,165

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

C. Firefighters' Pension (Cont.)

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended April 30, 2016, the City recognized pension expense of \$484,563. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources
Differences Between Expected and Actual Experience	\$ 34,689
Changes in Assumptions	182,535
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	<u>100,668</u>
	<u>\$ 317,892</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending April 30,	Amount
2017	\$ 242,291
2018	25,167
2019	25,167
2020	<u>25,167</u>
	<u>\$ 317,792</u>

D. Significant Investments

It is the policy of the Police Pension and Firefighters' Pension Funds to diversify their investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting in overconcentration in a security, maturity, issuer, or class of securities. According to the Pension Funds' investment policy, the Pension Funds will diversify their investments by security type and institution.

At April 30, 2016, the Police Pension and Firefighters' Pension Funds' investments (other than U.S. Government and U.S. Government-guaranteed obligations) include the following investments which represent 5% or more of each plan's net position:

Issuer	Concentration
Mutual Funds	
Vanguard 500 Index	7.99%
T. Rowe Price Growth	7.27%

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

11. Employee Retirement System (Cont.)

D. Significant Investments (Cont.)

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Under this method, additions to net position are recorded when earned and deductions from net position are recorded when the time related liabilities/deferred inflows are incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

Related Party Transactions

There are no securities of the employer or any other related parties included in plan assets, including any loans.

12. Pension Trust Funds - Financial Data

A. Schedule of Fiduciary Net Position as of April 30, 2016

	Police Pension	Firefighters' Pension	Total
Assets			
Cash and Cash Equivalents	\$ 22,553	4,928	27,481
Investments			
U.S. Treasury Securities	189,933	339,604	529,537
U.S. Agency Securities	1,164,958	1,398,180	2,563,138
Mutual Funds	1,168,167	1,430,367	2,598,534
Municipal Bonds	234,006	294,643	528,649
Receivables			
Accrued Interest	12,828	16,735	29,563
Total Assets	2,792,445	3,484,457	6,276,902
Liabilities			
Accounts Payable	4,186	4,358	8,544
Net Position			
Restricted for Pensions	\$ 2,788,259	3,480,099	6,268,358

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

12. Pension Trust Funds - Financial Data (Cont.)

B. Schedule of Changes in Fiduciary Net Position for the year ended April 30, 2016

	Police Pension	Firefighters' Pension	Total
Additions			
Contributions			
Employer	\$ 267,185	120,163	387,348
Plan Members	66,809	18,133	84,942
Other Member Revenue	35,873		35,873
	<u>369,867</u>	<u>138,296</u>	<u>508,163</u>
Investment Income			
Investment Income	99,781	123,403	223,184
Losses on Investments	(52,537)	(64,389)	(116,926)
	<u>47,244</u>	<u>59,014</u>	<u>106,258</u>
Less Investment Expense	(11,415)	(13,902)	(25,317)
	<u>35,829</u>	<u>45,112</u>	<u>80,941</u>
Total Additions	<u>405,696</u>	<u>183,408</u>	<u>589,104</u>
Deductions			
Benefits	198,279	78,873	277,152
Administration	76,332	25,416	101,748
Refunds of Contributions	4,729	4,457	9,186
Transfers to Other Pension Plans	82,896		82,896
	<u>362,236</u>	<u>108,746</u>	<u>470,982</u>
Change in Net Position	43,460	74,662	118,122
Net Position			
Beginning	<u>2,744,799</u>	<u>3,405,437</u>	<u>6,150,236</u>
Ending	<u>\$ 2,788,259</u>	<u>3,480,099</u>	<u>6,268,358</u>

13. Restatements

The implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (as discussed in Note 1) resulted in the restatement of the governmental activities and business-type activities net position beginning balances, removal of the net pension obligations under GASB Statement No. 27, and recording the beginning deferred outflows of resources.

Additionally, the City began to maintain detailed records of capital asset balances and activities to support reported capital assets and depreciation during the fiscal year ended April 30, 2016, which resulted in the restatement of the governmental activities, business-type activities, and component unit net position beginning balances and capital asset beginning balances.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

13. Restatements (Cont.)

The effect of these implementations is as follows:

Governmental Activities

Net position adjustment related to GASB 68 implementation:

Removal of GASB 27 Net Pension Asset at May 1, 2015	\$ (24,242)	
Removal of GASB 27 Net Pension Obligation at May 1, 2015	24,918	
Record GASB 68 Net Pension Liability at May 1, 2015	(2,534,750)	
Record Deferred Outflows at May 1, 2015	<u>15,927</u>	
Net Position Prior Period Adjustment Related to Capital Asset Valuation		\$(2,518,147)
Adjust Capital Assets at May 1, 2015		<u>997,554</u>
Net Restatement		<u><u>\$(1,520,593)</u></u>

Business-type Activities

Net position adjustment related to GASB 68 implementation:

Record GASB 68 Net Pension Liability at May 1, 2015	(58,211)	
Record Deferred Outflows at May 1, 2015	<u>5,727</u>	
Net Position Prior Period Adjustment Related to Capital Asset Valuation		\$ (52,484)
Adjust Capital Assets at May 1, 2015		<u>(3,972,784)</u>
Net Restatement		<u><u>\$(4,025,268)</u></u>

Discretely Presented Component Unit

Net position adjustment related to GASB 68 implementation:

Record GASB 68 Net Pension Liability at May 1, 2015	(28,348)	
Record Deferred Outflows at May 1, 2015	<u>2,789</u>	
Net Position Prior Period Adjustment Related to Capital Asset Valuation		\$ (25,559)
Adjust Capital Assets at May 1, 2015		<u>(50,924)</u>
Net Restatement		<u><u>\$ (76,483)</u></u>

The effect of the prior period adjustment to record capital assets on the change in net position for the year ended April 30, 2015, was to decrease the governmental activities change by \$277,375, decrease the business-type activities and proprietary fund change by \$153,535, and decrease the discretely presented component unit change by \$142,480.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

14. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. Mesirow Financial Insurance Services Division is the City's current full service insurance brokerage and risk management services firm for property, liability, and workers' compensation coverage. This includes, but is not limited to, the placement of insurance policies, coverage marketing, claims advocacy and management, loss prevention services, claim audits, training programs, and risk information systems.

The City of Highwood participates in the Illinois Public Risk Fund (IPRF) for workers' compensation coverage. IPRF is a self-funded workers' compensation pool for public entities, established to provide a cost-effective alternative to escalating workers' compensation premiums and related costs. This workers' compensation pool is reinsured through Safety National, rated A+ by AM Best Co. By participating in IPRF, more than 500 public entities and governmental agencies have pooled their workers' compensation exposures and controlled costs through a unified loss prevention and claims management program. In the past 5+ years the pool has authorized safety group dividends or grants based on the individuals entity's premiums paid and losses to be used towards safety equipment or other safety programs.

