

City of Highwood, Illinois

Annual Financial Report

April 30, 2022



City of Highwood, Illinois

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Independent Auditor's Report



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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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 (City), as of and for the year ended April 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to the above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information of the City of Highwood, Illinois, as of April 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Friends of the Highwood Public Library, the discretely presented component unit of the City of Highwood Public Library, which represent 7%, 8% and 27%, respectively, of the assets and deferred outflows of resources, net position and revenues of the discretely presented component unit of the City. Those statements were audited by other auditors whose report has been furnished to us, and our opinion on the discretely presented component unit, insofar as it relates to the amounts included for the Friends of the Highwood Public Library, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, the component unit – library financial statements and the other supplemental information 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 combining and individual fund financial statements and schedules, the component unit – library financial statements and the other supplemental information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

FORVIS,LLP

Oakbrook Terrace, Illinois
February 9, 2023

Management's Discussion and Analysis

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2022

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, 2022. 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 increased by a total of \$2,333,121. Net position of business-type activities increased by \$340,913 or 36.4 percent; net position of our governmental activities increased by \$1,992,208 or 54.9 percent.
- During the year, expenses were \$1,992,208 less than the \$7,976,277 generated in tax and other revenues for governmental programs. In the prior year, expenses were \$948,879 less than the \$7,256,926 generated in tax and other revenues for the governmental programs.
- Revenues for business-type activities decreased 6.0 percent to \$1,671,674 while expenses decreased by 3.8 percent to \$1,330,761.
- Total cost of all programs decreased by \$376,087 or 4.9 percent in the current year.
- The General Fund reported a surplus this year of \$197,906 which took fund balance from \$3,119,475 to \$3,317,381 at the end of the current year.
- The resources available for appropriation were \$1,286,181 more than budgeted for the General Fund. In addition, expenditures were over budget by \$343,985.

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 17-20) 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 21. 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.

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 17-20 of this report.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2022

USING THIS ANNUAL REPORT - Continued

Government-Wide Financial Statements - Continued

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.

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's near-term financing requirements.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2022

USING THIS ANNUAL REPORT - Continued

Governmental Funds - Continued

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 Downtown Redevelopment TIF Fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for the three 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 21-24 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 and for the Garbage Fund, both of which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 25-27 of this report.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2022

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 City of Highwood maintains Fiduciary Funds for the Downstate Police and Fire Pension Funds.

The basic fiduciary fund financial statements can be found on pages 29 and 30 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 31-88 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's I.M.R.F. and Police and Firefighters' pension obligations. Required supplementary information can be found on pages 89-100 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 101-115 of this report.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2022

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 \$6,899,311, increasing by 51.1 percent over the prior year.

Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 15.8	\$ 8.5	\$ 1.2	\$ 1.0	\$ 17.0	\$ 9.5
Capital Assets	7.5	6.1	5.3	5.4	12.8	11.5
Deferred Outflows	0.6	0.2	-	-	0.6	0.2
Total Assets and Deferred Outflows	23.9	14.8	6.5	6.4	30.4	21.2
Long-Term Debt Outstanding	12.9	5.6	5.0	5.3	17.9	10.9
Other Liabilities	0.7	0.8	0.2	0.2	0.9	1.0
Deferred Inflows	4.7	4.8	-	-	4.7	4.8
Total Liabilities and Deferred Inflows	18.3	11.2	5.2	5.5	23.5	16.7
Net Position						
Net Investment in Capital						
Assets	5.1	3.7	2.6	0.1	5.4	1.0
Restricted	1.8	1.4	-	-	1.8	1.4
Unrestricted (Deficit)	(1.3)	(1.5)	(1.3)	0.8	(0.3)	2.1
Total Net Position	\$ 5.6	\$ 3.6	\$ 1.3	\$ 0.9	\$ 6.9	\$ 4.5

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.

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, Illinois

**Management’s Discussion and Analysis
April 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for Services	\$ 1.1	\$ 1.1	\$ 1.6	\$ 1.6	\$ 2.7	\$ 2.7
Operating Grants/Contributions	0.4	0.4	-	0.1	0.4	0.5
Capital Grants/Contributions	0.1	0.4	-	-	0.1	0.4
General Revenues					-	-
Property Taxes	2.8	2.5	-	-	2.8	2.5
Utility Taxes	0.3	0.3	-	-	0.3	0.3
Sales Taxes	1.2	0.8	-	-	1.2	0.8
Intergovernmental	2.0	1.6	-	-	2.0	1.6
Other General Revenues	0.1	0.1	0.1	-	0.2	0.1
Total Revenues	<u>8.0</u>	<u>7.2</u>	<u>1.7</u>	<u>1.7</u>	<u>9.7</u>	<u>8.9</u>
Expenses						
General Government	1.5	1.0	-	-	1.5	1.0
Public Safety	(0.3)	3.1	-	-	(0.3)	3.1
Public Works	1.2	1.4	-	-	1.2	1.4
Culture and Recreation	0.1	0.2	-	-	0.1	0.2
Economic Development	3.3	0.5	-	-	3.3	0.5
Interest and Fiscal Charges	0.2	0.1	-	-	0.2	0.1
Water	-	-	1.0	0.9	1.0	0.9
Garbage	-	-	0.3	0.4	0.3	0.4
Total Expenses	<u>6.0</u>	<u>6.3</u>	<u>1.3</u>	<u>1.3</u>	<u>7.3</u>	<u>7.6</u>
Change in Net Position	2.0	0.9	0.4	0.4	2.4	1.3
Net Position - Beginning	<u>3.6</u>	<u>2.7</u>	<u>0.9</u>	<u>0.5</u>	<u>4.5</u>	<u>3.2</u>
Net Position - Ending	<u>\$ 5.6</u>	<u>\$ 3.6</u>	<u>\$ 1.3</u>	<u>\$ 0.9</u>	<u>\$ 6.9</u>	<u>\$ 4.5</u>

Net position of the City of Highwood governmental activities increased by 54.9 percent, or \$1,992,208. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, increased from (\$1,461,934) in the previous fiscal year to (\$1,280,851) in the current year.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Net position of business-type activities increased \$340,913 in the current year. The City of Highwood can generally only use this net position to finance the continuing operations of the waterworks and sewerage, and garbage operations.

Total revenues increased by \$0.8 million compared to prior years. The increase in the current year is due largely to increases in sales and other intergovernmental taxes received in FY22.

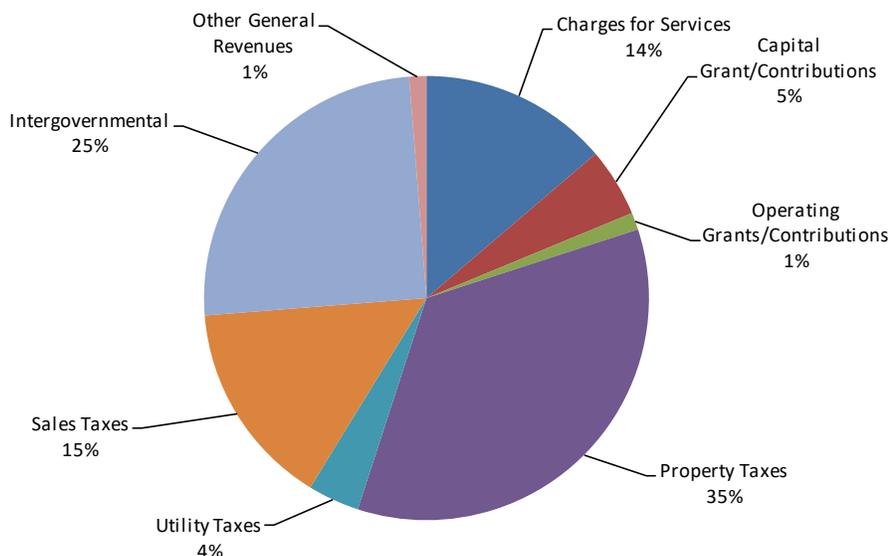
Governmental Activities

Revenues for governmental activities increased \$719,351. Expenses decreased \$323,978.

The cost of all governmental activities this year was \$6.0 million, a decrease of \$0.3 million from the prior year. Overall, governmental program revenues were \$1.6 million, including intergovernmental aid and fees for services. This was a decrease from the \$1.9 million in program revenue in FY21. The \$276,157 decrease was due the receipt of the CARES grant in FY21 that was not received in FY22.

The following table graphically depicts the major revenue sources of the City of Highwood. It clearly identifies the reliance of property taxes, intergovernmental revenue, 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

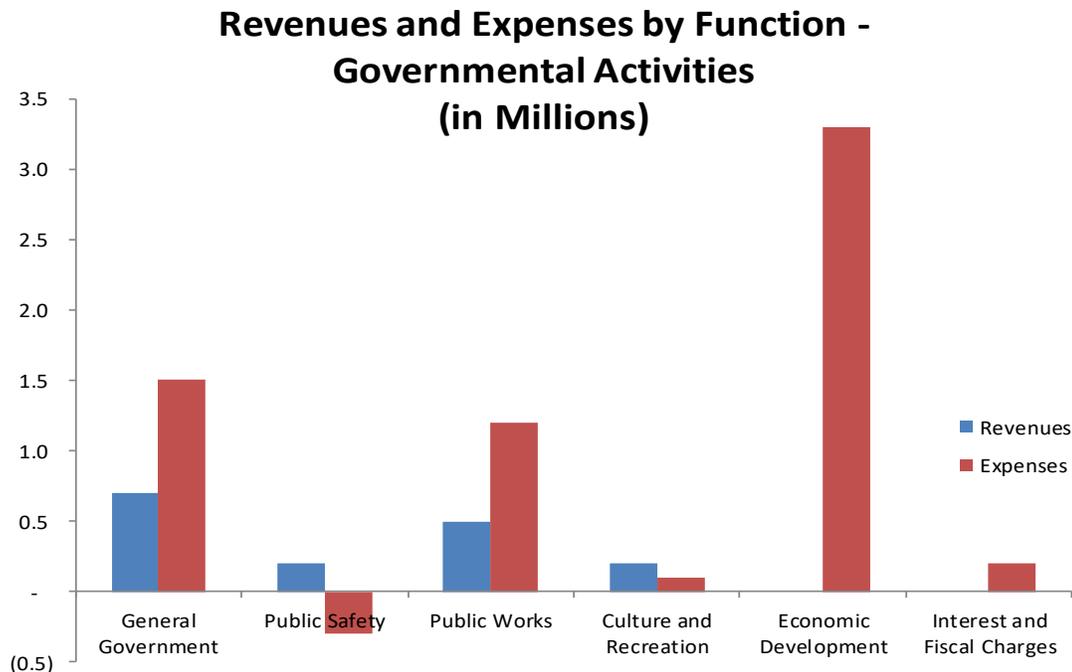


City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2022

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.

Business-Type Activities

Revenues of the City's business-type activities decreased slightly (down \$107,526 from FY21 to FY22) and expenses decreased by 3.8 percent (down \$52,109 from FY21 to FY22). Key factors behind these results include:

- The waterworks and sewerage system is dependent upon the sale of water. In the City of Highwood, our costs related to the water and sewer system tend to be consistent year to year due to the fact that our water sold is based on water pumped out of Lake Michigan. City staff analyze operating expenses, project systems and capital projects and aim to set aside funds to replace portions of the system as needed. No large repair projects were needed in FY21 or FY22, resulting in expenses being consistent from the prior year to the current year.

City of Highwood, Illinois

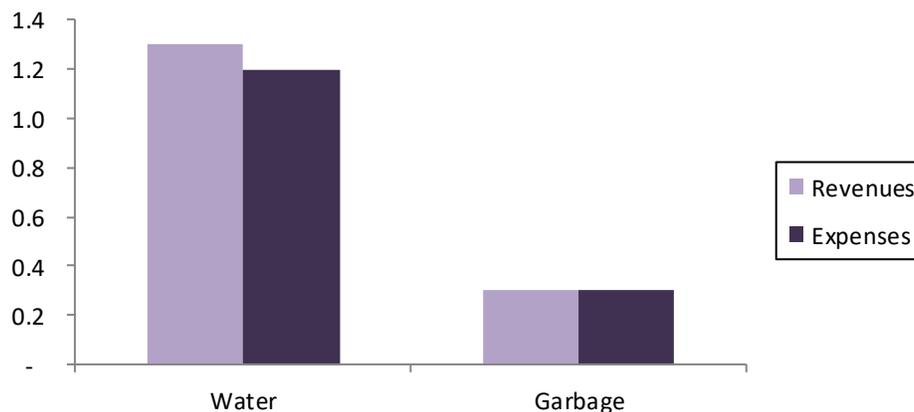
Management's Discussion and Analysis April 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Business-Type Activities – Continued

- The slight decrease in revenue was due to slightly lower consumption in FY22. Water rates were not increased until the end of FY22.
- The Garbage Fund operated at a loss of (\$1,552) for the fiscal year. This was the fifth year of the garbage contract.

Expenses and Program Revenues - Business-Type Activities (in Millions)



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

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.

City of Highwood, Illinois

Management's Discussion and Analysis

April 30, 2022

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS - Continued

Governmental Funds - Continued

At the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$12.0 million which is an increase of \$7.5 million over the prior year. Although there was a net increase in fund balances, individual funds had different results. The General Fund has an increase of \$197,906 over the prior year. The TIF Fund had an increase of \$7,455,694, which was due to the issuance of the 2021 bonds. Bond proceeds were \$9.3 million, \$2.5 million of which were spent in the fiscal year. The Capital Projects Fund had a decrease of \$214,456 due to the expenses for the Everts Park Project, but not yet receiving the additional OSLAD grant revenue of \$200,000 that they were awarded for the project.

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 Garbage Fund is also reported as a major proprietary fund. It accounts for the operations of the City's refuse collection system.

The City intends to run the funds 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 Waterworks and Sewerage Fund had a surplus during the current fiscal year of \$342,465. The Garbage Fund had a drawdown of \$1,552. The net effect on the Proprietary Funds Net Positions was an increase of \$340,913.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual charges to appropriations (expenditures) were \$343,985 over the budget amounts. This can largely be attributed to additional contributions of \$250,000 to both the Police and Fire Pensions (for a total of \$500,000) that were not part of the 2022 budget. These contributions were made due to the City having excess funds and wishing to ensure that the Pensions are adequately funded in future years. Many accounts had expenditures come in slightly under budget. The legal department had a large budget over actual variance of \$42,616 due to the reduction of activities that needed attorney review. Public works contractual service expenditures came in under budget by \$80,528 due to fewer street and sidewalk repair projects being completed than were anticipated at the time the budget was prepared.

In addition, resources available for appropriation were \$1,286,181 above the final budgeted amount. Several state taxes came in higher than anticipated (receipts over budget were \$474,600 for home rule sales taxes, \$310,341 for municipal sales taxes, and \$348,330 for income tax). Many state revenues were budgeted based on FY21 revenues, and increases were higher than expected. Park recreation fees were

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2022

GENERAL FUND BUDGETARY HIGHLIGHTS - Continued

also \$78,523 over the amount budgeted, as park rentals recovered better than anticipated after the pandemic.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Highwood's investment in capital assets for its governmental and business type activities as of April 30, 2022, was \$11.9 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 only governmental activity addition the City had to their capital assets during the fiscal year was \$533,451 in construction in progress. This is due to the Evert's Park reconstruction project that began in fiscal year 2021 and was completed in fiscal year 2023. The additional overall decreases in both governmental and business-type activities is attributable to current year depreciation.

Capital Assets - Net of Depreciation (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 2.3	\$ 2.3	\$ -	\$ -	\$ 2.3	\$ 2.3
CIP	1.4	0.5	-	-	1.4	0.5
Land Improvements	-	-	0.2	0.2	0.2	0.2
Buildings	0.5	0.5	1.5	1.6	2.0	2.1
Machinery and Equipment	0.1	0.2	-	-	0.1	0.2
Infrastructure	2.4	2.5	3.5	3.6	5.9	6.1
Total	\$ 6.7	\$ 6.0	\$ 5.2	\$ 5.4	\$ 11.9	\$ 11.4

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, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

Debt

At year-end, the City of Highwood had total outstanding debt of \$16.8 million as compared to \$7.5 million the previous year, an increase of 124.0 percent. The increase is attributable to the City issuing new debt. During fiscal year 2022 the City issued 2021 TIF Bonds, to fund various projects within the TIF District. The following is a comparative statement of outstanding debt:

General Obligation and Revenue Bonds (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Bonds	\$ 11.7	\$ 2.1	\$ 2.9	\$ 3.0	\$ 14.6	\$ 5.1
Loan Payable	-	-	0.1	0.1	0.1	0.1
IEPA Loans	-	-	2.0	2.2	2.0	2.2
Other Liabilities	0.1	0.1	-	-	0.1	0.1
Total	\$ 11.8	\$ 2.2	\$ 5.0	\$ 5.3	\$ 16.8	\$ 7.5

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 2022 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 and the City is faced with a similar economic environment as many other local municipalities are faced with, including inflation and unemployment rates. Many trends and economic factors will continue to be monitored, along with managing expenses.

