



City of Highwood, Illinois

Annual Financial Report

April 30, 2023



City of Highwood, Illinois

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Independent Auditor's Report

Independent Auditor's Report

The Honorable Mayor
Members of the Village 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, 2023, 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, based on our audit and the report of the other auditors, the accompanying financial statements referred to 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, and the aggregate remaining fund information of the City of Highwood, Illinois, as of April 30, 2023, 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 17%, 19% and 26%, 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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. The financial statements of the Friends of the Highwood Public Library, a component unit included in the financial statements of the City of Highwood Public Library (the discretely presented component unit of the City), were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2023, the Village adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 required supplementary information, such as 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 GAAS, 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 funds 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 GAAS. In our opinion, the combining and individual funds 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Oakbrook Terrace, Illinois
February 28, 2025

Management's Discussion and Analysis

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2023

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, 2023. Please read it in conjunction with the City of Highwood's financial statements, which begin on page 17.

Comparative amounts for 2022 within this discussion and analysis have not been restated for the effects of adoption of GASB Statement No. 87, *Leases*.

FINANCIAL HIGHLIGHTS

- The City of Highwood's net position increased by a total of \$133,814. Net position of business-type activities increased by \$368,580 or 28.8 percent; net position of our governmental activities decreased by \$234,766 or 4.2 percent.
- During the year, expenses were \$234,766 higher than the \$8,946,937 generated in tax and other revenues for governmental programs. In the prior year, expenses were \$1,992,208 less than the \$7,976,277 generated in tax and other revenues for governmental programs.
- Revenues for business-type activities increased 15.3 percent to \$1,927,719 while expenses increased by 17.2 percent to \$1,559,139.
- Total cost of all programs increased by \$3,426,012 or 46.8 percent in the current year.
- The General Fund reported a surplus this year of \$918,763 which took fund balance from \$3,317,381 to \$4,236,144 at the end of the current year.
- The resources available for appropriation were \$1,236,696 more than budgeted for the General Fund. In addition, expenditures were under budget \$107,601.

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 on the City of Highwood's operations in more detail than the government-wide statements by providing information about the City of Highwood's most significant funds. The remaining statements provide financial information about activities for which the City of Highwood acts solely as a trustee or agent for the benefit of those outside of the government.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2023

USING THIS ANNUAL REPORT - Continued

Government-Wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the City of Highwood's finances, in a matter similar to a private-sector business. The government-wide financial statements can be found on pages 17-20 of this report.

The Statement of Net Position reports information on all of the City of Highwood's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Highwood is improving or deteriorating. Consideration of other non-financial factors, such as changes in the City of Highwood's property tax base and the condition of the City of Highwood's roads, is needed to assess the overall health of the City of Highwood.

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

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

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

Fund Financial Statements

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

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2023

USING THIS ANNUAL REPORT - Continued

Governmental Funds

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

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

The City of Highwood maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, and the 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 non-major 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 25-28 of this report.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2023

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 31-79 of this report.

Other Information

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

Combining and individual fund statements and schedules can be found on pages 92-114 of this report.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2023

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 \$133,814, increasing by 1.9 percent over the prior year.

	Net Position (in Millions)					
	As of April 30,					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 14.9	\$ 15.8	\$ 1.3	\$ 1.2	\$ 16.2	\$ 17.0
Capital Assets	10.8	7.5	5.1	5.3	15.9	12.8
Deferred Outflows of Resources	1.2	0.6	-	-	1.2	0.6
Total Assets and Deferred Outflows of Resources	26.9	23.9	6.4	6.5	33.3	30.4
Long-Term Debt Outstanding	12.5	12.9	4.6	5.0	17.1	17.9
Other Liabilities	1.4	1.1	0.2	0.1	1.6	1.2
Deferred Inflows of Resources	7.6	4.3	-	0.1	7.6	4.4
Total Liabilities and Deferred Inflows of Resources	21.5	18.3	4.8	5.2	26.3	23.5
Net Position						
Net Investment in Capital						
Assets	2.3	5.1	2.7	2.5	2.8	5.4
Restricted	3.8	1.8	-	0.1	3.8	1.8
Unrestricted (Deficit)	(0.7)	(1.3)	(1.1)	(1.3)	0.4	(0.3)
Total Net Position	\$ 5.4	\$ 5.6	\$ 1.6	\$ 1.3	\$ 7.0	\$ 6.9

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. Most of this balance for FY23 is related to economic development Capital projects within the TIF Fund (approximately \$2.6 million), but also consists of

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

restrictions for debt service, pensions, and road maintenance. The remainder represents unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors.