Brit Specialty insurance company offers a customizable list of solutions to provide detailed protection for midsized municipalities, counties, and special districts including publicly funded agencies. The City's property, equipment, boiler, general liability including employee benefit liability, automobile, professional coverages such as law enforcement, public officials, and employment practices liability and umbrella coverages are insured through this carrier. Brit Specialty's current A.M. Best rating is A+ XV, which is the highest financial rating that is given to an insurance carrier.

Fidelity or Crime including the Public Officials bond coverage is placed with Hanover Insurance Company, which is rated A XIV by Am Best Co. The crime coverage includes faithful performance of duties for all City employees, elected officials, board members, commissioners, directors, and non-compensated officers. The policy has also been endorsed to include all employees that are required to be bonded by law, as well as coverage for Treasurers and Tax Collectors up to the policy limits.

15. Commitments and Contingent Liabilities

The City has entered into an economic development agreement with a Developer to provide a fixed amount of reimbursement to the Developer for specific redevelopment costs within the City's TIF District. The maximum reimbursable amount is \$500,000. The initial payment is not to be made until the issuance of a certificate of occupancy for the building within the redevelopment area. At April 30, 2016, the building was still under construction and thus, had not yet received its certificate of occupancy. As of April 30, 2016, the City has not paid any reimbursements associated with the project; however, occupancy is expected within the next fiscal year.

The City enters into contractual commitments for various construction projects throughout the year as budgeted for annually.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's management, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

CITY OF HIGHWOOD, ILLINOIS

Notes to Financial Statements
April 30, 2016

16. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency occurs.

The assets of the plan are held in trust, with the City as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets cannot be diverted for any other purpose. The City's beneficial ownership of plan assets held in the trust is held for the future exclusive benefit of the participants and their beneficiaries.

17. Subsequent Events

As of April 30, 2016, the City and the Firefighters' Union agreed to dissolve the Firefighters' Union on June 30, 2016. The City of Highland Park was contracted to provide fire protection and paramedic services for the City.

Subsequent to fiscal year end, the City entered into an IEPA Loan for water projects in an amount not to exceed \$594,645.

18. Future Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements, which are not expected to have a material impact on the City's financial statements in future periods:

Statement No. 72, *Fair Value Measurement and Application*. This Statement was issued to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The City is required to implement this Statement for the fiscal year ending April 30, 2017.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement revises existing standards of financial reporting for postemployment benefits other than pensions. This Statement replaces the requirements of Statement Nos. 45 and 57. The City will be required to implement this Statement for the fiscal year ending April 30, 2019.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, is effective for periods beginning after June 15, 2016, except for certain of its provisions which are effective on or after June 15, 2017. GASB 82 addresses three issues: presentation of payroll-related measures in RSI, selection of assumptions and classification of employer-paid member contributions.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CITY OF HIGHWOOD, ILLINOIS

Required Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund

Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Property Taxes	\$ 1,188,500	1,183,249	(5,251)
Other Taxes	1,060,444	1,034,475	(25,969)
Licenses and Permits	384,900	427,744	42,844
Intergovernmental	1,284,852	1,315,822	30,970
Charges for Services	846,400	980,682	134,282
Fines and Forfeits	115,500	79,547	(35,953)
Interest	1,000	1,803	803
Miscellaneous	17,500	38,380	20,880
Total Revenues	<u>4,899,096</u>	<u>5,061,702</u>	<u>162,606</u>
Expenditures			
Current			
General Government	1,043,044	985,167	(57,877)
Public Safety	2,806,460	2,973,504	167,044
Public Works	547,593	599,598	52,005
Culture and Recreation	140,508	107,428	(33,080)
Capital Outlay	50,000	42,965	(7,035)
Debt Service			
Principal	131,576	132,848	1,272
Interest	13,359	12,087	(1,272)
Total Expenditures	<u>4,732,540</u>	<u>4,853,597</u>	<u>121,057</u>
Excess of Revenues over Expenditures	166,556	208,105	41,549
Other Financing Sources			
Proceeds from Sale of Capital Assets		61,200	61,200
Net Change in Fund Balance	<u>\$ 166,556</u>	269,305	<u>102,749</u>
Fund Balance			
May 1		<u>1,124,851</u>	
April 30		<u>1,394,156</u>	

CITY OF HIGHWOOD, ILLINOIS

Notes to Required Supplementary Information
April 30, 2016

Legal Compliance and Accountability

Budgetary Control

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

- i) The City Manager submits to the City Council Members a proposed operating budget for the fiscal year commencing the following May 1. The operating budget includes proposed expenditures and the means of financing them.
- ii) Public hearings are conducted by the City to obtain taxpayer comments.
- iii) Subsequently, the budget is legally enacted through passage of an ordinance.
- iv) Formal budgetary integration is employed as a management control device during the year for the general, special revenue, debt service, and capital projects funds.
- v) Budgets for the governmental funds for which budgets have been adopted are adopted on a basis consistent with GAAP.
- vi) Budgetary authority lapses at year end.
- vii) State law requires that “expenditures be made in conformity with appropriations/budget.” As under the Budget Act, transfers between line items and departments may be made by administrative action. Amounts to be transferred between funds require City Council approval. The level of legal control is generally the fund budget in total.
- viii) Budgeted amounts are as originally adopted, with the exceptions of City Council-approved transfers which were not material in relation to the budget taken as a whole.
- ix) The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that increase the total expenditures of any fund must be approved by the City Council.

Expenditures may not legally exceed the appropriations at the fund level. During the year, no supplemental appropriations were necessary. For the year ended April 30, 2016, the General Fund, Motor Fuel Tax, and Capital Projects Fund had expenditures that exceeded its appropriations in the amounts of \$121,057, \$55,283, and \$168,506, respectively.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Illinois Municipal Retirement Fund - Regular Plan

Schedule of Changes in the City's Net Pension Liability and Related Ratios

April 30, 2016

Fiscal Year Ending April 30,	2016
Total Pension Liability	
Service Cost	\$ 78,742
Interest	320,640
Changes in Benefit Terms	
Differences Between Expected and Actual Experience	(121,880)
Change of Assumptions	5,758
Benefit Payments, Including Refunds of Member Contributions	<u>(205,996)</u>
Net Change in Total Pension Liability	77,264
Total Pension Liability - Beginning	<u>4,338,822</u>
Total Pension Liability - Ending	<u><u>\$ 4,416,086</u></u>
Plan Fiduciary Net Position	
Contributions - City	\$ 76,453
Contributions - Members	28,766
Net Investment Income	20,200
Benefit Payments, Including Refunds of Member Contributions	(205,996)
Other (Net Transfer)	<u>(44,338)</u>
Net Change in Plan Fiduciary Net Position	(124,915)
Plan Net Position - Beginning	<u>4,090,374</u>
Plan Net Position - Ending	<u><u>\$ 3,965,459</u></u>
City's Net Pension Liability	<u><u>\$ 450,627</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.80%
Covered Employee Payroll	\$ 639,244
City's Net Pension Liability as a Percentage of Covered Employee Payroll	70.49%

Notes to the Required Supplementary Information

Changes in assumptions related to retirement age and mortality were made since the prior measurement date.