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.

The City of Highwood has a large restaurant base which supports the operations of the City and relies heavily on intergovernmental and sales taxes. The City continues to find revenues streams which do not create undue burden on these reliable revenue bases.

City of Highwood, Illinois

**Management's Discussion and Analysis
April 30, 2022**

REQUESTS FOR INFORMATION

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

Basic Financial Statements

City of Highwood, Illinois
Statement of Net Position
April 30, 2022

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash and investments	\$ 4,574,310	\$ 1,167,207	\$ 5,741,517	\$ 2,074,240
Receivables, net				
Taxes	2,888,831	-	2,888,831	294,053
Intergovernmental	484,238	-	484,238	-
Accounts	-	341,415	341,415	-
Other	49,866	-	49,866	402,997
Internal balances	355,453	(355,453)	-	-
Prepaid expenses	17,586	1,257	18,843	-
Due from general government	-	-	-	1,589
Restricted assets				
Cash and investments	7,463,878	-	7,463,878	-
Capital assets				
Land	2,331,350	-	2,331,350	-
Construction in progress	1,406,948	-	1,406,948	-
Other capital assets, net of depreciation	2,998,283	5,193,820	8,192,103	730,231
Net pension asset	744,030	109,771	853,801	349,189
	<u>23,314,773</u>	<u>6,458,017</u>	<u>29,772,790</u>	<u>3,852,299</u>
Total assets				
Deferred Outflows of Resources				
Deferred outflows of resources - pensions	618,333	3,197	621,530	10,168
Unamortized loss on refunding	-	24,270	24,270	-
	<u>618,333</u>	<u>27,467</u>	<u>645,800</u>	<u>10,168</u>
Total deferred outflows of resources				
Liabilities				
Accounts payable	356,572	84,189	440,761	32,343
Accrued liabilities and deposits	71,821	6,479	78,300	36,697
Other accrued liabilities	11,620	47,477	59,097	-
Unearned rent	113,587	-	113,587	-
Unearned revenue - ARPA	355,453	-	355,453	-
Unearned revenue - others	10,000	-	10,000	4,098
Accrued interest payable	14,443	41,571	56,014	-
Escrow and deposits payable	86,611	-	86,611	-
Retainage payable	97,895	-	97,895	-
Due to component unit	1,589	-	1,589	-
Noncurrent liabilities				
Net pension liability - Police	905,906	-	905,906	-
Net pension liability - Firefighters	138,856	-	138,856	-
Other due within one year	526,146	299,218	825,364	-
Other due in more than one year	11,296,753	4,655,839	15,952,592	-
	<u>13,987,252</u>	<u>5,134,773</u>	<u>19,122,025</u>	<u>73,138</u>
Total liabilities				

(Cont.)

City of Highwood, Illinois
Statement of Net Position
April 30, 2022

	Governmental Activities	Business-Type Activities	Total	Component Unit
Deferred Inflows of Resources				
Deferred inflows of resources - pensions	\$ 1,559,822	\$ 72,610	\$ 1,632,432	\$ 230,975
Deferred property taxes	2,764,822	-	2,764,822	292,500
Total deferred inflows of resources	<u>4,324,644</u>	<u>72,610</u>	<u>4,397,254</u>	<u>523,475</u>
Net Position				
Net investment in capital assets	5,096,037	2,549,672	5,359,070	730,231
Restricted for				
Civic and cultural	-	-	-	-
Debt service	1,054,746	-	1,054,746	-
Road construction and maintenance	436,929	-	436,929	-
Public safety	23,460	-	23,460	-
Library programs	-	-	-	607,919
Covid initiatives	-	-	-	24,397
Renovations	-	-	-	1,143,352
Pensions	290,889	40,358	331,247	128,382
Unrestricted	<u>(1,280,851)</u>	<u>(1,311,929)</u>	<u>(306,141)</u>	<u>631,573</u>
Total net position	<u>\$ 5,621,210</u>	<u>\$ 1,278,101</u>	<u>\$ 6,899,311</u>	<u>\$ 3,265,854</u>

City of Highwood, Illinois
Statement of Activities
Year Ended April 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 1,486,733	\$ 706,381	\$ -	\$ -
Public safety	(324,940)	30,268	144,300	-
Public works	1,207,616	122,520	289,137	118,737
Culture, education and recreation	143,537	203,523	-	-
Economic development	3,263,352	-	-	-
Interest and fiscal charges	207,771	-	-	-
Total governmental activities	<u>5,984,069</u>	<u>1,062,692</u>	<u>433,437</u>	<u>118,737</u>
Business-Type Activities				
Water and sewer	951,366	1,264,988	-	-
Garbage	379,395	329,581	-	-
Total business-type activities	<u>1,330,761</u>	<u>1,594,569</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 7,314,830</u>	<u>\$ 2,657,261</u>	<u>\$ 433,437</u>	<u>\$ 118,737</u>
Component Unit				
Highwood Library	<u>\$ 1,688,663</u>	<u>\$ 1,772</u>	<u>\$ 2,190,312</u>	<u>\$ 1,385,040</u>

General Revenues
Property taxes
Utility taxes
Home rule sales taxes
Intergovernmental - sales taxes
Intergovernmental - other taxes
Unrestricted investment earnings
Miscellaneous
Total general revenues

Change in Net Position

Net Position

May 1

April 30

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (780,352)	\$ -	\$ (780,352)	\$ -
499,508	-	499,508	-
(677,222)	-	(677,222)	-
59,986	-	59,986	-
(3,263,352)	-	(3,263,352)	-
(207,771)	-	(207,771)	-
<u>(4,369,203)</u>	<u>-</u>	<u>(4,369,203)</u>	<u>-</u>
-	313,622	313,622	-
<u>-</u>	<u>(49,814)</u>	<u>(49,814)</u>	<u>-</u>
<u>-</u>	<u>263,808</u>	<u>263,808</u>	<u>-</u>
<u>(4,369,203)</u>	<u>263,808</u>	<u>(4,105,395)</u>	<u>-</u>
<u>1,888,461</u>	<u>-</u>	<u>-</u>	<u>1,888,461</u>
2,752,637	-	2,752,637	291,553
306,613	-	306,613	-
1,211,600	-	1,211,600	-
815,341	-	815,341	-
1,171,548	-	1,171,548	-
6,598	1,462	8,060	376
97,074	75,643	172,717	2,518
<u>6,361,411</u>	<u>77,105</u>	<u>6,438,516</u>	<u>294,447</u>
<u>1,992,208</u>	<u>340,913</u>	<u>2,333,121</u>	<u>2,182,908</u>
<u>3,629,002</u>	<u>937,188</u>	<u>4,566,190</u>	<u>1,082,946</u>
<u>\$ 5,621,210</u>	<u>\$ 1,278,101</u>	<u>\$ 6,899,311</u>	<u>\$ 3,265,854</u>

City of Highwood, Illinois
Governmental Funds Balance Sheet
April 30, 2022

	General Fund	Downtown Redevelopment TIF Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 2,893,766	\$ 1,213,987	\$ -	\$ 466,557	\$ 4,574,310
Receivables					
Property tax	1,360,208	1,203,347	-	201,267	2,764,822
Other taxes	124,009	-	-	-	124,009
Intergovernmental	466,101	-	-	18,137	484,238
Other receivables, net	49,866	-	-	-	49,866
Prepaid items	17,586	-	-	-	17,586
Restricted assets					
Cash and investments	-	7,463,878	-	-	7,463,878
Due from other funds	199,877	123	355,453	-	555,453
	<u>5,111,413</u>	<u>9,881,335</u>	<u>355,453</u>	<u>685,961</u>	<u>16,034,162</u>
Total assets	<u>\$ 5,111,413</u>	<u>\$ 9,881,335</u>	<u>\$ 355,453</u>	<u>\$ 685,961</u>	<u>\$ 16,034,162</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 178,123	\$ 161,343	\$ 17,106	\$ -	\$ 356,572
Retainage payable	-	-	97,895	-	97,895
Accrued payroll	71,821	-	-	-	71,821
Other payroll related liabilities	11,620	-	-	-	11,620
Due to other funds	-	-	200,000	-	200,000
Escrow and refundable deposits	47,084	39,527	-	-	86,611
Due to public library	1,589	-	-	-	1,589
Unearned revenues	123,587	-	-	-	123,587
Unearned revenue - ARPA	-	-	355,453	-	355,453
	<u>433,824</u>	<u>200,870</u>	<u>670,454</u>	<u>-</u>	<u>1,305,148</u>
Total liabilities	<u>433,824</u>	<u>200,870</u>	<u>670,454</u>	<u>-</u>	<u>1,305,148</u>
Deferred Inflows of Resources					
Unavailable revenue - property taxes	1,360,208	1,203,347	-	201,267	2,764,822
	<u>1,360,208</u>	<u>1,203,347</u>	<u>-</u>	<u>201,267</u>	<u>2,764,822</u>
Fund Balances					
Nonspendable					
Prepaid items	17,586	-	-	-	17,586
Restricted					
Debt service	-	1,021,424	-	47,765	1,069,189
Capital projects	-	7,455,694	-	-	7,455,694
Road construction and maintenance	-	-	-	436,929	436,929
Public safety	23,460	-	-	-	23,460
Unassigned (deficit)	3,276,335	-	(315,001)	-	2,961,334
	<u>3,317,381</u>	<u>8,477,118</u>	<u>(315,001)</u>	<u>484,694</u>	<u>11,964,192</u>
Total fund balances	<u>3,317,381</u>	<u>8,477,118</u>	<u>(315,001)</u>	<u>484,694</u>	<u>11,964,192</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,111,413</u>	<u>\$ 9,881,335</u>	<u>\$ 355,453</u>	<u>\$ 685,961</u>	<u>\$ 16,034,162</u>

City of Highwood, Illinois
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
April 30, 2022

Total Fund Balances - Governmental Funds		\$ 11,964,192
<p>Amounts reported for governmental activities in the statement of net position are different because</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		6,736,581
<p>Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
<p style="padding-left: 20px;">Bonds, notes, loans and capital leases payable</p>	\$ (10,770,000)	
<p style="padding-left: 20px;">Compensated absences</p>	(130,728)	
<p style="padding-left: 20px;">Net pension asset/liabilities</p>	(300,732)	
<p style="padding-left: 20px;">Accrued interest</p>	<u>(14,443)</u>	
		(11,215,903)
<p>Premiums on bonds are another 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.</p>		(922,171)
<p>Deferred outflows of resources related to pensions are recorded on the statement of net position.</p>		618,333
<p>Deferred inflows of resources related to pensions are recorded on the statement of net position.</p>		<u>(1,559,822)</u>
Net Position of Governmental Activities		<u><u>\$ 5,621,210</u></u>

City of Highwood, Illinois
Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances
Year Ended April 30, 2022

	General Fund	Downtown Redevelopment TIF Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property tax	\$ 1,382,873	\$ 1,170,628	\$ -	\$ 199,136	\$ 2,752,637
Other taxes	1,518,213	-	-	-	1,518,213
Intergovernmental	2,283,016	-	-	334,206	2,617,222
Licenses and permits	245,705	-	-	-	245,705
Fines, forfeitures and penalties	28,318	-	-	-	28,318
Public charges for services	783,839	-	-	-	783,839
Investment income	1,582	4,459	-	557	6,598
Miscellaneous	23,745	-	-	-	23,745
Total revenues	<u>6,267,291</u>	<u>1,175,087</u>	<u>-</u>	<u>533,899</u>	<u>7,976,277</u>
Expenditures					
Current					
General government	1,481,884	67,470	-	-	1,549,354
Public safety	2,947,209	-	-	-	2,947,209
Public works	750,838	-	-	125,000	875,838
Culture, recreation and education	144,852	-	-	-	144,852
Economic development	-	3,263,352	-	-	3,263,352
Capital outlay	16,805	-	942,253	135,054	1,094,112
Debt service					
Principal	-	375,000	-	145,000	520,000
Interest	-	15,000	-	54,555	69,555
Issuance costs and Fiscal agent fees					
	-	165,199	-	474	165,673
Total expenditures	<u>5,341,588</u>	<u>3,886,021</u>	<u>942,253</u>	<u>460,083</u>	<u>10,629,945</u>
Excess (Deficiency) of Revenues Over Expenditures					
	<u>925,703</u>	<u>(2,710,934)</u>	<u>(942,253)</u>	<u>73,816</u>	<u>(2,653,668)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	727,797	-	727,797
Transfers out	(727,797)	-	-	-	(727,797)
Bond issuance	-	9,255,000	-	-	9,255,000
Bond premium	-	911,628	-	-	911,628
Total other financing sources (uses)	<u>(727,797)</u>	<u>10,166,628</u>	<u>727,797</u>	<u>-</u>	<u>10,166,628</u>
Net Change in Fund Balance	197,906	7,455,694	(214,456)	73,816	7,512,960
Fund Balance					
May 1	<u>3,119,475</u>	<u>1,021,424</u>	<u>(100,545)</u>	<u>410,878</u>	<u>4,451,232</u>
April 30	<u>\$ 3,317,381</u>	<u>\$ 8,477,118</u>	<u>\$ (315,001)</u>	<u>\$ 484,694</u>	<u>\$ 11,964,192</u>

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, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 7,512,960

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. 873,497

Depreciation is reported in the government-wide financial statements. (210,850)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 520,000

The amortization of premiums on bonds and losses on refunding are not a use of financial resources in the governmental funds. 12,919

Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of these items.

Proceeds on bond issuance (9,255,000)
Premium on bond issuance (911,628)

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 (19,410)
Compensated absences 391,417
Deferred outflows of resources - pensions 2,636,584
Net pension liabilities 427,181
Deferred inflows of resources - pensions 14,538
Accrued interest on debt 14,538

Change in Net Position **\$ 1,992,208**

City of Highwood, Illinois
Proprietary Funds Statement of Net Position
April 30, 2022

	<u>Major Funds</u>		<u>Total</u>
	<u>Waterworks and Sewerage Fund</u>	<u>Garbage Fund</u>	
Assets			
Current Assets			
Cash and investments	\$ 1,160,526	\$ 6,681	\$ 1,167,207
Receivables			
Accounts, net	270,970	70,445	341,415
Prepaid items	1,257	-	1,257
Total current assets	<u>1,432,753</u>	<u>77,126</u>	<u>1,509,879</u>
Noncurrent Assets			
Capital assets			
Property and equipment	11,453,978	198,289	11,652,267
Less accumulated depreciation	<u>(6,408,875)</u>	<u>(49,572)</u>	<u>(6,458,447)</u>
Capital assets, net	5,045,103	148,717	5,193,820
Net pension asset	109,771	-	109,771
Total noncurrent assets	<u>5,154,874</u>	<u>148,717</u>	<u>5,303,591</u>
Total assets	<u>6,587,627</u>	<u>225,843</u>	<u>6,813,470</u>
Deferred Outflows of Resources			
Deferred outflows of resources - loss on refunding	24,270	-	24,270
Deferred outflows of resources - pensions	3,197	-	3,197
Total deferred outflows of resources	<u>27,467</u>	<u>-</u>	<u>27,467</u>
Liabilities			
Current Liabilities			
Accounts payable	58,741	25,448	84,189
Accrued payroll	3,788	2,691	6,479
Other current liabilities	45,374	2,103	47,477
Due to other funds	355,453	-	355,453
Interest payable	41,571	-	41,571
Total current liabilities	<u>504,927</u>	<u>30,242</u>	<u>535,169</u>
Noncurrent Liabilities			
Long-term debt			
Other due within one year	299,218	-	299,218
Other due in more than one year	4,655,839	-	4,655,839
Total noncurrent liabilities	<u>4,955,057</u>	<u>-</u>	<u>4,955,057</u>
Total liabilities	<u>5,459,984</u>	<u>30,242</u>	<u>5,490,226</u>
Deferred Inflows of Resources			
Deferred inflows of resources - pensions	72,610	-	72,610
Net Position			
Net investment in capital assets	2,400,955	148,717	2,549,672
Unrestricted	<u>(1,318,455)</u>	<u>46,884</u>	<u>(1,271,571)</u>
Total net position	<u>\$ 1,082,500</u>	<u>\$ 195,601</u>	<u>\$ 1,278,101</u>

City of Highwood, Illinois
Proprietary Funds Statement of Revenues,
Expenses, and Changes in Net Position
Year Ended April 30, 2022

	Major Enterprise Funds		Total
	Waterworks and Sewerage Fund	Garbage Fund	
Operating Revenues			
Public charges for services	\$ 1,264,988	\$ 329,581	\$ 1,594,569
Operating Expenses			
Personnel	173,093	87,212	260,305
Contractual services	449,438	282,269	731,707
Materials and supplies	39,146	-	39,146
Depreciation	196,924	9,914	206,838
Total operating expenses	<u>858,601</u>	<u>379,395</u>	<u>1,237,996</u>
Operating Income (Loss)	<u>406,387</u>	<u>(49,814)</u>	<u>356,573</u>
Nonoperating Revenues (Expenses)			
Investment income	1,048	414	1,462
Miscellaneous revenue	27,795	47,848	75,643
Miscellaneous expense	(811)	-	(811)
Interest expense	(91,479)	-	(91,479)
Fiscal agent fees	(475)	-	(475)
Total nonoperating revenues (expenses)	<u>(63,922)</u>	<u>48,262</u>	<u>(15,660)</u>
Changes in Net Position	342,465	(1,552)	340,913
Net Position			
May 1	<u>740,035</u>	<u>197,153</u>	<u>937,188</u>
April 30	<u>\$ 1,082,500</u>	<u>\$ 195,601</u>	<u>\$ 1,278,101</u>

City of Highwood, Illinois
Proprietary Funds Statement of Cash Flows
Year Ended April 30, 2022

	<u>Major Funds</u>		<u>Total</u>
	<u>Waterworks and Sewerage Fund</u>	<u>Garbage Fund</u>	
Cash Flows From Operating Activities			
Received from customers	\$ 1,290,406	\$ 279,142	\$ 1,569,548
Paid to suppliers for grounds and services	(110,907)	(283,530)	(394,437)
Paid to employees for services	(199,820)	(86,838)	(286,658)
Other miscellaneous receipts	26,509	47,848	74,357
	<u>1,006,188</u>	<u>(43,378)</u>	<u>962,810</u>
Net cash provided by (used in) operating activities			
Cash Flows From Investing Activities			
Net cash provided by investing activities - investment income	<u>1,048</u>	<u>414</u>	<u>1,462</u>
Cash Flows From Capital and Related Financing Activities			
Bonds retired	(50,000)	-	(50,000)
Loans retired	(243,875)	-	(243,875)
Interest paid	(130,408)	-	(130,408)
Purchases of capital assets	(29,587)	-	(29,587)
Net cash used in capital and related financial activities	<u>(453,870)</u>	<u>-</u>	<u>(453,870)</u>
Net Change in Cash and Cash Equivalents	553,366	(42,964)	510,402
Cash and Cash Equivalents			
May 1	<u>607,160</u>	<u>49,645</u>	<u>656,805</u>
April 30	<u>\$ 1,160,526</u>	<u>\$ 6,681</u>	<u>\$ 1,167,207</u>

City of Highwood, Illinois
Proprietary Funds Statement of Cash Flows
Year Ended April 30, 2022

	<u>Major Funds</u>		
	<u>Waterworks and Sewerage Fund</u>	<u>Garbage Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	\$ 406,387	\$ (49,814)	\$ 356,573
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	196,924	9,914	206,838
Other miscellaneous revenue	27,795	47,848	75,643
Other miscellaneous expense	(1,286)	-	(1,286)
Deferred outflows of resources - pension	533	-	533
Net pension liability/asset	(46,131)	-	(46,131)
Deferred inflows of resources - pension	19,499	-	19,499
Changes in assets and liabilities			
Accounts receivable	25,418	(50,439)	(25,021)
Prepaid expenses	(107)	-	(107)
Accounts payable	23,485	633	24,118
Accrued payroll	(628)	374	(254)
Due to other funds	355,453	-	355,453
Other liabilities	(1,154)	(1,894)	(3,048)
	<u>1,006,188</u>	<u>(43,378)</u>	<u>962,810</u>
Net cash provided by (used in) operating activities	<u>\$ 1,006,188</u>	<u>\$ (43,378)</u>	<u>\$ 962,810</u>

City of Highwood, Illinois
Statement of Fiduciary Net Position
April 30, 2022

	<u>Pension Trust Funds</u>
Assets	
Cash and cash equivalents	\$ 76,248
Investments	
Certificate of deposit	258,100
U.S. treasuries	611,473
U.S. agencies	3,062,397
Mutual funds	3,874,795
Corporate bonds	855,144
Municipal bonds	910,557
Receivables, net	
Accrued interest	<u>36,753</u>
Total assets	9,685,467
Liabilities	
Accounts payable	<u>13,595</u>
Net Position	
Restricted for pensions	<u><u>\$ 9,671,872</u></u>

City of Highwood, Illinois
Statement of Changes in Fiduciary Net Position
Year End April 30, 2022

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 993,679
Plan members	90,634
	1,084,313
Investment Income (Loss)	
Investment income	398,354
Net appreciation in fair value of investments	(1,162,078)
Investment expense	(41,252)
	(804,976)
Net investment loss	(804,976)
	279,337
Deductions	
Benefits	362,624
Administration	82,580
	445,204
Total deductions	445,204
Change in Net Position	(165,867)
Net Position Restricted for Pensions	
May 1	9,837,739
April 30	\$ 9,671,872

City of Highwood, Illinois

Notes to Financial Statements

April 30, 2022

Note 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).

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

City of Highwood, Illinois

Notes to Financial Statements

April 30, 2022

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 a fiduciary component unit under the provisions of GASB Statement No. 14, *The Financial Reporting Entity* (GASB 14), as amended and GASB Statement No. 84, *Fiduciary Activities* (GASB 84), as amended. PPERS is reported as a pension trust fund. No separate annual financial report is issued for the PPERS.

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 all five members of the board. 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 a fiduciary component unit under the provisions of GASB 14, as amended, and GASB 84, as amended. 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 discretely presented 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, 2022. The Library issues a stand-alone financial report.

Friends of Highwood Public Library

The Highwood Public Library's financial statements include the Friends of Highwood Public Library (Friends) as a component unit. The Friends is a legally separate Illinois not for profit 501(c)(3) corporation. The Friends' main purpose is to raise funds and apply for grants for the Library. As a component unit, the Friends' financial statements have been presented as a discrete column in the Library's financial statements to emphasize that it is an Illinois non-profit corporation, which is legally separate from the Library. The Friends issued a separate financial report for the fiscal year ended April 30, 2022, which was audited by another auditor.

City of Highwood, Illinois

Notes to Financial Statements

April 30, 2022

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.

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 and deferred outflows, liabilities and deferred inflows of resources, 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

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

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 **Downtown Redevelopment TIF Fund** is a capital project fund that accounts for resources accumulated and payments made for development within the TIF District.

Capital Projects Funds – used to account for the acquisition or construction of general capital assets.

The City reports the following major enterprise funds:

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

The **Garbage Fund** accounts for the operations for the operation of the City's refuse collection system.

The City reports the following nonmajor governmental 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

Rebuild Illinois Fund

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

Debt Service Fund

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

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 and are as follows:

Police Pension Fund

Firefighters' Pension Fund

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

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.

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. 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.

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

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 are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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.

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.

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

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 2021 attached as an enforceable lien on January 1, 2021, 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 2021 still outstanding as of April 30, 2022, are recorded as receivables. The 2022 tax levy, which attached as an enforceable lien on the property as of January 1, 2022, has not been recorded as a receivable and deferral as of April 30, 2022, as the tax has not yet been levied by the City and will not be levied until December 2022. Therefore, the levy is not measurable at April 30, 2022. The property tax receivable at April 30, 2022, is related to remaining distributions on the 2021 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.

The County collects the property taxes and remits them periodically. The 2021 property tax levy is recognized as a receivable and deferral in fiscal 2022, net of 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, 2022, the property taxes receivable and deferred inflows consisted of the estimated amount collectible from the 2021 levy.

Prepaid Expenses

Prepaid expenses are accounted for under the consumption method, whereby amounts are recorded as expenditures during the period benefited by the goods or services.

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.

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

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, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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

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.

City of Highwood, Illinois

Notes to Financial Statements

April 30, 2022

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, 2022, 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 reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of liability) 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/reduction of liability 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 reporting 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.

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

City of Highwood, Illinois

Notes to Financial Statements

April 30, 2022

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 14 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.
- 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.

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

- (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 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.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Budget amounts are as originally adopted by the 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, debt service, special revenue, capital projects, and enterprise funds.

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

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.

Deficit Fund Balances

The fund below has a deficit fund balance as of April 30, 2022:

Fund	Deficit Fund Balance
Capital Project Fund (major fund)	\$ (315,001)

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

Note 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.

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

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

	Carrying Value	Bank/Broker Statement Balances
Deposits	\$ 10,969,846	\$ 10,978,043
Illinois Funds (investments)	2,234,349	2,234,349
Petty cash	1,200	-
	\$ 13,205,395	\$ 13,212,392

Reconciliation to financial statements:

	Government-Wide Statement of Net Position
Cash and investments - unrestricted	\$ 5,741,517
Cash and investments - restricted	7,463,878
	\$ 13,205,395

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.

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, 2022, approximately \$36,000 of the City’s total bank balances were exposed to custodial credit risk.

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

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, 2022

Note 4: Receivables

	Governmental Funds			Proprietary Funds		Total
	General Fund	Downtown Redevelopment TIF Fund	Nonmajor Funds	Waterworks and Sewerage Fund	Garbage Fund	
Receivables						
Property taxes	\$ 1,360,208	\$ 1,203,347	\$ 201,267	\$ -	\$ -	\$ 2,764,822
Other taxes						
Sales tax	124,009	-	-	-	-	124,009
Intergovernmental						
Sales tax	184,984	-	-	-	-	184,984
Telecom	8,191	-	-	-	-	8,191
Use tax	32,107	-	-	-	-	32,107
Income tax	208,372	-	-	-	-	208,372
Replacement tax	6,758	-	-	-	-	6,758
Cannabis tax	25,689	-	-	-	-	25,689
Motor fuel tax	-	-	18,137	-	-	18,137
Accounts, net	49,866	-	-	270,970	70,445	391,281
	\$ 2,000,184	\$ 1,203,347	\$ 219,404	\$ 270,970	\$ 70,445	\$ 3,764,350

All of the receivables on the balance sheet are expected to be collected within one year. As of April 30, 2022, the General, Waterworks and Sewerage, and Garbage Funds have recorded allowance for uncollectible accounts of \$31,050, \$88,587, and \$17,824, respectively.

Note 5: Restricted Assets

The following represent the balances of the restricted assets:

Unspent portion of 2021 TIF Bonds at April 30, 2022.

	Restricted Assets	Noncurrent Liabilities Payable From Restricted Assets	Restricted Net Position
Governmental activities			
Unspent bond proceeds	\$ 7,463,878	\$ (7,463,878)	\$ -
	\$ 7,463,878	\$ (7,463,878)	\$ -

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

Note 6: Capital Assets

Governmental Activities

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

	Balances May 1	Additions	Deletions	Balances April 30
Capital assets not being depreciated				
Land	\$ 2,331,350	\$ -	\$ -	\$ 2,331,350
Construction in progress	533,451	873,497	-	1,406,948
	<u>2,864,801</u>	<u>873,497</u>	<u>-</u>	<u>3,738,298</u>
Capital assets being depreciated				
Land improvements	737,840	-	-	737,840
Buildings	2,274,947	-	-	2,274,947
Equipment and vehicles	792,568	-	-	792,568
Infrastructure	13,468,516	-	-	13,468,516
	<u>17,273,871</u>	<u>-</u>	<u>-</u>	<u>17,273,871</u>
Less accumulated depreciation for				
Land improvements	737,840	-	-	737,840
Buildings	1,766,632	43,299	-	1,809,931
Equipment and vehicles	597,774	46,110	-	643,884
Infrastructure	10,962,492	121,441	-	11,083,933
	<u>14,064,738</u>	<u>210,850</u>	<u>-</u>	<u>14,275,588</u>
Total capital assets being depreciated, net	<u>3,209,133</u>	<u>(210,850)</u>	<u>-</u>	<u>2,998,283</u>
Governmental activities capital assets, net	<u>\$ 6,073,934</u>	<u>\$ 662,647</u>	<u>\$ -</u>	<u>\$ 6,736,581</u>

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

Business-Type Activities

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

	Balances May 1	Additions	Deletions	Balances April 30
Capital assets being depreciated				
Land improvements	\$ 240,189	\$ -	\$ -	\$ 240,189
Buildings	3,851,500	29,587	-	3,881,087
Machinery and equipment	350,600	-	-	350,600
Waterworks and sewerage system	7,180,391	-	-	7,180,391
	<u>11,622,680</u>	<u>29,587</u>	<u>-</u>	<u>11,652,267</u>
Less accumulated depreciation for				
Land improvements	81,556	9,914	-	91,470
Buildings	2,277,185	58,746	-	2,335,931
Machinery and equipment	307,702	6,600	-	314,302
Waterworks and sewerage system	3,585,166	131,578	-	3,716,744
	<u>6,251,609</u>	<u>206,838</u>	<u>-</u>	<u>6,458,447</u>
Total capital assets being depreciated, net	<u>5,371,071</u>	<u>(177,251)</u>	<u>-</u>	<u>5,193,820</u>
Business-type activities capital assets, net	<u>\$ 5,371,071</u>	<u>\$ (177,251)</u>	<u>\$ -</u>	<u>\$ 5,193,820</u>

Depreciation Expense

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

Governmental activities	
General government	\$ 41,807
Public safety	28,986
Public works	138,035
Culture, education and recreation	2,022
	<u>\$ 210,850</u>
Business-type activities	
Water	\$ 142,531
Sewer	54,393
Garbage	9,914
	<u>\$ 206,838</u>

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

Note 7: Interfund Transactions

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.

The following is a schedule of interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
Component unit (Public Library)	General Fund	\$ 1,589
General Fund	Capital Projects Fund (Major Fund)	\$ 199,877
General Fund	Downtown Redevelopment TIF Fund (Major Fund)	\$ 123
Capital Projects Fund (Major Fund)	Waterworks and Sewerage Fund (Major Fund)	\$ 355,453

All amounts are due within one year.

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.

The transfer below occurred in 2022.

Transferring Fund	Receiving Fund	Amount
General Fund	Capital Projects Fund (Major)	\$ 727,797

City of Highwood, Illinois
Notes to Financial Statements
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Note 8: Deferred Inflows of Resources and Unearned Income

As of April 30, 2022, 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 Income	Total
Property taxes receivable for subsequent year	\$ 2,764,822	\$ -	\$ 2,764,822
Other deferred revenues	-	10,000	10,000
Rental income received in advance	-	113,587	113,587
Total deferred/unearned revenue per governmental funds balance sheet and statement of net position	<u>\$ 2,764,822</u>	<u>\$ 123,587</u>	<u>\$ 2,888,409</u>

Note 9: Long-Term Obligations

Long-term obligations activity for the year ended April 30, 2022, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
Alternate revenue bonds	\$ 375,000	\$ -	\$ 375,000	\$ -	\$ -
General obligation bonds	1,660,000	9,255,000	145,000	10,770,000	500,000
Bond premium	24,091	911,628	13,548	922,171	-
	<u>2,059,091</u>	<u>10,166,628</u>	<u>533,548</u>	<u>11,692,171</u>	<u>500,000</u>
Other liabilities					
Vested compensated absences	111,318	19,410	-	130,728	26,146
Total governmental activities long-term liabilities	<u>\$ 2,170,409</u>	<u>\$ 10,186,038</u>	<u>\$ 533,548</u>	<u>\$ 11,822,899</u>	<u>\$ 526,146</u>

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
2020 General Obligation Bonds	\$ 2,670,000	\$ -	\$ 50,000	\$ 2,620,000	\$ 125,000
Bond premium	284,157	-	40,232	243,925	-
Loan payable	85,903	-	42,240	43,663	43,663
IEPA loans	2,249,102	-	201,633	2,047,469	130,555
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total business-type activities					
long-term liabilities	<u>\$ 5,289,162</u>	<u>\$ -</u>	<u>\$ 334,105</u>	<u>\$ 4,955,057</u>	<u>\$ 299,218</u>

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 – 2020	<u>\$ 147,871,616</u>
Legal debt limit – 8.625% of assessed valuation	\$ 12,753,927
Amount of debt applicable to debt limit	<u>10,770,000</u>
Legal debt margin	<u>\$ 1,983,927</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."