GASB Statement No. 68 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted in 2016.

This information is presented as of the measurement date, which is December 31 of the fiscal year.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Illinois Municipal Retirement Fund - Sheriff's Law Enforcement Personnel Fund

Schedule of Changes in the City's Net Pension Liability and Related Ratios

April 30, 2016

<u>Fiscal Year Ending April 30,</u>	<u>2016</u>
Total Pension Liability	
Service Cost	\$ -
Interest	1,757
Changes in Benefit Terms	
Differences Between Expected and Actual Experience	(215)
Change of Assumptions	
Benefit Payments, Including Refunds of Member Contributions	
	<hr/>
Net Change in Total Pension Liability	1,542
Total Pension Liability - Beginning	<hr/> 41,839
Total Pension Liability - Ending	<hr/> <u>\$ 43,381</u>
Plan Fiduciary Net Position	
Contributions - City	
Contributions - Members	
Net Investment Income	\$ 323
Benefit Payments, Including Refunds of Member Contributions	
Other (Net Transfer)	
	<hr/> (4,812)
Net Change in Plan Fiduciary Net Position	(4,489)
Plan Net Position - Beginning	<hr/> 64,624
Plan Net Position - Ending	<hr/> <u>\$ 60,135</u>
City's Net Pension Liability	<hr/> <u>\$ (16,754)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	138.62%
Covered Employee Payroll	\$ -
City's Net Pension Liability as a Percentage of Covered Employee Payroll	0.00%

Notes to Required Supplementary Information

GASB Statement No. 68 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted in 2016.

This information is presented as of the measurement date, which is December 31 of the fiscal year.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Police Pension Fund

Schedule of Changes in the City's Net Pension Liability and Related Ratios

April 30, 2016

Fiscal Year Ending April 30,	2016	2015
Total Pension Liability		
Service Cost	\$ 212,460	265,577
Interest	280,126	239,435
Changes in Benefit Terms		
Differences Between Expected and Actual Experience	473,707	
Change of Assumptions	(225,443)	
Benefit Payments, Including Refunds of Member Contributions	(285,904)	(276,692)
Net Change in Total Pension Liability	454,946	228,320
Total Pension Liability - Beginning	4,452,581	4,224,261
Total Pension Liability - Ending	\$ 4,907,527	4,452,581
Plan Fiduciary Net Position		
Contributions - City	\$ 267,185	250,138
Contributions - Members	102,682	68,892
Net Investment Income	35,829	177,719
Benefit Payments, Including Refunds of Member Contributions	(285,904)	(276,692)
Administrative Expense	(76,332)	(39,043)
Net Change in Plan Fiduciary Net Position	43,460	181,014
Plan Net Position - Beginning	2,744,799	2,563,785
Plan Net Position - Ending	\$ 2,788,259	2,744,799
City's Net Pension Liability	\$ 2,119,268	1,707,782
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.82%	61.65%
Covered Employee Payroll	\$ 663,404	725,533
City's Net Pension Liability as a Percentage of Covered Employee Payroll	319.45%	235.38%

Notes to the Required Supplementary Information

Changes in assumptions related to salary increases, inflation, retirement age, disability rates, termination and mortality were made since the prior measurement date.

GASB Statement No. 67 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted by the Pension Plan in 2015.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Firefighters' Pension Fund

Schedule of Changes in the City's Net Pension Liability and Related Ratios

April 30, 2016

Fiscal Year Ending April 30,	2016	2015
Total Pension Liability		
Service Cost	\$ 47,232	124,679
Interest	202,582	216,932
Changes in Benefit Terms		
Differences Between Expected and Actual Experience	94,500	
Change of Assumptions	497,252	
Benefit Payments, Including Refunds of Member Contributions	(83,330)	(55,235)
Net Change in Total Pension Liability	758,236	286,376
Total Pension Liability - Beginning	4,093,301	3,806,925
Total Pension Liability - Ending	<u>\$ 4,851,537</u>	<u>4,093,301</u>
Plan Fiduciary Net Position		
Contributions - City	\$ 120,163	137,914
Contributions - Members	18,133	40,458
Net Investment Income	45,112	209,458
Benefit Payments, Including Refunds of Member Contributions	(83,330)	(55,235)
Administrative Expense	(25,416)	(26,227)
Net Change in Plan Fiduciary Net Position	74,662	306,368
Plan Net Position - Beginning	3,405,437	3,099,069
Plan Net Position - Ending	<u>\$ 3,480,099</u>	<u>3,405,437</u>
City's Net Pension Liability	<u>\$ 1,371,438</u>	<u>687,864</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.73%	83.20%
Covered Employee Payroll	\$ 132,169	386,071
City's Net Pension Liability as a Percentage of Covered Employee Payroll	1037.64%	178.17%

Notes to the Required Supplementary Information

Changes in assumptions related to salary increases, inflation, retirement age, disability rates, termination and mortality were made since the prior measurement date.

GASB Statement No. 67 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted by the Pension Plan in 2015.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Illinois Municipal Retirement Fund - Regular Plan

Schedule of City Contributions

April 30, 2016

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
4/30/2016	\$ 73,859	73,859		642,539	11.49%

Notes to the Required Supplementary Information

Valuation Date Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2015 Contribution Rates

Actuarial Cost Method	Aggregate Entry-age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28-years Closed Period
Asset Valuation Method	5-year Smoothed Market; 20% Corridor
Wage Growth	4.00%
Price Inflation	3.00% approximate; no explicit price inflation assumption is used in this valuation.
Salary Increases	4.40% to 16.00%, Including Inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.
Other	There were no benefit changes during the year.

Information above based on valuation assumptions used in the December 31, 2013 actuarial valuation; note two year lag between valuation and rate setting.

GASB Statement No. 68 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted in 2016.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Illinois Municipal Retirement Fund - Sheriff's Law Enforcement Personnel Fund

Schedule of City Contributions

April 30, 2016

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
4/30/2016	\$				0.00%

Notes to the Required Supplementary Information

Valuation Date Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution is included in the property tax levy for the current year. The levy is collected in two installments. One in the current year and one in the subsequent fiscal year.