Alternate Revenue Bonds

The alternate revenue bonds are direct obligations and pledge the full faith and credit of the City. Governmental activities alternate revenue bonds are payable from revenues derived from tax increment revenues and are paid by the Downtown Redevelopment TIF Fund.

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

Governmental Activities - Alternate Revenue and General Obligation Bonds

Alternate revenue debt payable at April 30, 2022, consists of the following:

Governmental Activities	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance April 30, 2022
Series 2013 Refunding TIF Bonds	2013	1/1/2022	2.00% - 4.00%	\$ 2,160,000	\$ -
Series 2021 TIF General Obligation Bonds	2021	1/1/2039	3.00%	9,255,000	9,255,000
Series 2015 General Obligation Bonds	2015	12/1/2030	1.85% - 4.00%	2,355,000	<u>1,515,000</u>
Total governmental activities - alternate revenue and general obligation bonds					<u>\$ 10,770,000</u>

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, 2022, consists of the following:

Business-Type Activities	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance April 30, 2022
Series 2020 General Obligation Refunding Bonds	2020	12/1/2033	3.00%	\$ 2,670,000	<u>\$ 2,620,000</u>

Debt service requirements to maturity are as follows:

Year	Governmental Activities	
	Alternate Revenue and General Obligation	
	Principal	Interest
2023	\$ 150,000	\$ 51,075
2024	155,000	47,475
2025	155,000	43,213
2026	160,000	38,950
2027	165,000	34,150
2028-2031	<u>730,000</u>	<u>74,600</u>
	<u>\$ 1,515,000</u>	<u>\$ 289,463</u>

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

Year	Governmental Activities	
	Alternate Revenue and	
	General Obligation	
	Principal	Interest
2023	\$ 350,000	\$ 358,631
2024	440,000	267,150
2025	455,000	253,950
2026	470,000	240,300
2027	485,000	226,200
2028-2032	2,635,000	905,100
2033-2037	3,060,000	484,950
2038-2039	1,360,000	61,500
	<u>\$ 9,255,000</u>	<u>\$ 2,797,781</u>

Year	Business-Type Activities	
	2020 General Obligation	
	Principal	Interest
2023	\$ 125,000	\$ 78,600
2024	195,000	74,850
2025	205,000	69,000
2026	210,000	62,850
2027	215,000	56,550
2028-2032	1,160,000	182,700
2033-2034	510,000	23,100
	<u>\$ 2,620,000</u>	<u>\$ 547,650</u>

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

Other Notes or Loans Payable

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

<u>Business-Type Activities -</u> <u>Other Notes or</u> <u>Loans Payable</u>	<u>Date of</u> <u>Issue</u>	<u>Original</u> <u>Indebtedness</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rates</u>	<u>Balance</u> <u>April 30,</u> <u>2022</u>
Illinois Environmental Protection Agency (IEPA) loan payable of 2002	4/30/2002	\$ 1,170,000	12/30/2021	2.54%	\$ -
Loan payable - water	3/10/2016	2,610,846	8/26/2035	2.21%	1,521,796
Loan payable - sewer	3/10/2016	249,578	9/4/2035	2.21%	153,420
Loan payable - water tower	4/30/2017	571,500	8/2/2036	1.86%	<u>372,251</u>
					<u>\$ 2,047,467</u>
Water meter loan	11/21/2012	380,000	9/15/2022	Various	<u>\$ 43,663</u>

Debt service requirements to maturity are as follows:

<u>Year</u>	<u>Business-Type Activities</u> <u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 174,217	\$ 44,717
2024	133,375	40,428
2025	136,257	37,546
2026	139,200	34,602
2027	142,209	31,593
2028-2032	758,500	110,511
2033-2037	<u>607,372</u>	<u>27,322</u>
	<u>\$ 2,091,130</u>	<u>\$ 326,719</u>

Note 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. The Library’s financial information includes the balances and operating results of The Friends of Highwood Public Library, which was determined to be a component unit of the Library. The Friends of Highwood Public Library’s financial information at April 30, 2022,

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

is presented as a discrete column in the statement of net position and statement of activities of the Library.

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.

Basis of Accounting/Measurement Focus

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

Deposits and Investments

	Carrying Value	Bank Statement Balance
Deposits	\$ 1,798,335	\$ 1,883,110
Illinois Metropolitan Investment Fund	20,148	20,148
	\$ 1,818,483	\$ 1,903,258

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.

Library’s unsecured and uncollateralized bank deposits amounted to \$1,633,110 at April 30, 2022.

Interest Rate Risk

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

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance	Useful Lives (Years)
Capital assets not being depreciated					
Construction in progress	\$ -	\$ 296,566	\$ -	\$ 296,566	
Capital assets being depreciated					
Building and improvements	1,120,894	-	-	1,120,894	20 - 50
Equipment and vehicles	1,306,833	-	-	1,306,833	5 - 20
	<u>2,427,727</u>	<u>-</u>	<u>-</u>	<u>2,427,727</u>	
Less accumulated depreciation for					
Building and improvements	686,446	23,132	-	709,578	
Equipment and vehicles	1,283,242	1,242	-	1,284,484	
	<u>1,969,688</u>	<u>24,374</u>	<u>-</u>	<u>1,994,062</u>	
Total capital assets being depreciated, net	<u>458,039</u>	<u>(24,374)</u>	<u>-</u>	<u>433,665</u>	
Governmental activities capital assets, net	<u>\$ 458,039</u>	<u>\$ 272,192</u>	<u>\$ -</u>	<u>\$ 730,231</u>	

Note 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.

City of Highwood, Illinois
Notes to Financial Statements
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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/(asset)					
IMRF	\$ (744,030)	\$ (109,771)	\$ (853,801)	\$ (349,189)	\$ (1,202,990)
Police	905,906	-	905,906	-	905,906
Firefighters	138,856	-	138,856	-	138,856
	<u>\$ 300,732</u>	<u>\$ (109,771)</u>	<u>\$ 190,961</u>	<u>\$ (349,189)</u>	<u>\$ (158,228)</u>
Deferred outflows of Resources					
IMRF	\$ 20,283	\$ 3,197	\$ 23,480	\$ 10,168	\$ 33,648
Police	429,284	-	429,284	-	429,284
Firefighters	168,766	-	168,766	-	168,766
	<u>\$ 618,333</u>	<u>\$ 3,197</u>	<u>\$ 621,530</u>	<u>\$ 10,168</u>	<u>\$ 631,698</u>
Deferred inflows of Resources					
IMRF	\$ 473,424	\$ 72,610	\$ 546,034	\$ 230,975	\$ 777,009
Police	1,086,398	-	1,086,398	-	1,086,398
	<u>\$ 1,559,822</u>	<u>\$ 72,610</u>	<u>\$ 1,632,432</u>	<u>\$ 230,975</u>	<u>\$ 1,863,407</u>
Pension expense					
IMRF	\$ (146,751)	\$ (22,188)	\$ (168,939)	\$ (70,581)	\$ (239,520)
Police	148,313	-	148,313	-	148,313
Firefighters	(2,436,998)	-	(2,436,998)	-	(2,436,998)
	<u>\$ (2,435,436)</u>	<u>\$ (22,188)</u>	<u>\$ (2,457,624)</u>	<u>\$ (70,581)</u>	<u>\$ (2,528,205)</u>

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

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

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

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 69.8%.

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.

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.

City of Highwood, Illinois
Notes to Financial Statements
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Employees Covered by Benefit Terms

At December 31, 2021, the measurement date for the net pension liability, the following employees were covered by the benefit terms:

	Regular	SLEP
Retirees and beneficiaries	26	1
Inactive, nonretired members	33	-
Active members	14	-
	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 the Regular Plan for calendar year 2021 was 8.13% and for 2022, it is 5.24%. For the year ended April 30, 2022, the City contributed \$67,779 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 years 2022 and 2021 was 0.00%. For the year ended April 30, 2022, the City contributed \$0 to the SLEP Plan.

Net Pension Liability/Asset

The City's net pension asset at April 30, 2022, was measured as of December 31, 2021, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The net pension asset as of April 30, 2022, is \$1,155,489 for the Regular Plan and \$47,501 for the SLEP Plan.

City of Highwood, Illinois
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Actuarial Assumptions

The following are the methods and assumptions used to determine the net pension liability as of April 30, 2022:

Actuarial valuation date	December 31, 2021
Measurement date	December 31, 2021
Actuarial cost method	Entry-age normal
Assumptions	
Price inflation	2.25%
Salary increases - Regular	2.85% to 13.75%
Investment rate of return	7.25%
Asset valuation method	Market value of assets

Retirement Age

Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the period 2017-2019.

Mortality

For nondisabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

Assumption Changes

The assumptions below were changed from the prior year in determining the total pension liability:

Municipal bond rate used in calculating the single discount rate changed from 2.00% in 2021 to 1.84% in 2022.

City of Highwood, Illinois
Notes to Financial Statements
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Investments

The long-term expected rate of return on pension plan investments of 7.25% (7.25% in the prior year) 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	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic equity	39%	4.50%
International equity	15%	5.75%
Fixed income	25%	2.00%
Alternative investments	10%	4.30% - 8.10%
Real estate	10%	5.90%
Short term	1%	1.70%
	<u>100.00%</u>	

Discount Rate

A single discount rate (SDR) of 7.25% (same as prior year for both the Regular and SLEP Plans) for the Regular Plan and SLEP Fund was used to measure the total pension liability. The projection of cash flows 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, both pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Highwood, Illinois
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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	\$ 5,205,421	\$ 5,755,466	\$ (550,045)
Changes for the year			
Service cost	75,035	-	75,035
Interest	370,852	-	370,852
Differences between expected and actual experience	44,967	-	44,967
Changes in assumptions	-	-	-
Contributions - employer	-	70,034	(70,034)
Contributions - employee	-	38,755	(38,755)
Net investment income	-	988,786	(988,786)
Benefit payments, including refunds of employees' contributions	(255,465)	(255,465)	-
Administrative expenses	-	-	-
Other (net transfer)	-	(1,277)	1,277
Net changes	<u>235,389</u>	<u>840,833</u>	<u>(605,444)</u>
Balance, end of year	<u>\$ 5,440,810</u>	<u>\$ 6,596,299</u>	<u>\$ (1,155,489)</u>

City of Highwood, Illinois
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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	\$ 51,151	\$ 86,510	\$ (35,359)
Changes for the year			
Service cost	-	-	-
Interest	3,575	-	3,575
Differences between expected and actual experience	431	-	431
Changes in assumptions	-	-	-
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	16,253	(16,253)
Benefit payments, including refunds of employees' contributions	(3,678)	(3,678)	-
Administrative expenses	-	-	-
Other (net transfer)	-	(105)	105
Net changes	328	12,470	(12,142)
Balance, end of year	<u>\$ 51,479</u>	<u>\$ 98,980</u>	<u>\$ (47,501)</u>

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 7.25%, as well as what the City's net pension liability (asset) would be if it were calculated using discount rates that are one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

Regular Plan

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's net pension asset	\$ (476,525)	\$ (1,155,489)	\$ (1,678,990)

City of Highwood, Illinois
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SLEP

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension asset	\$ (41,914)	\$ (47,501)	\$ (52,205)

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, 2022, the City recognized pension expense of \$(233,556) and \$(5,964) for the Regular Plan and SLEP, respectively. At April 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Regular Plan		SLEP	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts Related to Pensions				
Differences between expected and actual experience	\$ 17,269	\$ -	\$ -	\$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	764,313	-	12,696
Total deferred amounts to be recognized in pension expense in future periods	17,269	764,313	-	12,696
Pension contributions made subsequent to the measurement date	16,379	-	-	-
	<u>\$ 33,648</u>	<u>\$ 764,313</u>	<u>\$ -</u>	<u>\$ 12,696</u>

City of Highwood, Illinois
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Deferred outflows of resources of \$16,379 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, 2023. 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,	Regular	SLEP	Total
2023	\$ (152,604)	\$ (2,830)	\$ (155,434)
2024	(291,745)	(4,473)	(296,218)
2025	(187,321)	(3,371)	(190,692)
2026	<u>(115,374)</u>	<u>(2,022)</u>	<u>(117,396)</u>
	<u>\$ (747,044)</u>	<u>\$ (12,696)</u>	<u>\$ (759,740)</u>

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 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

City of Highwood, Illinois
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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. Non-compounding 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, 2022, the Police Pension membership consisted of:

Inactive plan members currently receiving benefits	5
Inactive plan members entitled but not yet receiving benefits	6
Active plan members	<u>12</u>
	<u><u>23</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, 2022, the City contributed \$621,094 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
- 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

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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
US Large	23.00%	4.15%
US Small	5.00%	4.54%
International Developed	18.00%	4.64%
International Developed Small	5.00%	(0.25)%
Emerging Markets	7.00%	5.31%
Private Equity (Direct)	7.00%	7.15%
Bank Loans	3.00%	2.48%
High Yield Corp. Credit	3.00%	2.48%
Emerging Market Debt	3.00%	2.82%
Private Credit	5.00%	4.37%
US TIPS	3.00%	(0.12)%
Real Estate/Infrastructure	8.00%	4.00%
Cash	1.00%	(0.27)%
Short-Term Gov't/Credit	3.00%	0.73%
US Treasury	3.00%	(0.60)%
Core Plus Fixed Income	3.00%	0.73%
	<u>100.00%</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, 2022, are listed in the table above.

Valuation of Investments

All investments in the Plan are stated at fair value and recorded as of the trade date. Fair value is based on quoted market prices at April 30 for debt securities, equity securities and mutual funds.

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The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of fiduciary net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at April 30, 2022:

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. treasuries	\$ 383,907	\$ 383,907	\$ -	\$ -
U.S. agencies	1,570,030	-	1,570,030	-
Municipal bonds	501,344	-	501,344	-
Corporate bonds	470,504	-	470,504	-
Certificate of deposit	209,776	-	209,776	-
	<u>3,135,561</u>	<u>383,907</u>	<u>2,751,654</u>	<u>-</u>
Equity securities				
Mutual funds - equity	2,122,489	2,122,489	-	-
	<u>2,122,489</u>	<u>2,122,489</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,258,050</u>	<u>\$ 2,506,396</u>	<u>\$ 2,751,654</u>	<u>\$ -</u>

Level 1 Includes quoted prices in active markets for an identical asset or liability that a government can access at the measurement date

Level 2 Includes inputs other than quoted prices included with Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Includes unobservable inputs for an asset or liability

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

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Investment Rate of Return

For the year ended April 30, 2022, the annual money-weighted rate of return on the Police Pension Plan investments, net of pension plan investment expense, was (8.10)%. 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.

Interest Rate Risk

As of April 30, 2022, 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
U.S. treasuries	\$ 383,907	\$ 25,059	\$ 267,558	\$ 91,290	\$ -
U.S. agency securities	1,570,030	75,177	629,771	850,597	14,485
Municipal bonds	501,344	25,229	213,886	262,229	-
Corporate bonds	470,504	-	220,519	249,985	-
Certificate of deposit	209,776	-	164,531	45,245	-
Total	<u>\$ 3,135,561</u>	<u>\$ 125,465</u>	<u>\$ 1,496,265</u>	<u>\$ 1,499,346</u>	<u>\$ 14,485</u>
Not subject to interest rate risk					
Mutual funds	<u>\$ 2,122,489</u>				

The Police Pension Fund's 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.

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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, 2022, the investments in securities of the U.S. government and agency obligations were rated accordingly:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Moody's / S&P Ratings</u>
U.S. agencies	\$ 1,508,110	Aaa / AA+
U.S. agencies	61,920	NR / NR
Total U.S. agencies	<u>\$ 1,570,030</u>	
Municipal bonds	\$ 18,501	A1/AA
Municipal bonds	134,184	Aa2/NR
Municipal bonds	85,806	Aaa/NR
Municipal bonds	97,952	NR/AA
Municipal bonds	27,752	NR/AA-
Municipal bonds	55,256	NR/AA+
Municipal bonds	81,893	NR/AAA
Total municipal bonds	<u>\$ 501,344</u>	
Corporate bonds	\$ 77,676	A1/A+
Corporate bonds	23,329	A1/AA
Corporate bonds	107,285	A2/A
Corporate bonds	24,210	A2/A+
Corporate bonds	24,046	A2/BBB+
Corporate bonds	23,017	A3/BBB+
Corporate bonds	23,017	Aa1/AA+
Corporate bonds	24,144	Aa2/A+
Corporate bonds	9,666	Aa2/AA
Corporate bonds	9,085	Aa2/AA-
Corporate bonds	18,951	Aa3/A+
Corporate bonds	40,277	Aa3/AA-
Corporate bonds	47,057	Aaa/AAA
Corporate bonds	18,744	Baa2/A
Total corporate bonds	<u>\$ 470,504</u>	

Investment Concentrations

At April 30, 2022, the Pension Fund does not have any investments over 5% of total investments available for benefits (other than investments issued or explicitly guaranteed by the U.S.

City of Highwood, Illinois
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government and investments in mutual funds, external investment pools, and other pooled investments). Agency investments represent a large portion of the portfolio; however, the investments are diversified by maturity date and as mentioned earlier are backed by the issuing organization. Although unlike treasuries, agency securities do not have the “full faith and credit” backing of the U.S. government, they are considered to have a moral obligation of implicit backing and are supported by treasury lines of credit and increasingly stringent federal regulation.

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.

Net Pension Liability

The City’s net pension liability was measured as of April 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of May 1, 2021, rolled forward to April 30, 2022.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of May 1, 2021, using the following actuarial methods and assumptions.

Actuarial valuation date	May 1, 2021
Measurement date	April 30, 2022
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.25%
Salary increases	3.75% - 10.58%
Investment rate of return	6.50%
Asset valuation method	Market value of assets

Active Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study. Mortality improvement uses MP-2019 Improvement Rates applied on a fully generational basis.

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50% of active Member deaths are assumed to be in the Line of Duty.

Retiree Mortality follows the L&A Assumption Study for Police 2020. These rates are experience weighted with the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study improved to 2017 using MP-2019 Improvement Rates. These rates are then improved fully generationally using MP-2019 Improvement Rates.

Disabled Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010 Study for disabled participants. Mortality improvement uses MP-2019 Improvement Rates applied on a fully generational basis.

Spouse Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study for contingent survivors. For all rates not provided there (ages 45 and younger) the PubG-2010 Study for general employees was used. Mortality improvement uses MP-2019 Improvement Rates applied on a fully generational basis.

Assumption Changes

The assumption below was changed from the prior year in determining the total pension liability.

- The assumed rate of High Quality 20-Year Tax-Exempt G.O. Bonds was changed from 2.27% to 3.21% for the current year.

Discount Rate

The discount rate used to measure the total pension liability was 6.50% (same as 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.

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Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, beginning of year	\$ 6,250,329	\$ 5,251,658	\$ 998,671
Changes for the year			
Service cost	297,838	-	297,838
Interest	366,711	-	366,711
Changes of benefits term	-	-	-
Difference between expected and actual experience	(534,012)	-	(534,012)
Changes of assumptions	-	-	-
Contributions - employer	-	621,094	(621,094)
Contributions - employee	-	90,634	(90,634)
Net investment income	-	(446,704)	446,704
Benefit payments, including refunds of employees' contributions	(170,514)	(170,514)	-
Administrative expenses	-	(41,722)	41,722
Net changes	(39,977)	52,788	(92,765)
Balance, end of year	\$ 6,210,352	\$ 5,304,446	\$ 905,906

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 (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
City's net pension liability	\$ 1,921,726	\$ 905,906	\$ 86,000

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

For the year ended April 30, 2022, the City recognized pension expense of \$148,313. At April 30, 2022, 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	\$ 88,174	\$ 948,708
Changes of assumptions	26,685	137,690
Net differences between projected and actual earnings on pension plan investments	<u>314,425</u>	<u>-</u>
	<u>\$ 429,284</u>	<u>\$ 1,086,398</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
2023	\$ (129,082)
2024	(156,590)
2025	(180,083)
2026	(55,678)
2027	(108,645)
Thereafter	<u>(27,036)</u>
	<u>\$ (657,114)</u>

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.

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

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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, 2022, the Firefighters' Pension Plan membership consisted of:

Inactive plan members currently receiving benefits	9
Inactive plan members entitled but not yet receiving benefits	6
Active plan members	1
	16
	16

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, 2022, the City contributed \$372,585 to the Firefighters' Pension Plan.

City of Highwood, Illinois
Notes to Financial Statements
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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
U.S. Equity	31.00%	5.20%
Developed Market Equity (Non-US)	16.00%	5.10%
Emerging Market Equity	8.00%	5.50%
Private Equity	5.00%	8.60%
Public Credit	3.00%	1.80%
Private Credit	5.00%	7.00%
Cash Equivalents	0.00%	(0.60)%
Core Investment Grade Bonds	15.00%	1.60%
Long-Term Treasuries	3.00%	1.30%
TIPS	4.00%	0.80%
Real Estate	5.00%	4.90%
Infrastructure	5.00%	5.10%
	<u>100.00%</u>	

City of Highwood, Illinois
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The long-term expected rate of return of the Firefighters' Pension Fund's investments of 6.00% 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, 2022, are listed in the table above.

Valuation of Investments

All investments in the Plan are stated at fair value and recorded as of the trade date. Fair value is based on quoted market prices at April 30 for debt securities, equity securities and mutual funds.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at April 30, 2022:

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
Certificate of deposit	\$ 48,324	\$ -	\$ 48,324	\$ -
U.S. treasuries	227,566	227,566	-	-
U.S. agencies	1,492,367	-	1,492,367	-
Municipal bonds	409,213	-	409,213	-
Corporate bonds	384,640	-	384,640	-
	<u>2,562,110</u>	<u>227,566</u>	<u>2,334,544</u>	<u>-</u>
Equity securities				
Mutual funds - equity	1,752,306	1,752,306	-	-
	<u>1,752,306</u>	<u>1,752,306</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,314,416</u>	<u>\$ 1,979,872</u>	<u>\$ 2,334,544</u>	<u>\$ -</u>

Level 1 Includes quoted prices in active markets for an identical asset or liability that a government can access at the measurement date

Level 2 Includes inputs other than quoted prices included with Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be

City of Highwood, Illinois
Notes to Financial Statements
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corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Includes unobservable inputs for an asset or liability

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

Investment Rate of Return

For the year ended April 30, 2022, the annual money-weighted rate of return on the Firefighters' Pension Plan investments, net of pension plan investment expense, was (7.70)%. 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, 2022, 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
Certificate of deposit	\$ 48,324	\$ -	\$ 48,324	\$ -	\$ -
U.S. treasuries	227,566	25,059	49,727	152,780	-
U.S. agency securities	1,492,367	-	478,476	820,468	193,423
Municipal bonds	409,213	25,042	69,324	274,429	40,418
Corporate bonds	384,640	-	110,656	273,984	-
Total	\$ 2,562,110	\$ 50,101	\$ 756,507	\$ 1,521,661	\$ 233,841
Not subject to interest rate risk					
Mutual funds	<u>\$ 1,752,306</u>				

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

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, 2022, the investments in securities of the U.S. government and agency obligations were rated accordingly:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>S&P Ratings</u>
U.S. agencies	\$ 1,467,718	Aaa/AA+
U.S. agencies	24,649	NR/NR
Total U.S. agencies	<u>\$ 1,492,367</u>	
Municipal bonds	\$ 27,923	A3/NR
Municipal bonds	8,941	Aa2/AA+
Municipal bonds	130,916	Aa2/NR
Municipal bonds	103,002	NR/AA
Municipal bonds	110,509	NR/AAA
Municipal bonds	27,922	NR/AA-
Total municipal bonds	<u>\$ 409,213</u>	
Corporate bonds	\$ 73,840	A1/A+
Corporate bonds	74,381	A2/A
Corporate bonds	24,428	A2/A+
Corporate bonds	24,262	A2/BBB+
Corporate bonds	23,224	A3/BBB+
Corporate bonds	23,224	Aa1/AA+
Corporate bonds	24,361	Aa2/A+
Corporate bonds	9,753	Aa2/AA
Corporate bonds	9,166	Aa2/AA-
Corporate bonds	31,609	Aa3/AA-
Corporate bonds	47,481	Aaa/AAA
Corporate bonds	18,911	Baa2/A
Total corporate bonds	<u>\$ 384,640</u>	

Investment Concentrations

At April 30, 2022, the Pension Fund does not have any investments over 5% of total investments available for benefits (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments). Agency investments represent a large portion of the portfolio; however, the investments are diversified by maturity date and as mentioned earlier are backed by the issuing organization. Although unlike treasuries, agency securities do not have the "full faith and credit"

City of Highwood, Illinois
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backing of the U.S. government, they are considered to have a moral obligation of implicit backing and are supported by treasury lines of credit and increasingly stringent federal regulation.

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.

Net Pension Liability

The City's net pension liability was measured as of April 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of May 1, 2021, rolled forward to April 30, 2022.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of May 1, 2021, using the following actuarial methods and assumptions.

Actuarial valuation date	May 1, 2021
Measurement date	April 30, 2022
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.25%
Salary increases	0.00%
Investment rate of return	6.00%
Asset valuation method	Market value of assets

Active Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study. Mortality improvement uses MP-2019 Improvement Rates applied on a fully generational basis.

50% of active Member deaths are assumed to be in the Line of Duty.

Retiree Mortality follows the L&A Assumption Study for Firefighters 2020. These rates are experience weighted with the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

improved to 2017 using MP-2019 Improvement Rates. These rates are then improved fully generationally using MP-2019 Improvement Rates.

Disabled Mortality follows the L&A Assumption Study for Firefighters 2020. These rates are experience weighted with the Sex Distinct Raw Rates as developed in the PubS-2010 Study for disabled participants improved to 2017 using MP-2019 Improvement Rates. These rates are then improved fully generationally using MP-2019 Improvement Rates.

Spouse Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study for contingent survivors. For all rates not provided there (ages 45 and younger) the PubG-2010 Study for general employees was used. Mortality improvement uses MP-2019 Improvement Rates applied on a fully generational basis. Data.

Assumption Changes

The assumption below was changed from the prior year in determining the total pension liability.

- The discount rate used increased from 3.92% in 2021 to 6.00% in 2022.
- The assumed rate of High Quality 20-Year Tax-Exempt G.O. Bonds was changed from 2.27% to 3.21% for the current year.

Discount Rate

The discount rate used to measure the total pension liability was 6.00% (3.92% in 2021). 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.

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April 30, 2022

Changes to Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, beginning of year	\$ 6,958,318	\$ 4,586,081	\$ 2,372,237
Changes for the year			
Service cost	28,621	-	28,621
Interest	232,775	-	232,775
Difference between expected and actual experience	(930,000)	-	(930,000)
Changes of assumptions	(1,591,322)	-	(1,591,322)
Contributions - employer	-	372,585	(372,585)
Contributions - employee	-	-	-
Net investment income	-	(358,272)	358,272
Benefit payments, including refunds of employees' contributions	(192,110)	(192,110)	-
Administrative expenses	-	(40,858)	40,858
Net changes	<u>(2,452,036)</u>	<u>(218,655)</u>	<u>(2,233,381)</u>
Balance, end of year	<u>\$ 4,506,282</u>	<u>\$ 4,367,426</u>	<u>\$ 138,856</u>

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 6.00%, 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 (5.00%) or one percentage point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's net pension liability	\$ 808,127	\$ 138,856	\$ (398,463)

City of Highwood, Illinois
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Pension Expense and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2022, the City recognized pension expense/(income) of \$(2,436,998). At April 30, 2022, 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
Net differences between projected and actual earnings on pension plan investments	\$ 168,766

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

Year Ending April 30,	Amount
2023	\$ 12,284
2024	21,596
2025	16,675
2026	118,211
	\$ 168,766

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.

Related Party Transactions

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

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

Note 12: Pension Trust Funds – Financial Data

Schedule of fiduciary net position as of April 30, 2022:

	Police Pension Fund	Firefighters' Pension Fund	Total
Assets			
Cash and cash equivalents	\$ 33,911	\$ 42,337	\$ 76,248
Investments			
Certificate of deposit	209,776	48,324	258,100
U.S. treasuries	383,907	227,566	611,473
U.S. agencies	1,570,030	1,492,367	3,062,397
Mutual funds	2,122,489	1,752,306	3,874,795
Corporate bonds	470,504	384,640	855,144
Municipal bonds	501,344	409,213	910,557
Receivables			
Accrued interest	19,798	16,955	36,753
Total assets	5,311,759	4,373,708	9,685,467
Liabilities			
Accounts payable	7,313	6,282	13,595
Net Position			
Restricted for pensions	<u>\$ 5,304,446</u>	<u>\$ 4,367,426</u>	<u>\$ 9,671,872</u>

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

Schedule of changes in fiduciary net position for the year ended April 30, 2022:

	Police Pension Fund	Firefighters' Pension Fund	Total
Additions			
Contributions			
Employer	\$ 621,094	\$ 372,585	\$ 993,679
Plan members	90,634	-	90,634
Total contributions	<u>711,728</u>	<u>372,585</u>	<u>1,084,313</u>
Investment Income (Loss)			
Investment income	211,883	186,471	398,354
Net depreciation in fair value of investments	(636,129)	(525,949)	(1,162,078)
Less investment expenses	(22,458)	(18,794)	(41,252)
Net investment loss	<u>(446,704)</u>	<u>(358,272)</u>	<u>(804,976)</u>
Total additions	<u>265,024</u>	<u>14,313</u>	<u>279,337</u>
Deductions			
Benefits	170,514	192,110	362,624
Administration	41,722	40,858	82,580
Total deductions	<u>212,236</u>	<u>232,968</u>	<u>445,204</u>
Changes in Net Position	52,788	(218,655)	(165,867)
Net Position, May 1	<u>5,251,658</u>	<u>4,586,081</u>	<u>9,837,739</u>
Net Position, April 30	<u>\$ 5,304,446</u>	<u>\$ 4,367,426</u>	<u>\$ 9,671,872</u>

Note 13: 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. By

City of Highwood, Illinois

Notes to Financial Statements

April 30, 2022

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 individual 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 mid-sized 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.

Fidelity or Crime including the Public Officials bond coverage is placed with Hanover Insurance Company. The crime coverage includes faithful performance of duties for all City employees, elected officials, board members, commissioners, directors, and noncompensated 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.

Note 14: Commitments and Contingent Liabilities

The City Council has approved 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. Construction was completed and a certificate of occupancy was issued in the prior year. The City made the second payment of \$125,000 in December 2019. The City made the third payment of \$125,000 in January 2021. The City made the fourth and final payment of \$125,000 in November 2021.

The City and the City of Highwood Public Library 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.

Note 15: 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.

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2022

The City evaluated whether the plan is a fiduciary activity based on GASB Statement No. 84, *Fiduciary Activities*, and concluded that it is not a fiduciary activity. The City does not contribute to the Plan and the has no control over the plan assets. The assets of the plan are held in trust, for the exclusive benefit of the plan participants and their beneficiaries. The assets cannot be diverted for any other purpose.

Note 16: Subsequent Events

The City received their second ARPA installment of \$355,453 on September 19, 2022. Resolution 22-R-22 was adopted on December 6, 2022, authorizing the use of all ARPA funds, \$238,800 of which is for police squad vehicles and \$472,106 of which is for police salaries.