Methods and Assumptions Used to Determine 2015 Contribution Rates

Actuarial Cost Method	Aggregate Entry-age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28-years Closed Period
Asset Valuation Method	5-year Smoothed Market; 20% Corridor
Wage Growth	4.00%
Price Inflation	3.00% approximate; no explicit price inflation assumption is used in this valuation.
Salary Increases	4.40% to 16.00%, Including Inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2011 valuation pursuant to an experience study of the period 2008 to 2010.
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.
Other	There were no benefit changes during the year.

Information above based on valuation assumptions used in the December 31, 2013 actuarial valuation; note two year lag between valuation and rate setting.

GASB Statement No. 68 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted in 2016.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Police Pension Fund

Schedule of City Contributions

April 30, 2016

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
4/30/2016	\$ 267,185	267,185		663,404	40.27%
4/30/2015	250,904	250,138	(766)	725,533	34.48%

Notes to the Required Supplementary Information

Valuation Date Actuarially determined contribution rates are calculated as of May 1 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution is included in the property tax levy for the current year. The levy is collected in two installments; one in the current year and one in the subsequent fiscal year.

Methods and Assumptions Used to Determine 2016 Contribution Rates

Valuation Date Actuarially determined contribution rates were calculated as of May 1 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Actuarial Cost Method	Entry-age Normal
Amortization Method	Straight Line
Remaining Amortization Period	100% Funded Through 2033
Actual Experience	7.79 Years
Changes in Assumptions	7.79 Years
Asset Experience	5 Years
Asset Valuation Method	Market Value
Price Inflation	2.50%
Salary Increases	4.00% - 10.83%
Investment Rate of Return	6.75%
Retirement Age	L&A 2016 Illinois Police Retirement Rates Cap Age 65
Mortality	L&A 2016 Illinois Police Mortality Rates

GASB Statement No. 67 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted by the Pension Plan in 2015.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Firefighters' Pension Fund

Schedule of City Contributions

April 30, 2016

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
4/30/2016	\$ 83,369	120,163	36,794	132,169	90.92%
4/30/2015	138,674	137,914	(760)	386,071	35.72%

Notes to the Required Supplementary Information

Valuation Date Actuarially determined contribution rates are calculated as of May 1 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution is included in the property tax levy for the current year. The levy is collected in two installments; one in the current year and one in the subsequent fiscal year.

Methods and Assumptions Used to Determine 2016 Contribution Rates

Valuation Date Actuarially determined contribution rates are calculated as of May 1 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Actuarial Cost Method	Entry-age Normal
Amortization Method	Straight Line
Remaining Amortization Period	100% Funded Through 2033
Actual Experience	1.58 Years
Changes in Assumptions	1.58 Years
Asset Experience	5 Years
Asset Valuation Method	Market Value
Price Inflation	2.50%
Salary Increases	3.25% - 10.96%
Investment Rate of Return	6.75%
Retirement Age	L&A 2016 Illinois Firefighters Retirement Rates Cap Age 65
Mortality	L&A 2016 Illinois Firefighters Police Mortality Rates

GASB Statement No. 67 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted by the Pension Plan in 2015.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Police Pension Fund

Schedule of Investment Returns

April 30, 2016

Fiscal Year Ended	Annual Money-Weighted Rate of Return Net of Investment Expense
4/30/2016	1.28%
4/30/2015	6.64%

GASB Statement No. 67 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted by the Pension Plan in 2015.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Firefighters' Pension Fund

Schedule of Investment Returns

April 30, 2016

Year Ended	Annual Money-Weighted Rate of Return Net of Investment Expense
4/30/2016	1.29%
4/30/2015	6.60%

GASB Statement No. 67 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted by the Pension Plan in 2015.

**COMBINING AND INDIVIDUAL FUNDS FINANCIAL STATEMENTS
AND SCHEDULES**

MAJOR GOVERNMENTAL FUNDS

CITY OF HIGHWOOD, ILLINOIS

General Fund

Schedule of Revenues - Budget and Actual

Year Ended April 30, 2016

	Original and Final Budget	Actual
Taxes		
Property Tax	\$ 1,188,500	1,183,249
Non-Home Rule Sales Tax	704,444	702,143
Utility Taxes	356,000	332,332
	<u>2,248,944</u>	<u>2,217,724</u>
Licenses and Permits		
Licenses	287,500	312,272
Permits	97,400	115,472
	<u>384,900</u>	<u>427,744</u>
Intergovernmental		
Income Tax	535,095	547,864
Sales Tax	518,000	508,518
Replacement Tax	7,000	6,886
Fire Insurance Tax (2% Fire Dues)	7,400	
Local Use Tax	104,857	124,769
Municipal Gas Tax	112,500	118,715
Grants		9,070
	<u>1,284,852</u>	<u>1,315,822</u>
Charges for Services		
Developers Fees		
Parking Fees	45,000	53,580
Cable Franchise Fees	46,000	57,316
Zoning and Planning Fees	52,500	51,130
Rental Fees	322,000	356,196
Ambulance Fees	66,000	87,611
Alarm Systems and Calls	105,600	120,323
Seized Autos	40,000	25,600
Refunds and Reimbursements	16,000	45,681
Park Recreation Fees	140,000	171,912
Miscellaneous Fees and Fines	13,300	11,333
	<u>846,400</u>	<u>980,682</u>
Fines and Forfeits		
Police Fines	40,500	32,565
Court Fines	75,000	46,982
	<u>115,500</u>	<u>79,547</u>
Interest		
Investment Income	1,000	1,803
Miscellaneous		
Special Event Revenue		3,898
Donations	8,000	8,074
Debt Collection		23,679
Miscellaneous Income	9,500	2,729
	<u>17,500</u>	<u>38,380</u>
Total Revenue	<u>\$ 4,899,096</u>	<u>5,061,702</u>

CITY OF HIGHWOOD, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual

Year Ended April 30, 2016

	Original and Final Budget	Actual
General Government		
Administration		
Personnel	\$ 498,794	535,048
Contractual Services	214,100	170,950
Materials and Supplies	10,500	8,830
Special Events	5,000	785
Miscellaneous	10,300	25,063
	<u>738,694</u>	<u>740,676</u>
Legal		
Contractual Services	194,600	140,347
Building, Zoning and Health Department		
Personnel		
Contractual Services	25,750	9,118
Materials and Supplies		719
Miscellaneous	84,000	94,307
	<u>109,750</u>	<u>104,144</u>
Capital Outlay		
Equipment - General Administration	10,000	7,972
	<u>1,053,044</u>	<u>993,139</u>
Public Safety		
Police Department		
Personnel	1,211,310	1,245,312
Contractual Services	246,824	247,970
Materials and Supplies	47,100	39,901
	<u>1,505,234</u>	<u>1,533,183</u>
Fire Department		
Personnel	780,105	1,163,499
Contractual Services	476,161	246,180
Materials and Supplies	37,460	24,869
Miscellaneous	7,500	5,773
	<u>1,301,226</u>	<u>1,440,321</u>
Capital Outlay		
Police - Equipment	32,500	20,608
Fire	2,500	7,835
	<u>35,000</u>	<u>28,443</u>
	<u>2,841,460</u>	<u>3,001,947</u>

(Cont.)