Note 17: Future Pronouncements

The Governmental Accounting Standards Board (GASB) recently issued the following standards:

GASB Statement No. 87, Leases (GASB 87)

In June 2017, GASB published Statement No. 87, *Leases*. The standard was the result of a multi-year project to reexamine the accounting and financial reporting for leases. The new standard establishes a single model for lease accounting based on the principle that leases represent the financing of the right to use an underlying asset. Specifically, GASB 87 includes the following accounting guidance for lessees and lessors:

Lessee Accounting - A lessee will recognize a liability measured at the present value of payments expected to be made for the lease term, and an intangible asset measured at the amount of the initial lease liability, plus any payments made to the lessor at or before the beginning of the lease and certain indirect costs. A lessee will reduce the liability as payments are made and recognize an outflow of resources for interest on the liability. The asset will be amortized by the lessee over the shorter of the lease term or the useful life of the asset.

Lessor Accounting - A lessor will recognize a receivable measured at the present value of the lease payments expected for the lease term and a deferred inflow of resources measured at the value of the lease receivable plus any payments received at or prior to the beginning of the lease that relate to future periods. The lessor will reduce the receivable as payments are received and recognize an inflow of resources from the deferred inflow of resources in a systematic and rational manner over the term of the lease. A lessor will not derecognize the asset underlying the lease. There is an exception for regulated leases for which certain criteria are met, such as airport-aeronautical agreements.

The lease term used to measure the asset or liability is based on the period in which the lessee has the noncancelable right to use the underlying asset. The lease term also contemplates any lease extension or termination option that is reasonably certain of being exercised.

City of Highwood, Illinois
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April 30, 2022

GASB 87 does not apply to leases for intangible assets, biological assets (*i.e.*, timber and living plants and animals), service concession agreements or leases in which the underlying asset is financed with conduit debt that is reported by the lessor. Additionally, leases with a maximum possible term of 12 months or less are excluded. The effective date is for periods beginning after June 15, 2021.

GASB Statement No. 91, Conduit Debt Obligations (GASB 91)

GASB 91 establishes consistent recognition, measurement and disclosure between governments for conduit debt obligations. The guidance clarifies the existing definition of a conduit debt obligation, establishes a single method of reporting for issuers and enhances note disclosures. GASB 91 is effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92, Omnibus 2020 (GASB 92)

GASB 92 addresses practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including issues related to leases, intra-entity transfers, fiduciary activities and fair value disclosures. GASB 92 is effective for reporting periods based on individual topics discussed therein. GASB 92 is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged and is permitted by individual topic to the extent that all requirements associated with an individual topic are implemented simultaneously.

GASB Statement No. 96, Subscription - Based Information Technology Arrangements (GASB 96)

GASB 96 provides guidance on governments utilizing more cloud-based solutions for their information technology (IT) needs, and paying for the use of third-parties' IT software on a subscription basis. The accounting and financial reporting for what the GASB refers to as subscription-based information technology arrangements (SBITAs) has been inconsistent because of a lack of authoritative guidance. The standard is effective for reporting periods after June 15, 2022, and all reporting periods thereafter, with early implementation encouraged. The statement would be applied retroactively, using the facts and circumstances that exist at the beginning of the fiscal year of implementation.

GASB Statement No. 99, Omnibus 2022 (GASB 99)

GASB 99 addresses practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including issues related to derivative investments, leases, subscription-based information technology arrangements, extension of the period that LIBOR is considered appropriate and other accounting and reporting matters. GASB 99 is effective for reporting periods based on individual topics discussed therein.

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GASB Statement No. 100, Accounting Changes and Error Corrections (GASB 100)

GASB 100, updates accounting and financial reporting requirements for accounting changes and error corrections to address current diversity in practice by amending GASB Statement No. 62. It defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. The standard clarifies that a change to or within the financial reporting entity results from: the addition or removal of a fund that results from movement of continuing operations within the primary government, including its blended component units; change in fund presentation as major or nonmajor; generally, the addition or removal of a component unit to or from the financial reporting entity; or a change in the presentation (blended or discretely presented) of a component unit. For each type of accounting change and error correction, the standard addresses accounting and reporting requirements, display, including display in the financial statements, note disclosures, and impact on required supplementary information (RSI) and supplementary information (SI). The standard is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, Compensated Absences (GASB 101)

GASB 101, updates the recognition and measurement guidance for compensated absences under a unified model. It defines compensated absences and requires that liabilities be recognized in financial statements prepared using the economic resources measurement focus for leave that has not been used and leave that has been used but not yet paid or settled. A liability for compensated absences should be accounted for and reported on a basis consistent with governmental fund accounting principles for financial statements prepared using the current financial resources measurement focus. GASB 101 also amends the disclosure requirements related to compensated absences. The standard is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter, with early application encouraged.

While not effective in the short, the City will begin assessing the potential impact on the financial statements of this standard and begin the process of communicating the impact with those charged with governance and other stakeholders, where appropriate.

**Required Supplementary Information
(Unaudited)**

City of Highwood, Illinois
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended April 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues				
Property taxes	\$ 1,403,210	\$ 1,403,210	\$ 1,382,873	\$ (20,337)
Other taxes	1,047,000	1,047,000	1,518,213	471,213
Licenses and permits	211,500	211,500	245,705	34,205
Intergovernmental	1,635,200	1,635,200	2,283,016	647,816
Charges for services	627,500	627,500	783,839	156,339
Fines and forfeits	46,700	46,700	28,318	(18,382)
Interest	1,000	1,000	1,582	582
Miscellaneous	9,000	9,000	23,745	14,745
Total revenues	<u>4,981,110</u>	<u>4,981,110</u>	<u>6,267,291</u>	<u>1,286,181</u>
Expenditures				
Current				
General government	1,409,362	1,409,362	1,481,884	72,522
Public safety	2,631,899	2,631,899	2,947,209	315,310
Public works	780,694	780,694	750,838	(29,856)
Culture and recreation	168,148	168,148	144,852	(23,296)
Capital outlay	7,500	7,500	16,805	9,305
Total expenditures	<u>4,997,603</u>	<u>4,997,603</u>	<u>5,341,588</u>	<u>343,985</u>
Excess (Deficiency) Revenues Over Expenditures	<u>(16,493)</u>	<u>(16,493)</u>	<u>925,703</u>	<u>942,196</u>
Other Financing Uses				
Transfers out	<u>(980,100)</u>	<u>(980,100)</u>	<u>(727,797)</u>	<u>252,303</u>
Net Change in Fund Balance	<u>\$ (996,593)</u>	<u>\$ (996,593)</u>	<u>197,906</u>	<u>\$ 1,194,499</u>
Fund Balance, May 1			<u>3,119,475</u>	
Fund Balance, April 30			<u>\$ 3,317,381</u>	

City of Highwood, Illinois
Notes to Required Supplementary Information
April 30, 2022

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.

City of Highwood, Illinois
Required Supplementary Information
Illinois Municipal Retirement Fund - Regular Plan
Schedule of Changes in the City's Net Pension Liability
(Asset) and Related Ratios
April 30, 2022

Fiscal Year Ending April 30,	2022	2021	2020	2019	2018	2017	2016
Total pension liability							
Service cost	\$ 75,035	\$ 77,578	\$ 66,438	\$ 75,849	\$ 76,713	\$ 67,467	\$ 78,742
Interest	370,852	357,501	339,017	354,799	339,233	326,523	320,640
Changes in benefit terms							
Differences between expected and actual experience	44,967	37,909	66,306	(376,166)	173,643	(48,909)	(121,880)
Change of assumptions	-	(46,040)	-	137,243	(158,933)	(5,963)	5,758
Benefit payments, including refunds of member contributions	<u>(255,465)</u>	<u>(227,564)</u>	<u>(217,206)</u>	<u>(265,952)</u>	<u>(179,405)</u>	<u>(180,746)</u>	<u>(205,996)</u>
Net change in total pension liability	235,389	199,384	254,555	(74,227)	251,251	158,372	77,264
Total pension liability - beginning	<u>5,205,421</u>	<u>5,006,037</u>	<u>4,751,482</u>	<u>4,825,709</u>	<u>4,574,458</u>	<u>4,416,086</u>	<u>4,338,822</u>
Total pension liability - ending	<u>\$ 5,440,810</u>	<u>\$ 5,205,421</u>	<u>\$ 5,006,037</u>	<u>\$ 4,751,482</u>	<u>\$ 4,825,709</u>	<u>\$ 4,574,458</u>	<u>\$ 4,416,086</u>
Plan fiduciary net position							
Contributions - city	\$ 70,034	\$ 68,018	\$ 70,697	\$ 71,087	\$ 84,703	\$ 79,039	\$ 76,453
Contributions - members	38,755	35,222	32,430	29,924	32,887	29,640	28,766
Net investment income	988,786	726,757	834,744	(258,493)	729,945	275,794	20,200
Benefit payments, including refunds of member contributions	(255,465)	(227,564)	(217,206)	(265,952)	(179,405)	(180,746)	(205,996)
Other (net transfer)	<u>(1,277)</u>	<u>56,939</u>	<u>12,282</u>	<u>52,124</u>	<u>(73,064)</u>	<u>(29,795)</u>	<u>(44,338)</u>
Net change in plan fiduciary net position	840,833	659,372	732,947	(371,310)	595,066	173,932	(124,915)
Plan net position - beginning	<u>5,755,466</u>	<u>5,096,094</u>	<u>4,363,147</u>	<u>4,734,457</u>	<u>4,139,391</u>	<u>3,965,459</u>	<u>4,090,374</u>
Plan net position - ending	<u>\$ 6,596,299</u>	<u>\$ 5,755,466</u>	<u>\$ 5,096,094</u>	<u>\$ 4,363,147</u>	<u>\$ 4,734,457</u>	<u>\$ 4,139,391</u>	<u>\$ 3,965,459</u>
City's net pension liability (asset)	<u>\$ (1,155,489)</u>	<u>\$ (550,045)</u>	<u>\$ (90,057)</u>	<u>\$ 388,335</u>	<u>\$ 91,252</u>	<u>\$ 435,067</u>	<u>\$ 450,627</u>
Plan fiduciary net position as a percentage of the total pension liability	121.24%	110.57%	101.80%	91.83%	98.11%	90.49%	89.80%
Covered employee payroll	\$ 858,404	\$ 782,721	\$ 720,661	\$ 664,983	\$ 730,834	\$ 658,661	\$ 639,244
City's net pension liability (asset) as a percentage of covered employee payroll	(134.61)%	(70.27)%	(12.50)%	58.40%	12.49%	66.05%	70.49%

Change in assumptions
Municipal bond rate used in calculating the single discount rate changed from 2.00% in 2021 to 1.84% in 2022.

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 fiscal year 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
(Asset) and Related Ratios
April 30, 2022

Fiscal Year Ending April 30,	2022	2021	2020	2019	2018	2017	2016
Total pension liability							
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	3,575	3,538	3,054	3,441	3,424	3,254	1,757
Changes in benefit terms							
Differences between expected and actual experience	431	387	10,484	(3,267)	(2,448)	(984)	(215)
Change of assumptions	-	217	-	1,145	(752)	-	-
Benefit payments, including refunds of member contributions	(3,678)	(3,576)	(10,147)	-	-	-	-
Net change in total pension liability	328	566	3,391	1,319	224	2,270	1,542
Total pension liability - beginning	51,151	50,585	47,194	45,875	45,651	43,381	41,839
Total pension liability - ending	<u>\$ 51,479</u>	<u>\$ 51,151</u>	<u>\$ 50,585</u>	<u>\$ 47,194</u>	<u>\$ 45,875</u>	<u>\$ 45,651</u>	<u>\$ 43,381</u>
Plan fiduciary net position							
Contributions - city	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 323
Contributions - members							
Net investment income	16,253	12,225	10,541	(2,598)	10,397	4,251	-
Benefit payments, including refunds of member contributions	(3,678)	(3,576)	(10,147)	-	-	-	-
Other (net transfer)	(105)	701	4,391	207	(138)	121	(4,812)
Net change in plan fiduciary net position	12,470	9,350	4,785	(2,391)	10,259	4,372	(4,489)
Plan net position - beginning	86,510	77,160	72,375	74,766	64,507	60,135	64,624
Plan net position - ending	<u>\$ 98,980</u>	<u>\$ 86,510</u>	<u>\$ 77,160</u>	<u>\$ 72,375</u>	<u>\$ 74,766</u>	<u>\$ 64,507</u>	<u>\$ 60,135</u>
City's net pension liability (asset)	<u>\$ (47,501)</u>	<u>\$ (35,359)</u>	<u>\$ (26,575)</u>	<u>\$ (25,181)</u>	<u>\$ (28,891)</u>	<u>\$ (18,856)</u>	<u>\$ (16,754)</u>
Plan fiduciary net position as a percentage of the total pension liability	192.27%	169.13%	152.54%	153.36%	162.98%	141.30%	138.62%
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's net pension liability (asset) as a percentage of covered employee payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Change in assumptions

Municipal bond rate used in calculating the single discount rate changed from 2.00% in 2021 to 1.84% in 2022.

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 fiscal year 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, 2022

Fiscal Year Ending April 30,	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability								
Service cost	\$ 297,838	\$ 294,314	\$ 256,184	\$ 282,025	\$ 292,329	\$ 274,490	\$ 212,460	\$ 265,577
Interest	366,711	369,803	383,280	371,476	341,831	312,866	280,126	239,435
Changes in benefit terms	-	-	28,673	-	-	-	-	-
Differences between expected and actual experience	(534,012)	(395,741)	(169,094)	(213,559)	28,995	132,909	473,707	-
Change of assumptions	-	-	(173,850)	-	-	(70,359)	(225,443)	-
Benefit payments, including refunds\ of member contributions	(170,514)	(188,356)	(212,866)	(193,965)	(220,168)	(188,415)	(285,904)	(276,692)
Net change in total pension liability	(39,977)	80,020	112,327	245,977	442,987	461,491	454,946	228,320
Total pension liability - beginning	6,250,329	6,170,309	6,057,982	5,812,005	5,369,018	4,907,527	4,452,581	4,224,261
Total pension liability - ending	<u>\$ 6,210,352</u>	<u>\$ 6,250,329</u>	<u>\$ 6,170,309</u>	<u>\$ 6,057,982</u>	<u>\$ 5,812,005</u>	<u>\$ 5,369,018</u>	<u>\$ 4,907,527</u>	<u>\$ 4,452,581</u>
Plan fiduciary net position								
Contributions - city	\$ 621,094	\$ 323,053	\$ 367,731	\$ 381,524	\$ 307,415	\$ 268,542	\$ 267,185	\$ 250,138
Contributions - members	90,634	87,184	75,460	75,363	75,396	70,003	102,682	68,892
Net investment income	(446,704)	881,752	171,820	225,224	142,355	203,145	35,829	177,719
Benefit payments, including refunds of member contributions	(170,514)	(188,356)	(212,866)	(193,965)	(220,168)	(188,415)	(285,904)	(276,692)
Administrative expense	(41,722)	(33,476)	(41,052)	(38,082)	(33,848)	(42,340)	(76,332)	(39,043)
Net change in plan fiduciary net position	52,788	1,070,157	361,093	450,064	271,150	310,935	43,460	181,014
Plan net position - beginning	5,251,658	4,181,501	3,820,408	3,370,344	3,099,194	2,788,259	2,744,799	2,563,785
Plan net position - ending	<u>\$ 5,304,446</u>	<u>\$ 5,251,658</u>	<u>\$ 4,181,501</u>	<u>\$ 3,820,408</u>	<u>\$ 3,370,344</u>	<u>\$ 3,099,194</u>	<u>\$ 2,788,259</u>	<u>\$ 2,744,799</u>
City's net pension liability	<u>\$ 905,906</u>	<u>\$ 998,671</u>	<u>\$ 1,988,808</u>	<u>\$ 2,237,574</u>	<u>\$ 2,441,661</u>	<u>\$ 2,269,824</u>	<u>\$ 2,119,268</u>	<u>\$ 1,707,782</u>
Plan fiduciary net position as a percentage of the total pension liability	85.41%	84.02%	67.77%	63.06%	57.99%	57.72%	56.82%	61.65%
Covered payroll	\$ 914,576	\$ 879,759	\$ 761,418	\$ 760,472	\$ 801,366	\$ 776,141	\$ 663,404	\$ 725,533
City's net pension liability as a percentage of covered payroll	99.05%	113.52%	261.20%	294.23%	304.69%	292.45%	319.45%	235.38%

Change in assumptions

The assumed rate of High Quality 20-Year Tax-Exempt G.O. Bonds was changed from 2.27% to 3.21% for the current year.

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
Firefighters' Pension Fund
Schedule of Changes in the City's Net Pension Liability and Related Ratios
April 30, 2022

Fiscal Year Ending April 30,	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability								
Service cost	\$ 28,621	\$ 28,630	\$ 13,559	\$ 13,177	\$ 14,077	\$ 13,405	\$ 47,232	\$ 124,679
Interest	232,775	271,161	249,642	249,362	243,271	239,411	202,582	216,932
Changes in benefit terms		-	-	-	-	-	-	-
Differences between expected and Change of assumptions	(1,591,322)	392,375	557,415	240,347	-	22,286	497,252	-
Benefit payments, including refunds of member contributions	(192,110)	(186,350)	(207,982)	(175,490)	(165,866)	(126,604)	(83,330)	(55,235)
Net change in total pension liability	(2,452,036)	1,025,004	529,071	329,260	126,632	96,814	758,236	286,376
Total pension liability - beginning	6,958,318	5,933,314	5,404,243	5,074,983	4,948,351	4,851,537	4,093,301	3,806,925
Total pension liability - ending	<u>\$ 4,506,282</u>	<u>\$ 6,958,318</u>	<u>\$ 5,933,314</u>	<u>\$ 5,404,243</u>	<u>\$ 5,074,983</u>	<u>\$ 4,948,351</u>	<u>\$ 4,851,537</u>	<u>\$ 4,093,301</u>
Plan fiduciary net position								
Contributions - city	\$ 372,585	\$ 106,171	\$ 106,573	\$ 93,142	\$ 92,225	\$ 92,383	\$ 120,163	\$ 137,914
Contributions - members	-	-	63,000	-	-	46,018	18,133	40,458
Net investment income	(358,272)	704,590	168,461	233,033	170,241	249,067	45,112	209,458
Benefit payments, including refunds of member contributions	(192,110)	(186,350)	(207,982)	(175,490)	(165,866)	(126,604)	(83,330)	(55,235)
Administrative expense	(40,858)	(32,275)	(43,066)	(28,140)	(25,087)	(28,062)	(25,416)	(26,227)
Net change in plan fiduciary net position	(218,655)	592,136	86,986	122,545	71,513	232,802	74,662	306,368
Plan net position - beginning	4,586,081	3,993,945	3,906,959	3,784,414	3,712,901	3,480,099	3,405,437	3,099,069
Plan net position - ending	<u>\$ 4,367,426</u>	<u>\$ 4,586,081</u>	<u>\$ 3,993,945</u>	<u>\$ 3,906,959</u>	<u>\$ 3,784,414</u>	<u>\$ 3,712,901</u>	<u>\$ 3,480,099</u>	<u>\$ 3,405,437</u>
City's net pension liability	<u>\$ 138,856</u>	<u>\$ 2,372,237</u>	<u>\$ 1,939,369</u>	<u>\$ 1,497,284</u>	<u>\$ 1,290,569</u>	<u>\$ 1,235,450</u>	<u>\$ 1,371,438</u>	<u>\$ 687,864</u>
Plan fiduciary net position as a percentage of the total pension liability	96.92%	65.91%	67.31%	72.29%	74.57%	75.03%	71.73%	83.20%
Covered payroll	N/A	N/A	N/A	\$ 66,185	\$ 66,185	\$ 66,185	\$ 132,169	\$ 386,071
City's net pension liability as a percentage of covered payroll	N/A	N/A	N/A	2262.27%	1949.94%	1866.66%	1037.64%	178.17%

Change in assumptions

Discount rate changed from 5.00% in 2021 to 6.00% in 2022.

The assumed rate of High Quality 20-Year Tax-Exempt G.O. Bonds was changed from 2.27% to 3.21% for the current year.

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 - Regular Plan
Schedule of City Contributions
April 30, 2022

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
4/30/2022	\$ 67,779	\$ 67,779	\$ -	\$ 944,784	7.17%
4/30/2021	64,169	64,169	-	752,996	8.52%
4/30/2020	70,513	70,513	-	747,999	9.43%
4/30/2019	68,466	68,466	-	659,280	10.38%
4/30/2018	82,262	82,262	-	727,909	11.30%
4/30/2017	80,825	80,825	-	681,628	11.86%
4/30/2016	73,859	73,859	-	642,539	11.49%

Notes to 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 2021 Contribution Rates

Actuarial cost method	Aggregate entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22-years closed period
Asset valuation method	5-year smoothed market; 20% corridor
Wage growth	3.25%
Price inflation	2.50% approximate; no explicit price inflation assumption is used in this valuation.
Salary increases	3.35% to 14.25%, including inflation
Investment rate of return	7.25%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.
Mortality	For nondisabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). 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-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
Other	There were no benefit changes during the year.

Information above based on valuation assumptions used in the December 31, 2019 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 fiscal year 2016.

City of Highwood, Illinois
Required Supplementary Information
Illinois Municipal Retirement Fund - Sheriff's Law Enforcement Personnel Fund
Schedule of City Contributions
April 30, 2022

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
4/30/2022	\$ -	\$ -	\$ -	\$ -	0.00%
4/30/2021	-	-	-	-	0.00%
4/30/2020	-	-	-	-	0.00%
4/30/2019	-	-	-	-	0.00%
4/30/2018	-	-	-	-	0.00%
4/30/2017	-	-	-	-	0.00%
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 2021 Contribution Rates

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Mortality	For nondisabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). 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-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
Other	There were no benefit changes during the year.

Information above based on valuation assumptions used in the December 31, 2019 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 fiscal year 2016.

City of Highwood, Illinois
Required Supplementary Information
Police Pension Fund
Schedule of City Contributions
April 30, 2022

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
4/30/2022	\$ 372,213	\$ 621,094	\$ 248,881	\$ 914,576	67.91%
4/30/2021	324,004	323,053	(951)	879,759	36.72%
4/30/2020	368,336	367,731	(605)	761,418	48.30%
4/30/2019	381,756	381,524	(232)	760,472	50.17%
4/30/2018	309,839	307,415	(2,424)	801,366	38.36%
4/30/2017	268,533	268,542	9	776,141	34.60%
4/30/2016	268,154	267,185	(969)	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 2021 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 Level dollar (closed)

Remaining amortization period 21 years, closed

Asset valuation method 5-Year Smoothed Market value

Price inflation 2.25%

Salary increases 3.75% - 10.58%

Investment rate of return 6.50%

Mortality Pub-2010 Adjusted for Plan Status, Demographics, and Illinois Public Pension Data, as Described.

Retirement age 100% L&A 2020 Illinois Police Retirement Rates Cap Age 65

Termination rates 100% of L&A 2020 Illinois Police Termination Rates

Disability rates 100% of L&A 2020 Illinois Police Disability 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, 2022

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
4/30/2022	\$ 122,946	\$ 372,585	\$ 249,639	NA	NA
4/30/2021	106,455	106,171	(284)	NA	NA
4/30/2020	111,843	106,573	(5,270)	NA	NA
4/30/2019	102,960	93,142	(9,818)	\$ 66,185	140.73%
4/30/2018	133,123	92,225	(40,898)	66,185	139.34%
4/30/2017	86,486	92,383	5,897	66,185	139.58%
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 2021 Contribution Rates

Actuarial cost method	Entry-age normal
Amortization method	Level dollar (closed)
Remaining amortization period	16 years, closed
Asset valuation method	5-Year Smoothed Market Value
Price inflation	2.25%
Salary increases	0.00%
Investment rate of return	5.00%
Mortality	Pub-2010 Adjusted for Plan Status, Demographics, and Illinois Public Pension Data, as Described
Retirement age	100% L&A 2020 Illinois Firefighters Retirement Rates Cap Age 65
Termination rates	100% of L&A 2020 Illinois Firefighters Termination Rates
Disability rates	100% of L&A 2020 Illinois Firefighters Disability 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, 2022

Fiscal Year Ended	Annual Money-Weighted Rate of Return Net of Investment Expense
4/30/2022	(8.10)%
4/30/2021	17.31%
4/30/2020	4.26%
4/30/2019	6.21%
4/30/2018	4.35%
4/30/2017	6.93%
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, 2022

Year Ended	Annual Money-Weighted Rate of Return Net of Investment Expense
4/30/2022	(7.70)%
4/30/2021	17.69%
4/30/2020	4.30%
4/30/2019	6.19%
4/30/2018	4.60%
4/30/2017	7.12%
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, 2022

	Original and Final Budget	Actual
Taxes		
Property tax	\$ 1,403,210	\$ 1,382,873
Home rule sales tax	737,000	1,211,600
Utility taxes	310,000	306,613
	<u>2,450,210</u>	<u>2,901,086</u>
Licenses and Permits		
Licenses	130,000	180,099
Permits	81,500	65,606
	<u>211,500</u>	<u>245,705</u>
Intergovernmental		
Income tax	447,000	795,330
Sales tax	505,000	815,341
Replacement tax	6,200	20,961
Local use tax	147,000	202,094
Cannabis tax	20,000	144,300
Municipal gas tax	125,000	153,163
Grants	320,000	73,668
Dispatch fees	65,000	78,159
	<u>1,635,200</u>	<u>2,283,016</u>
Charges for Services		
Parking fees	10,000	38,100
Cable franchise fees	55,000	56,430
Zoning and planning fees	114,500	122,520
Rental fees	269,000	322,259
Transfer fee	-	110
Alarm systems and calls	-	1,450
Seized autos	5,000	500
Refunds and reimbursements	36,000	30,122
Park recreation fees	125,000	203,523
Miscellaneous fees and fines	13,000	8,825
	<u>627,500</u>	<u>783,839</u>
Fines and Forfeits		
Police fines	31,700	20,430
Court fines	15,000	7,888
	<u>46,700</u>	<u>28,318</u>

(Cont.)

City of Highwood, Illinois
General Fund
Schedule of Revenues - Budget and Actual
Year Ended April 30, 2022

	Original and Final Budget	Actual
Interest		
Investment income	\$ 1,000	\$ 1,582
Miscellaneous		
Special event revenue	-	360
Donations	7,000	18,555
Debt collection	-	4,830
Miscellaneous income	2,000	-
	9,000	23,745
Total revenue	\$ 4,981,110	\$ 6,267,291

City of Highwood, Illinois
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended April 30, 2022

	Original and Final Budget	Actual
General Government		
Administration		
Personnel	\$ 749,062	\$ 956,350
Contractual services	301,900	276,197
Materials and supplies	13,000	17,489
Special events	5,000	-
Miscellaneous	16,200	11,799
	<u>1,085,162</u>	<u>1,261,835</u>
Legal		
Contractual services	140,600	116,436
Lawsuit settlements	20,000	1,548
	<u>160,600</u>	<u>117,984</u>
Building, Zoning and Health Department		
Personnel	3,600	4,251
Contractual services	9,000	6,184
Materials and supplies	1,000	703
Miscellaneous	150,000	90,927
	<u>163,600</u>	<u>102,065</u>
Total general government	<u>1,409,362</u>	<u>1,481,884</u>
Public Safety		
Police Department		
Personnel	1,491,488	1,549,563
Contractual services	298,135	305,516
Materials and supplies	47,000	49,573
	<u>1,836,623</u>	<u>1,904,652</u>
Fire Department		
Personnel	122,946	372,585
Contractual services	672,330	669,920
Bank charges	-	52
	<u>795,276</u>	<u>1,042,557</u>
Capital Outlay		
Police - equipment	2,500	-
Total public safety	<u>2,634,399</u>	<u>2,947,209</u>

(Cont.)

City of Highwood, Illinois
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended April 30, 2022

	Original and Final Budget	Actual
Public Works		
Highways and Streets		
Personnel	\$ 127,244	\$ 139,656
Contractual services	562,200	481,672
Materials and supplies	50,250	38,385
Miscellaneous	41,000	91,125
	780,694	750,838
Capital Outlay		
Public works	5,000	16,805
	785,694	767,643
 Culture and Recreation		
Parks and Recreation		
Personnel	68,498	61,500
Contractual services	37,550	30,671
Supplies and materials	3,600	6,163
Special events	55,000	43,621
Miscellaneous	3,500	2,897
	168,148	144,852
Total culture and recreation	168,148	144,852
 Total expenditures	\$ 4,997,603	\$ 5,341,588

City of Highwood, Illinois
Downtown Redevelopment TIF (Major Fund)
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2022

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Taxes			
Property taxes	\$ 935,000	\$ 1,170,628	\$ 235,628
Investment income	2,000	4,459	2,459
Total revenues	<u>937,000</u>	<u>1,175,087</u>	<u>238,087</u>
Expenditures			
General government			
Accounting fees	5,000	5,000	-
Legal fees	10,000	62,470	52,470
Economic development	10,125,000	3,263,352	(6,861,648)
Capital outlay	75,000	-	(75,000)
Debt service			
Principal	375,000	375,000	-
Interest	15,000	15,000	-
Fiscal agent fees	32,500	165,199	132,699
Total expenditures	<u>10,637,500</u>	<u>3,886,021</u>	<u>(6,751,479)</u>
Other Financing Sources (Uses)			
Bond issuance	10,000,000	9,255,000	(745,000)
Bond premium	-	911,628	911,628
Total other financing sources	<u>10,000,000</u>	<u>10,166,628</u>	<u>166,628</u>
Net Change in Fund Balance	<u>\$ 299,500</u>	7,455,694	<u>\$ 7,156,194</u>
Fund Balance, Beginning of Year		<u>1,021,424</u>	
Fund Balance, End of Year		<u>\$ 8,477,118</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, 2022

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Grants	\$ 200,000	\$ -	\$ (200,000)
Expenditures			
Capital outlay	1,180,100	942,253	(237,847)
Excess (Deficiency) of Revenues Over Expenditures	(980,100)	(942,253)	37,847
Other Financing Sources			
Transfers in	980,100	727,797	(252,303)
Net Change in Fund Balance	\$ -	(214,456)	\$ (214,456)
Fund Balance, Beginning of Year		(100,545)	
Fund Balance, End of Year		\$ (315,001)	

Nonmajor Governmental Funds

City of Highwood, Illinois
Nonmajor Governmental Funds
Combining Balance Sheet
April 30, 2022

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	<u>Total Nonmajor Government Funds</u>
	<u>Motor Fuel Tax Fund</u>	<u>Rebuild Illinois Fund</u>	<u>Debt Service</u>	
Assets				
Cash and investments	\$ 257,004	\$ 161,788	\$ 47,765	\$ 466,557
Property tax receivable	-	-	201,267	201,267
Accounts receivable	18,137	-	-	18,137
	<u>18,137</u>	<u>-</u>	<u>-</u>	<u>18,137</u>
Total assets	<u>\$ 275,141</u>	<u>\$ 161,788</u>	<u>\$ 249,032</u>	<u>\$ 685,961</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	\$ -	\$ -	\$ 201,267	\$ 201,267
	<u>-</u>	<u>-</u>	<u>201,267</u>	<u>201,267</u>
Fund Balances				
Restricted				
Debt service	-	-	47,765	47,765
Road construction and maintenance	275,141	161,788	-	436,929
	<u>275,141</u>	<u>161,788</u>	<u>-</u>	<u>436,929</u>
Total fund balances	<u>275,141</u>	<u>161,788</u>	<u>47,765</u>	<u>484,694</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 275,141</u>	<u>\$ 161,788</u>	<u>\$ 249,032</u>	<u>\$ 685,961</u>

City of Highwood, Illinois
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Year Ended April 30, 2022

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	Total Nonmajor Government Funds
	Motor Fuel Tax Fund	Rebuild Illinois Fund	Debt Service	
Revenues				
Intergovernmental	\$ 215,469	\$ 118,737	\$ -	\$ 334,206
Property taxes	-	-	199,136	199,136
Investment income	557	-	-	557
Total revenues	<u>216,026</u>	<u>118,737</u>	<u>199,136</u>	<u>533,899</u>
Expenditures				
Current				
Public works	125,000	-	-	125,000
Capital outlay	-	135,054	-	135,054
Debt service				
Principal	-	-	145,000	145,000
Interest	-	-	54,555	54,555
Issuance costs	-	-	474	474
Total expenditures	<u>125,000</u>	<u>135,054</u>	<u>200,029</u>	<u>460,083</u>
Net Change in Fund Balance	91,026	(16,317)	(893)	73,816
Fund Balance				
May 1	<u>184,115</u>	<u>178,105</u>	<u>48,658</u>	<u>410,878</u>
April 30	<u>\$ 275,141</u>	<u>\$ 161,788</u>	<u>\$ 47,765</u>	<u>\$ 484,694</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, 2022