CITY OF HIGHWOOD, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual (Cont.)

Year Ended April 30, 2016

	Original and Final Budget	Actual
Public Works		
Highways and Streets		
Personnel	173,086	202,364
Contractual Services	301,557	335,218
Street Light Maintenance		
Materials and Supplies	44,450	33,378
Miscellaneous	28,500	28,638
	<u>547,593</u>	<u>599,598</u>
Capital Outlay		
Public Works	5,000	6,550
	<u>5,000</u>	<u>6,550</u>
Total Public Works	<u>552,593</u>	<u>606,148</u>
Culture and Recreation		
Parks and Recreation		
Personnel	59,992	53,144
Contractual Services	34,691	22,222
Supplies and Materials	825	863
Special Events	45,000	28,372
Miscellaneous		2,827
	<u>140,508</u>	<u>107,428</u>
Total Culture and Recreation	<u>140,508</u>	<u>107,428</u>
Debt Service		
Principal	131,576	132,848
Interest	13,359	12,087
	<u>144,935</u>	<u>144,935</u>
Total Debt Service	<u>144,935</u>	<u>144,935</u>
Total Expenditures	<u>\$ 4,732,540</u>	<u>4,853,597</u>

CITY OF HIGHWOOD, ILLINOIS

TIF Capital Projects Fund (Major Fund)

Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Taxes			
Property Taxes	\$ 379,128	465,355	86,227
Investment Income	1,500	1,492	(8)
Total Revenues	<u>380,628</u>	<u>466,847</u>	<u>86,219</u>
Expenditures			
General Government			
Accounting Fees	5,000	5,000	
Legal Fees	7,500	14,968	7,468
Special Events Marketing	15,000	9,132	(5,868)
Capital Outlay	211,500	3,265	(208,235)
Debt Service			
Principal	296,331	296,331	
Interest	66,526	66,526	
Fiscal Agent Fees	2,500	875	(1,625)
Total Expenditures	<u>604,357</u>	<u>396,097</u>	<u>(208,260)</u>
Net Change in Fund Balance	<u>\$ (223,729)</u>	70,750	<u>294,479</u>
Fund Balance			
Beginning of Year		<u>674,449</u>	
End of Year		<u><u>745,199</u></u>	

CITY OF HIGHWOOD, ILLINOIS

Capital Projects Fund (Major Fund)

Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Expenditures			
Capital Outlay	\$ 2,300,000	2,468,506	168,506
Other Financing Sources (Uses)			
Payment to Refunded Bond Escrow Agent			
Bond Proceeds	2,300,000	2,283,225	(16,775)
Bond Premium		63,795	63,795
Total Other Financing Sources (Uses)	<u>2,300,000</u>	<u>2,347,020</u>	<u>47,020</u>
Net Change in Fund Balance	<u>\$ -</u>	(121,486)	<u>(121,486)</u>
Fund Balance			
Beginning of Year		_____	
End of Year		<u>(121,486)</u>	

NONMAJOR GOVERNMENTAL FUNDS

CITY OF HIGHWOOD, ILLINOIS

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2016

	Special Revenue Funds		Debt	Total Nonmajor Government Funds
	Motor Fuel Tax Fund	E-911 Fund	Service Funds Debt Service	
Assets				
Cash and Investments	\$ 64,100	74,894		138,994
Property Tax Receivable			238,048	238,048
Accounts Receivable	12,301			12,301
Due from Other Funds			17,763	17,763
Total Assets	\$ 76,401	74,894	255,811	407,106
Liabilities				
Accounts Payable	\$ 6,022	1,327		7,349
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes			238,048	238,048
Fund Balances				
Restricted				
Debt Service			17,763	17,763
Road Construction and Maintenance	70,379			70,379
Public Safety		73,567		73,567
Total Fund Balances	70,379	73,567	17,763	161,709
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 76,401	74,894	255,811	407,106

CITY OF HIGHWOOD, ILLINOIS

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances

Year Ended April 30, 2016

	Special Revenue Funds		Debt	Total Nonmajor Government Funds
	Motor Fuel Tax Fund	E-911 Fund	Service Funds Debt Service	
Revenues				
Other Taxes	\$	40,921		40,921
Intergovernmental	138,253			138,253
Property Taxes				
Investment Income	543	56		599
Total Revenues	<u>138,796</u>	<u>40,977</u>		<u>179,773</u>
Expenditures				
Current				
Public Safety		9,026		9,026
Public Works	209,783			209,783
Debt Service				
Cost of Issuance			54,012	54,012
Total Expenditures	<u>209,783</u>	<u>9,026</u>	<u>54,012</u>	<u>272,821</u>
Excess (Deficiency) of Revenues over Expenditures	(70,987)	31,951	(54,012)	(93,048)
Other Financing Sources				
Bond Issuance			71,775	71,775
Net Change in Fund Balance	(70,987)	31,951	17,763	(21,273)
Fund Balance				
May 1	<u>141,366</u>	<u>41,616</u>		<u>182,982</u>
April 30	<u>\$ 70,379</u>	<u>73,567</u>	<u>17,763</u>	<u>161,709</u>

SPECIAL REVENUE FUNDS

CITY OF HIGHWOOD, ILLINOIS

Motor Fuel Tax Fund

Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Intergovernmental			
Motor Fuel Tax	\$ 128,639	138,253	9,614
Investment Income	100	543	443
Total Revenues	<u>128,739</u>	<u>138,796</u>	<u>10,057</u>
Expenditures			
Public Works			
Street Improvements	<u>154,500</u>	<u>209,783</u>	<u>55,283</u>
Net Change in Fund Balance	<u>\$ (25,761)</u>	<u>(70,987)</u>	<u>(45,226)</u>
Fund Balance			
May 1		<u>141,366</u>	
April 30		<u><u>70,379</u></u>	

CITY OF HIGHWOOD, ILLINOIS

E-911 Fund

Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Taxes			
911 Surcharge	\$ 85,000	40,921	(44,079)
Investment Income	100	56	(44)
Total Revenues	<u>85,100</u>	<u>40,977</u>	<u>(44,123)</u>
Expenditures			
Public Safety			
Materials and Supplies	15,000	3,178	(11,822)
Emergency Communication (911)	65,100	5,848	(59,252)
Capital Outlay			
Equipment	5,000		(5,000)
Total Expenditures	<u>85,100</u>	<u>9,026</u>	<u>(76,074)</u>
Net Change in Fund Balance	<u>\$ -</u>	31,951	<u>31,951</u>
Fund Balance			
May 1		<u>41,616</u>	
April 30		<u><u>73,567</u></u>	