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Intergovernmental			
Motor fuel tax	\$ 175,000	\$ 215,469	\$ 40,469
Investment income	4,500	557	(3,943)
Total revenues	179,500	216,026	36,526
Expenditures			
Public works			
Street improvements	165,000	125,000	(40,000)
Net Change in Fund Balance	\$ 14,500	91,026	\$ 76,526
Fund Balance, May 1		184,115	
Fund Balance, April 30		\$ 275,141	

City of Highwood, Illinois
Rebuild Illinois Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2022

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Intergovernmental	\$ 178,105	\$ 118,737	\$ (59,368)
Expenditures			
Capital outlay	220,000	135,054	(84,946)
Net Change in Fund Balance	\$ (41,895)	(16,317)	\$ 25,578
Fund Balance, May 1		178,105	
Fund Balance, April 30		\$ 161,788	

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, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues			
Property taxes	\$ 199,793	\$ 199,136	\$ (657)
Expenditures			
Debt service			
Principal	145,000	145,000	-
Interest	54,555	54,555	-
Fiscal agent fees	475	474	(1)
Total expenditures	<u>200,030</u>	<u>200,029</u>	<u>(1)</u>
Net Change in Fund Balance	<u>\$ (237)</u>	(893)	<u>\$ (656)</u>
Fund Balance, Beginning of Year		<u>48,658</u>	
Fund Balance, End of Year		<u>\$ 47,765</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, 2022

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues			
Charges for services	\$ 1,211,500	\$ 1,264,988	\$ 53,488
Operating Expenses			
Personnel	226,246	173,093	(53,153)
Contractual services	541,000	449,438	(91,562)
Materials and supplies	59,450	39,146	(20,304)
Capital outlay	250,000	-	(250,000)
Depreciation	-	196,924	196,924
Total operating expenses	<u>1,076,696</u>	<u>858,601</u>	<u>(218,095)</u>
Operating Income	<u>134,804</u>	<u>406,387</u>	<u>271,583</u>
Nonoperating Revenues (Expenses)			
Interest income	2,500	1,048	(1,452)
Miscellaneous income	100,000	27,795	(72,205)
Miscellaneous expense	(1,000)	(811)	189
Interest expense	(424,285)	(91,479)	332,806
Fiscal agent fees	(2,500)	(475)	2,025
Total nonoperating revenues (expenses)	<u>(325,285)</u>	<u>(63,922)</u>	<u>261,363</u>
Changes in Net Position - Budgetary Basis	<u>\$ (190,481)</u>	\$ 342,465	<u>\$ 532,946</u>
Net Position			
May 1		<u>740,035</u>	
April 30		<u>\$ 1,082,500</u>	

City of Highwood, Illinois
Garbage Fund (Major Fund)
Schedule of Revenues, Expenses, and
Changes in Net Position - Budget and Actual
Year Ended April 30, 2022

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues			
Refuse and garbage collection	\$ 338,500	\$ 329,581	\$ (8,919)
Operating Expenses			
Personnel	111,488	87,212	(24,276)
Contractual services	311,700	282,269	(29,431)
Depreciation	-	9,914	9,914
Materials and supplies	2,500	-	(2,500)
Total operating expenses	<u>425,688</u>	<u>379,395</u>	<u>(46,293)</u>
Operating Income (Loss)	<u>(87,188)</u>	<u>(49,814)</u>	<u>37,374</u>
Nonoperating Revenues			
Interest income	1,000	414	(586)
Miscellaneous revenue	42,000	47,848	5,848
Total nonoperating revenues	<u>43,000</u>	<u>48,262</u>	<u>5,262</u>
Change in Net Position	<u>\$ (44,188)</u>	<u>(1,552)</u>	<u>\$ 42,636</u>
Net Position, May 1		<u>197,153</u>	
Net Position, April 30		<u>\$ 195,601</u>	

Fiduciary Funds

City of Highwood, Illinois
Fiduciary Funds
Combining Statement of Fiduciary Net Position
Pension Trust Funds
April 30, 2022

	Police Pension Fund	Firefighters' Pension Fund	Total
Assets			
Cash and cash equivalents	\$ 33,911	\$ 42,337	\$ 76,248
Investments			
Certificate of deposit	209,776	48,324	258,100
U.S. treasuries	383,907	227,566	611,473
U.S. agencies	1,570,030	1,492,367	3,062,397
Mutual funds	2,122,489	1,752,306	3,874,795
Corporate bonds	470,504	384,640	855,144
Municipal bonds	501,344	409,213	910,557
Receivables			
Accrued interest	19,798	16,955	36,753
Total assets	5,311,759	4,373,708	9,685,467
Liabilities			
Accounts payable	7,313	6,282	13,595
Net Position			
Restricted for pensions	\$ 5,304,446	\$ 4,367,426	\$ 9,671,872

City of Highwood, Illinois
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended April 30, 2022

	Police Pension Fund	Firefighters' Pension Fund	Total
Additions			
Contributions			
Employer	\$ 621,094	\$ 372,585	\$ 993,679
Plan members	90,634	-	90,634
Total contributions	<u>711,728</u>	<u>372,585</u>	<u>1,084,313</u>
Investment Income (Loss)			
Investment income	211,883	186,471	398,354
Net depreciation in fair value of investments	(636,129)	(525,949)	(1,162,078)
Less investment expenses	<u>(22,458)</u>	<u>(18,794)</u>	<u>(41,252)</u>
Net investment loss	<u>(446,704)</u>	<u>(358,272)</u>	<u>(804,976)</u>
Total additions	<u>265,024</u>	<u>14,313</u>	<u>279,337</u>
Deductions			
Benefits	170,514	192,110	362,624
Administration	<u>41,722</u>	<u>40,858</u>	<u>82,580</u>
Total deductions	<u>212,236</u>	<u>232,968</u>	<u>445,204</u>
Changes in Net Position	52,788	(218,655)	(165,867)
Net Position, May 1	<u>5,251,658</u>	<u>4,586,081</u>	<u>9,837,739</u>
Net Position, April 30	<u>\$ 5,304,446</u>	<u>\$ 4,367,426</u>	<u>\$ 9,671,872</u>

Component Unit - Library

City of Highwood, Illinois
Component Unit - Library
Statement of Net Position and Governmental Funds
Combining Balance Sheet
April 30, 2022

	City of Highwood Public Library			Discretely Presented Component Unit	Eliminations	Component Unit Statement of Net Position
	General Fund	Adjustments		Friends of the Highwood Public Library		
		Capital-Related and Other Items	Total Library			
Assets						
Cash and cash equivalents	\$ 1,818,483	\$ -	\$ 1,818,483	\$ 255,757	\$ -	\$ 2,074,240
Receivables						
Property taxes	294,053	-	294,053	-	-	294,053
Grants	402,997	-	402,997	-	-	402,997
Due from primary government	1,589	-	1,589	-	-	1,589
Capital assets	-	730,231	730,231	-	-	730,231
Net pension asset	-	349,189	349,189	-	-	349,189
	<u>2,517,122</u>	<u>1,079,420</u>	<u>3,596,542</u>	<u>255,757</u>	<u>-</u>	<u>3,852,299</u>
Deferred Outflows of Resources						
Deferred outflows of resources - pensions	-	10,168	10,168	-	-	10,168
Total assets and deferred outflows of resources	<u>\$ 2,517,122</u>	<u>\$ 1,089,588</u>	<u>\$ 3,606,710</u>	<u>\$ 255,757</u>	<u>\$ -</u>	<u>\$ 3,862,467</u>
Liabilities						
Accounts payable	\$ 32,343	\$ -	\$ 32,343	\$ -	\$ -	\$ 32,343
Accrued payroll	36,697	-	36,697	-	-	36,697
Unearned revenue - grants	4,098	-	4,098	-	-	4,098
	<u>73,138</u>	<u>-</u>	<u>73,138</u>	<u>-</u>	<u>-</u>	<u>73,138</u>
Deferred Inflows of Resources						
Unavailable property taxes	292,500	-	292,500	-	-	292,500
Unavailable grant revenues	394,788	(394,788)	-	-	-	-
Deferred inflows of resources - pensions	-	230,975	230,975	-	-	230,975
	<u>687,288</u>	<u>(163,813)</u>	<u>523,475</u>	<u>-</u>	<u>-</u>	<u>523,475</u>
Fund Balances/Net Position						
Investment in capital assets	-	730,231	730,231	-	-	730,231
Restricted for pensions	-	128,382	128,382	-	-	128,382
Restricted for library programs	213,131	394,788	607,919	-	-	607,919
Restricted for Covid-19 initiatives	24,397	-	24,397	-	-	24,397
Restricted for capital renovations	1,143,352	-	1,143,352	-	-	1,143,352
Unassigned/unrestricted	375,816	-	375,816	255,757	-	631,573
	<u>1,756,696</u>	<u>1,253,401</u>	<u>3,010,097</u>	<u>255,757</u>	<u>-</u>	<u>3,265,854</u>
Total liabilities, deferred inflows of resources and fund balances/net position	<u>\$ 2,517,122</u>	<u>\$ 1,089,588</u>	<u>\$ 3,606,710</u>	<u>\$ 255,757</u>	<u>\$ -</u>	<u>\$ 3,862,467</u>

City of Highwood
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, 2022

	City of Highwood Public Library			Discretely Presented	Eliminations	Component Unit Statement of Activities
	General Fund	Adjustments Capital-Related Items	Total Library	Component Unit Friends of the Highwood Public Library		
Revenues						
Property taxes	\$ 291,553	\$ -	\$ 291,553	\$ -	\$ -	\$ 291,553
Intergovernmental	14,461	-	14,461	-	-	14,461
Grants and contributions	2,187,888	394,788	2,582,676	1,059,390	(81,175)	3,560,891
Charges for services	1,772	-	1,772	-	-	1,772
Investment income	376	-	376	-	-	376
Miscellaneous	2,518	-	2,518	-	-	2,518
Total revenues	<u>2,498,568</u>	<u>394,788</u>	<u>2,893,356</u>	<u>1,059,390</u>	<u>(81,175)</u>	<u>3,871,571</u>
Expenditures						
Civic and cultural	919,858	(370,990)	548,868	1,220,970	(81,175)	1,688,663
Capital outlay	9,828	(9,828)	-	-	-	-
Total expenditures	<u>929,686</u>	<u>(380,818)</u>	<u>548,868</u>	<u>1,220,970</u>	<u>(81,175)</u>	<u>1,688,663</u>
Net Change in Fund Balance	1,568,882	775,606	2,344,488	(161,580)	-	2,182,908
Fund Balances/Net Position						
May 1	<u>187,814</u>	<u>477,795</u>	<u>665,609</u>	<u>417,337</u>	<u>-</u>	<u>1,082,946</u>
April 30	<u>\$ 1,756,696</u>	<u>\$ 1,253,401</u>	<u>\$ 3,010,097</u>	<u>\$ 255,757</u>	<u>\$ -</u>	<u>\$ 3,265,854</u>

Other Supplemental Information

City of Highwood, Illinois
Long-Term Debt Requirements
General Obligation Refunding Bonds, Series 2020
April 30, 2022

Date of issue	October 6, 2020
Date of maturity	December 1, 2033
Authorized issue	\$ 2,670,000
Interest rates	3.00%
Interest dates	June 1 and December 1
Principal maturity date	December 1
Payable at	Amalgamated Bank

Future Principal and Interest Requirements

Fiscal Year	Principal	Interest	Total
2023	\$ 125,000	\$ 78,600	\$ 203,600
2024	195,000	74,850	269,850
2025	205,000	69,000	274,000
2026	210,000	62,850	272,850
2027	215,000	56,550	271,550
2028	220,000	50,100	270,100
2029	225,000	43,500	268,500
2030	235,000	36,750	271,750
2031	235,000	29,700	264,700
2032	245,000	22,650	267,650
2033	250,000	15,300	265,300
2034	260,000	7,800	267,800
	<u>\$ 2,620,000</u>	<u>\$ 547,650</u>	<u>\$ 3,167,650</u>

City of Highwood, Illinois
Long-Term Debt Requirements
Water Meter Loan
April 30, 2022

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	Midwest Bank

Future Principal and Interest Requirements

Fiscal Year	Principal	Interest	Total
2023	<u>\$ 43,663</u>	<u>\$ 1,470</u>	<u>\$ 45,133</u>

City of Highwood, Illinois
Long-Term Debt Requirements
General Obligation Bonds Series 2015
April 30, 2022

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

Fiscal Year	Principal	Interest	Total
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>\$ 1,515,000</u>	<u>\$ 289,463</u>	<u>\$ 1,804,463</u>

City of Highwood, Illinois
Long-Term Debt Requirements
IEPA Sewer Loan Payable of 2015
April 30, 2022

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
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>\$ 153,420</u>	<u>\$ 24,864</u>	<u>\$ 178,284</u>

City of Highwood, Illinois
Long-Term Debt Requirements
IEPA Water Loan Payable of 2015
April 30, 2022

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
2023	\$ 97,899	\$ 33,093	\$ 130,992
2024	100,076	30,918	130,994
2025	102,300	28,694	130,994
2026	104,572	26,421	130,993
2027	106,896	24,097	130,993
2028	109,272	21,722	130,994
2029	111,700	19,294	130,994
2030	114,182	16,811	130,993
2031	116,720	14,274	130,994
2032	119,313	11,680	130,993
2033	121,965	9,029	130,994
2034	124,675	6,318	130,993
2035	127,446	3,548	130,994
2036	64,780	716	65,496
	<u>\$ 1,521,796</u>	<u>\$ 246,615</u>	<u>\$ 1,768,411</u>

City of Highwood, Illinois
Long-Term Debt Requirements
IEPA Water Tower Loan Payable of 2017
April 30, 2022

Date of issue	May 3, 2017
Date of maturity	August 2, 2036
Authorized issue	\$571,500
Interest rates	2.21%
Interest dates	August 2 and February 2
Principal maturity date	August 2 and February 2
Payable at	Illinois Environmental Protection Agency

Future Principal and Interest Requirements

Fiscal Year	Principal	Interest	Total
2023	\$ 22,785	\$ 6,818	\$ 29,603
2024	23,210	6,393	29,603
2025	23,644	5,959	29,603
2026	24,086	5,517	29,603
2027	24,536	5,067	29,603
2028	24,994	4,609	29,603
2029	25,461	4,142	29,603
2030	25,937	3,666	29,603
2031	26,422	3,181	29,603
2032	26,916	2,685	29,601
2033	27,418	2,185	29,603
2034	27,931	1,673	29,604
2035	28,453	1,150	29,603
2036	28,984	618	29,602
2037	11,474	107	11,581
	<u>\$ 372,251</u>	<u>\$ 53,770</u>	<u>\$ 426,021</u>

City of Highwood, Illinois
Long-Term Debt Requirements
General Obligation Bonds Series 2021
April 30, 2022

Date of issue	September 16, 2021
Date of maturity	January 1, 2039
Authorized issue	\$350,000
Interest rates	3%
Interest dates	January 1
Principal maturity date	January 1

Future Principal and Interest Requirements

Fiscal Year	Principal	Interest	Total
2023	\$ 350,000	\$ 358,631	\$ 708,631
2024	440,000	267,150	707,150
2025	455,000	253,950	708,950
2026	470,000	240,300	710,300
2027	485,000	226,200	711,200
2028	495,000	211,650	706,650
2029	510,000	196,800	706,800
2030	525,000	181,500	706,500
2031	545,000	165,750	710,750
2032	560,000	149,400	709,400
2033	575,000	132,600	707,600
2034	595,000	115,350	710,350
2035	610,000	97,500	707,500
2036	630,000	79,200	709,200
2037	650,000	60,300	710,300
2038	670,000	40,800	710,800
2039	690,000	20,700	710,700
	<u>\$ 9,255,000</u>	<u>\$ 2,797,781</u>	<u>\$ 12,052,781</u>