DEBT SERVICE FUND

CITY OF HIGHWOOD, ILLINOIS

Debt Service Fund

Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual

Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues	\$		
Expenditures			
Debt Service			
Cost of Issuance	75,000	54,012	(20,988)
Excess (Deficiency) of Revenues over Expenditures	(75,000)	(54,012)	20,988
Other Financing Sources			
Bond Proceeds	75,000	71,775	(3,225)
Net Change in Fund Balance	<u>\$ -</u>	17,763	<u>17,763</u>
Fund Balance			
Beginning of Year		<u> </u>	
End of Year		<u>17,763</u>	

PROPRIETARY FUNDS

CITY OF HIGHWOOD, ILLINOIS

Waterworks and Sewerage Fund (Major Fund)

Schedule of Revenues, Expenses, and Changes in Net Position -
Budget and Actual - (GAAP and Budgetary Basis)

Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues			
Charges for Services	\$ 1,126,268	1,141,610	15,342
Operating Expenses			
Personnel	269,160	281,689	12,529
Contractual Services	422,853	453,899	31,046
Materials and Supplies	49,550	36,357	(13,193)
Capital Outlay	3,900,000	19,817	(3,880,183)
Depreciation		153,535	153,535
Total Operating Expenses	4,641,563	945,297	(3,696,266)
Operating Income (Loss)	(3,515,295)	196,313	3,711,608
Nonoperating Revenues (Expenses)			
Interest Income	1,250	1,407	157
Interest Subsidy		96,085	96,085
Miscellaneous Income	95,000	17,452	(77,548)
Miscellaneous Expense	(1,000)	(1,584)	(584)
Principal Payments	(235,700)	(235,700)	
Interest Expense	(244,662)	(292,668)	(48,006)
Fiscal Agent Fees	(3,500)	(1,350)	2,150
Total Nonoperating Revenues (Expenses)	(388,612)	(416,358)	(27,746)
Income (Loss) Before Transfers	(3,903,907)	(220,045)	3,683,862
Other Financing Sources			
Transfers In	3,770,000		(3,770,000)
Changes in Net Position - Budgetary Basis	\$ (133,907)	(220,045)	(86,138)
Reconciliation of Budget Basis Change in Net Position to GAAP Basis Change in Net Position			
Change in Net Position - Budgetary Basis	\$ (133,907)	(220,045)	(86,138)
Plus Principal Payments	235,700	235,700	
Change in Net Position - GAAP Basis	\$ 101,793	15,655	(86,138)
Net Position			
May 1, as Originally Stated		3,797,338	
Restatement (Note 13)		(4,025,268)	
May 1, as Restated		(227,930)	
April 30		(212,275)	

CITY OF HIGHWOOD, ILLINOIS

Garbage Fund

Schedule of Revenues, Expenses, and Change in Net Position -
Budget and Actual

Year Ended April 30, 2016

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues			
Charges for Services			
Refuse and Garbage Collection	\$ 262,207	252,597	(9,610)
Operating Expenses			
Personnel	54,271	43,107	(11,164)
Contractual Services	217,552	217,743	191
Materials and Supplies	2,500		(2,500)
Total Operating Expenses	<u>274,323</u>	<u>260,850</u>	<u>(13,473)</u>
Operating Income (Loss)	<u>(12,116)</u>	<u>(8,253)</u>	<u>3,863</u>
Nonoperating Revenues			
Interest Income	225	261	36
Miscellaneous Revenue	46,250	53,725	7,475
Total Nonoperating Revenues	<u>46,475</u>	<u>53,986</u>	<u>7,511</u>
Change in Net Position	<u>\$ 34,359</u>	45,733	<u>11,374</u>
Net Position			
May 1		<u>245,386</u>	
April 30		<u><u>291,119</u></u>	

FIDUCIARY FUNDS

CITY OF HIGHWOOD, ILLINOIS

Fiduciary Funds

Combining Statement of Fiduciary Net Position - Pension Trust Funds

April 30, 2016

	Police Pension Fund	Firefighters' Pension Fund	Total
Assets			
Cash and Cash Equivalents	\$ 22,553	4,928	27,481
Investments			
U.S. Treasuries	189,933	339,604	529,537
U.S. Agencies	1,164,958	1,398,180	2,563,138
Mutual Funds	1,168,167	1,430,367	2,598,534
Municipal Bonds	234,006	294,643	528,649
Receivables			
Accrued Interest	12,828	16,735	29,563
Total Assets	2,792,445	3,484,457	6,276,902
Liabilities			
Accounts Payable	4,186	4,358	8,544
Net Position			
Restricted for Pensions	\$ 2,788,259	3,480,099	6,268,358

CITY OF HIGHWOOD, ILLINOIS

Fiduciary Funds

Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds

Year Ended April 30, 2016

	Police Pension Fund	Firefighters' Pension Fund	Total
Additions			
Contributions			
Employer	\$ 267,185	120,163	387,348
Plan Members	66,809	18,133	84,942
Other Member Revenue	35,873		35,873
Total Contributions	369,867	138,296	508,163
Investment Income (Loss)			
Investment Income	99,781	123,403	223,184
Net Depreciation in Fair Value of Investments	(52,537)	(64,389)	(116,926)
Less Investment Expenses	(11,415)	(13,902)	(25,317)
Net Investment Income	35,829	45,112	80,941
Total Additions	405,696	183,408	589,104
Deductions			
Benefits	198,279	78,873	277,152
Administration	76,332	25,416	101,748
Refunds of Contributions	4,729	4,457	9,186
Transfers to Other Pension Plans	82,896		82,896
Total Deductions	362,236	108,746	470,982
Changes in Net Position	43,460	74,662	118,122
Net Position			
May 1	2,744,799	3,405,437	6,150,236
April 30	\$ 2,788,259	3,480,099	6,268,358

COMPONENT UNIT - LIBRARY

CITY OF HIGHWOOD, ILLINOIS

Component Unit - Library

Statement of Net Position and Governmental Funds
Governmental Funds Combining Balance Sheet

April 30, 2016

	General Fund	<u>Adjustments</u> Capital-Related and Other Items	Statement of Net Position
Assets			
Cash and Cash Equivalents	\$ 350,250		350,250
Receivables			
Property Taxes	238,201		238,201
Prepaid Items	10,186		10,186
Due from Primary Government			
Capital Assets		184,140	184,140
		<hr/>	<hr/>
Total Assets	598,637	184,140	782,777
		<hr/>	<hr/>
Deferred Outflows of Resources			
Deferred Outflows of Resources - Pension		28,675	28,675
		<hr/>	<hr/>
Liabilities			
Accounts Payable	3,807		3,807
Accrued Payroll	3,549		3,549
Net Pension Liability		51,417	51,417
		<hr/>	<hr/>
Total Liabilities	7,356	51,417	58,773
		<hr/>	<hr/>
Deferred Inflows of Resources			
Unavailable Property Taxes	238,201		238,201
Deferred Inflows of Resources - Pensions		6,597	6,597
		<hr/>	<hr/>
Total Deferred Inflows of Resources	238,201	6,597	244,798
		<hr/>	<hr/>
Fund Balances/Net Position			
Nonspendable	10,186	(10,186)	
Investment in Capital Assets		184,140	184,140
Restricted for Grant Programs	41,275		41,275
Unassigned/Unrestricted	301,619	(19,153)	282,466
		<hr/>	<hr/>
Total Fund Balances/Net Position	353,080	154,801	507,881
		<hr/>	<hr/>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances/Net Position	\$ 598,637	212,815	811,452
		<hr/> <hr/>	<hr/> <hr/>

CITY OF HIGHWOOD, ILLINOIS

Component Unit - Library

Statement of Activities and Governmental Funds Combining
 Statement of Revenues, Expenditures, and Changes in Fund Balances/Net Position

Year Ended April 30, 2016

	General Fund	<u>Adjustments</u> Capital-Related Items	Statement of Activities
Revenues			
Property Taxes	\$ 230,430		230,430
Intergovernmental	10,873		10,873
Charges for Services	2,695		2,695
Fines	2,131		2,131
Investment Income	1,107		1,107
Miscellaneous	50,397		50,397
Total Revenues	<u>297,633</u>	-	<u>297,633</u>
Expenditures			
Civic and Cultural	242,159	3,780	245,939
Capital Outlay	28,750		28,750
Depreciation		142,480	142,480
Total Expenditures	<u>270,909</u>	<u>146,260</u>	<u>417,169</u>
Net Change in Fund Balances/Net Position	<u>26,724</u>	<u>(146,260)</u>	<u>(119,536)</u>
Fund Balances/Net Position			
May 1, as Originally Stated	326,356	377,544	703,900
Restatement (Note 13)		<u>(76,483)</u>	<u>(76,483)</u>
May 1, as Restated	<u>326,356</u>	<u>301,061</u>	<u>627,417</u>
April 30	<u>\$ 353,080</u>	<u>154,801</u>	<u>507,881</u>

SUPPLEMENTAL DATA

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

General Obligation Build America
Bonds of 2010A

April 30, 2016

Date of Issue November 10, 2010
Date of Maturity December 1, 2019
Authorized Issue \$ 800,000
Denomination of Bonds \$ 5,000
Interest Rates 3.22% to 4.72%
Interest Dates June 1 and December 1
Principal Maturity Date December 1
Payable at Amalgamated Bank

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Gross Interest</u>	<u>Net Interest *</u>	<u>Total</u>
2017	\$ 150,000	24,544	15,954	165,954
2018	150,000	17,464	11,352	161,352
2019	155,000	10,384	6,750	161,750
2020	65,000	3,068	1,994	66,994
	<u>\$ 520,000</u>	<u>55,460</u>	<u>36,050</u>	<u>556,050</u>

*Net interest represents a reduction due to Build America Bonds subsidy at 35%.

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

General Obligation Recovery Zone
Economic Development Bonds of 2010B

April 30, 2016

Date of Issue November 10, 2010
Date of Maturity December 1, 2033
Authorized Issue \$ 3,000,000
Denomination of Bonds \$ 5,000
Interest Rates 5.62% to 6.84%
Interest Dates June 1 and December 1
Principal Maturity Date December 1
Payable at Amalgamated Bank

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Gross Interest</u>	<u>Net Interest *</u>	<u>Total</u>
2017	\$	190,926	105,009	105,009
2018		190,926	105,009	105,009
2019		190,926	105,009	105,009
2020	95,000	190,926	105,009	200,009
2021	165,000	185,587	102,073	267,073
2022	170,000	176,314	96,973	266,973
2023	175,000	166,760	91,718	266,718
2024	180,000	156,925	86,309	266,309
2025	190,000	146,809	80,745	270,745
2026	195,000	136,131	74,872	269,872
2027	200,000	125,172	68,845	268,845
2028	210,000	111,492	61,321	271,321
2029	215,000	97,128	53,420	268,420
2030	225,000	82,422	45,332	270,332
2031	230,000	67,032	36,868	266,868
2032	240,000	51,300	28,215	268,215
2033	250,000	34,884	19,186	269,186
2034	260,000	17,784	9,781	269,781
	<u>\$ 3,000,000</u>	<u>2,319,444</u>	<u>1,275,694</u>	<u>4,275,694</u>

*Net interest represents a reduction due to Recovery Zone Economic Development Bonds subsidy at 45%.

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

IEPA Loan Payable of 2002

April 30, 2016

Date of Issue April 30, 2002
Date of Maturity December 30, 2021
Authorized Issue \$ 1,170,000
Interest Rates 2.535%
Interest Dates June 30 and December 30
Principal Maturity Date June 30 and December 31
Payable at Illinois Environmental Protection Agency

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 65,103	10,146	75,249
2018	66,764	8,485	75,249
2019	68,467	6,782	75,249
2020	70,214	5,035	75,249
2021	72,005	3,244	75,249
2022	73,831	1,407	75,238
	<u>\$ 416,384</u>	<u>35,099</u>	<u>451,483</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Tax Increment Financing General
Obligation Refunding Bonds, Series 2013

April 30, 2016

Date of Issue	August 15, 2013
Date of Maturity	January 1, 2022
Authorized Issue	\$ 2,160,000
Interest Rates	2.00% to 4.00%
Interest Dates	January 1 and July 1
Principal Maturity Date	January 1
Payable at	Amalgamated Bank

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 205,000	61,150	266,150
2018	235,000	55,000	290,000
2019	265,000	47,950	312,950
2020	295,000	40,000	335,000
2021	330,000	28,200	358,200
2022	375,000	15,000	390,000
	<u>\$ 1,705,000</u>	<u>247,300</u>	<u>1,952,300</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Tax Increment Financing Alternate Revenue
Capital Appreciation Bonds of 2002

April 30, 2016

Date of Issue	August 1, 2002
Date of Maturity	January 1, 2021
Authorized Issue	\$ 624,267
Interest Rates	4.00% to 5.40%
Interest Dates	January 1
Principal Maturity Date	January 1
Payable at	Cole Taylor Bank

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Beginning Principal Balance</u>	<u>Accretion</u>	<u>Principal Payment</u>	<u>Ending Principal Balance</u>
2017	\$ 511,895	25,560	105,000	432,455
2018	432,455	21,300	115,000	338,755
2019	338,755	16,267	120,000	235,022
2020	235,022	10,598	125,000	120,620
2021	120,620	4,380	125,000	
		<u>\$ 78,105</u>	<u>590,000</u>	

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

LED Light Loan Payable

April 30, 2016

Date of Issue November 21, 2012
Date of Maturity September 15, 2017
Authorized Issue \$ 165,000
Interest Rates 2.85%
Interest Dates September 15
Principal Maturity Date September 15
Payable at Municipal Funding Solutions, LLC

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 33,752	1,951	35,703
2018	34,713	989	35,702
	<u>\$ 68,465</u>	<u>2,940</u>	<u>71,405</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Fire Alarm Monitoring Equipment Loan

April 30, 2016

Date of Issue	November 21, 2012
Date of Maturity	September 15, 2019
Authorized Issue	\$ 155,000
Interest Rates	3.12%
Interest Dates	September 15
Principal Maturity Date	September 15
Payable at	Municipal Funding Solutions, LLC

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 21,986	2,875	24,861
2018	22,673	2,189	24,862
2019	23,379	1,482	24,861
2020	24,107	752	24,859
	<u>\$ 92,145</u>	<u>7,298</u>	<u>99,443</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Water Meter Loan

April 30, 2016

Date of Issue	November 21, 2012
Date of Maturity	September 15, 2022
Authorized Issue	\$ 380,000
Interest Rates	Various
Interest Dates	September 15
Principal Maturity Date	September 15
Payable at	Municipal Funding Solutions, LLC

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 35,793	9,341	45,134
2018	36,998	8,135	45,133
2019	38,244	6,889	45,133
2020	39,533	5,601	45,134
2021	40,864	4,270	45,134
2022	42,241	2,893	45,134
2023	43,672	1,470	45,142
	<u>\$ 277,345</u>	<u>38,599</u>	<u>315,944</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Police Vehicles Loan Payable - 2013

April 30, 2016

Date of Issue	November 1, 2013
Date of Maturity	November 1, 2016
Authorized Issue	\$ 113,000
Interest Rates	3.11%
Interest Dates	November 1
Principal Maturity Date	November 1
Payable at	Municipal Funding Solutions, LLC

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 38,840	1,063	39,903

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Public Works Capital Lease

April 30, 2016

Date of Issue December 10, 2012
Date of Maturity January 1, 2020
Authorized Issue \$ 202,020
Interest Rates 3.00%
Interest Dates January 1, April 1, July 1, and October 1
Principal Maturity Date January 1, April 1, July 1, and October 1
Payable at Government Capital Corporation

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 29,083	3,182	32,265
2018	29,992	2,273	32,265
2019	30,929	1,336	32,265
2020	23,831	369	24,200
	<u>\$ 113,835</u>	<u>7,160</u>	<u>120,995</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

General Obligation Bonds
Series 2015

April 30, 2016

Date of Issue	August 27, 2015
Date of Maturity	December 1, 2030
Authorized Issue	\$ 2,355,000
Denomination of Bonds	\$ 5,000
Interest Rates	1.85% to 4.00%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Payable at	Amalgamated Bank

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 135,000	68,028	203,028
2018	135,000	65,328	200,328
2019	140,000	62,628	202,628
2020	140,000	59,828	199,828
2021	145,000	57,238	202,238
2022	145,000	54,555	199,555
2023	150,000	51,075	201,075
2024	155,000	47,475	202,475
2025	155,000	43,213	198,213
2026	160,000	38,950	198,950
2027	165,000	34,150	199,150
2028	170,000	29,200	199,200
2029	180,000	22,400	202,400
2030	185,000	15,200	200,200
2031	195,000	7,800	202,800
	<u>\$ 2,355,000</u>	<u>657,065</u>	<u>3,012,065</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

IEPA Sewer Loan Payable of 2015

April 30, 2016

Date of Issue March, 10 2016
 Date of Maturity September 4, 2035
 Authorized Issue \$ 249,578
 Interest Rates 2.21%
 Interest Dates September 4 and March 4
 Principal Maturity Date September 4 and March 4
 Payable at Illinois Environmental Protection Agency

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Interest	Total
2017	\$ 8,650	4,556	13,206
2018	8,843	4,363	13,206
2019	9,039	4,167	13,206
2020	9,240	3,966	13,206
2021	9,446	3,760	13,206
2022	9,655	3,551	13,206
2023	9,870	3,336	13,206
2024	10,089	3,117	13,206
2025	10,313	2,893	13,206
2026	10,542	2,664	13,206
2027	10,777	2,429	13,206
2028	11,016	2,190	13,206
2029	11,261	1,945	13,206
2030	11,511	1,695	13,206
2031	11,767	1,439	13,206
2032	12,028	1,178	13,206
2033	12,296	910	13,206
2034	12,569	637	13,206
2035	12,849	358	13,207
2036	6,532	73	6,605
	<u>\$ 208,293</u>	<u>49,227</u>	<u>257,520</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

IEPA Water Loan Payable of 2015

April 30, 2016

Date of Issue	March, 10 2016
Date of Maturity	August 26, 2035
Authorized Issue	\$ 2,610,846
Interest Rates	2.21%
Interest Dates	August 26 and February 26
Principal Maturity Date	August 26 and February 26
Payable at	Illinois Environmental Protection Agency

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Interest	Total
2017	\$ 59,473	31,321	90,794
2018	60,794	30,000	90,794
2019	62,145	28,649	90,794
2020	63,527	27,267	90,794
2021	64,939	25,857	90,796
2022	66,381	24,413	90,794
2023	67,857	22,938	90,795
2024	69,365	21,430	90,795
2025	70,906	19,889	90,795
2026	72,482	18,313	90,795
2027	74,092	16,703	90,795
2028	75,738	15,056	90,794
2029	77,422	13,373	90,795
2030	79,142	11,653	90,795
2031	80,901	9,894	90,795
2032	82,699	8,096	90,795
2033	84,536	6,258	90,794
2034	86,415	4,379	90,794
2035	88,335	2,459	90,794
2036	44,899	495	45,394
	<u>\$ 1,432,048</u>	<u>338,443</u>	<u>1,770,491</u>

*The total eligible IEPA Loan is \$2,610,847. IEPA will disburse the loan proceeds as the City incurs expenses on the project. Amount presented as a payable is the amount that has been incurred as costs by the City at April 30, 2016, and requested for loan disbursements from IEPA. As of the date of the audit report, the City has yet to receive a final repayment schedule on the loan. Loan payable principal and interest balances on the preceding page are based on a preliminary repayment schedule and do not include the effects of subsequent expenses and requested loan disbursements. The City has recorded a corresponding receivable at April 30, 2016, in the amount of \$618,473 which represents the expenses incurred in fiscal year 2016, but not yet reimbursed by the IEPA at April 30, 2016. The \$618,473 was received by the City from IEPA in June 2016.