	Changes in Net Position (in Millions)					
	Year Ended April 30,					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues						
Charges for Services	\$ 1.0	\$ 1.1	\$ 1.7	\$ 1.6	\$ 2.7	\$ 2.7
Operating Grants/Contributions	0.9	0.4	-	-	0.9	0.4
Capital Grants/Contributions	0.3	0.1	-	-	0.3	0.1
General Revenues					-	-
Property Taxes	2.8	2.8	-	-	2.8	2.8
Utility Taxes	0.3	0.3	-	-	0.3	0.3
Sales Taxes	1.3	1.2	-	-	1.3	1.2
Intergovernmental	2.2	2.0	-	-	2.2	2.0
Other General Revenues	0.2	0.1	0.2	0.1	0.4	0.2
Total Revenues	9.0	8.0	1.9	1.7	10.9	9.7
Expenses						
General Government	1.4	1.5	-	-	1.4	1.5
Public Safety	2.4	(0.3)	-	-	2.4	(0.3)
Public Works	2.4	1.2	-	-	2.4	1.2
Culture and Recreation	0.2	0.1	-	-	0.2	0.1
Economic Development	2.4	3.3	-	-	2.4	3.3
Interest and Fiscal Charges	0.4	0.2	-	-	0.4	0.2
Water	-	-	1.1	1.0	1.1	1.0
Garbage	-	-	0.5	0.4	0.5	0.4
Total Expenses	9.2	6.0	1.6	1.4	10.8	7.4
Increase (Decrease) in Net Position	(0.2)	2.0	0.3	0.3	0.1	2.3
Net Position - Beginning	5.6	3.6	1.3	1.0	6.9	4.6
Net Position - Ending	\$ 5.4	\$ 5.6	\$ 1.6	\$ 1.3	\$ 7.0	\$ 6.9

Net position of the City of Highwood governmental activities increased by 1.9 percent, or \$133,814. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, increased from (\$1,280,851) in the previous fiscal year to \$62,064 in the current year.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Net position of business-type activities increased \$368,580 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 \$1,226,705 compared to the prior year. The increase in the current year is due largely the receipt of an OSLAD grant for \$200,000 and an ARPA grant for \$710,906 in FY23.

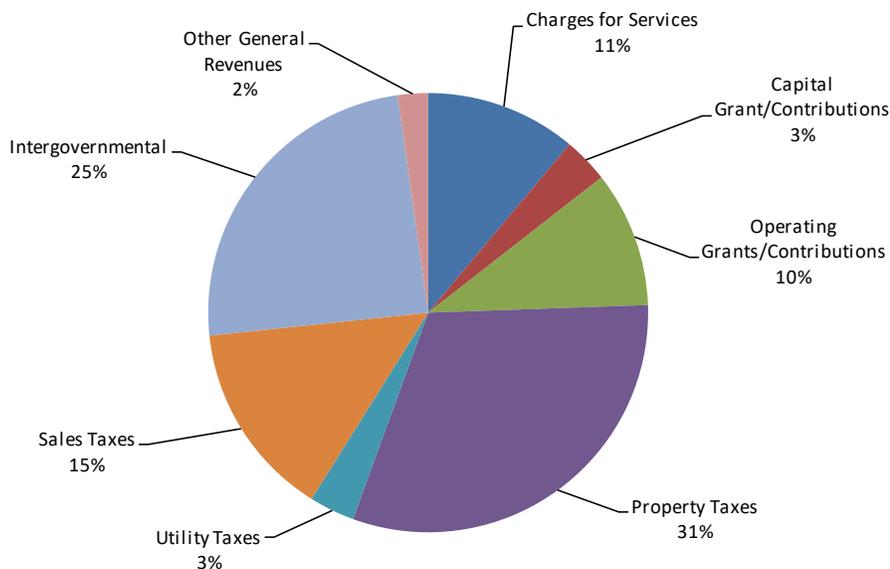
Governmental Activities

Revenues for governmental activities increased \$970,660. Expenses increased \$3,197,634.

The cost of all governmental activities this year was \$9.2 million, an increase of \$3.2 million from the prior year. Overall, governmental program revenues were \$2.2 million, including intergovernmental aid and fees for services. This was an increase from the \$1.6 million in program revenue in FY22. The increase was due to the recognition of the ARPA grant in FY23, with no such grant recognition 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

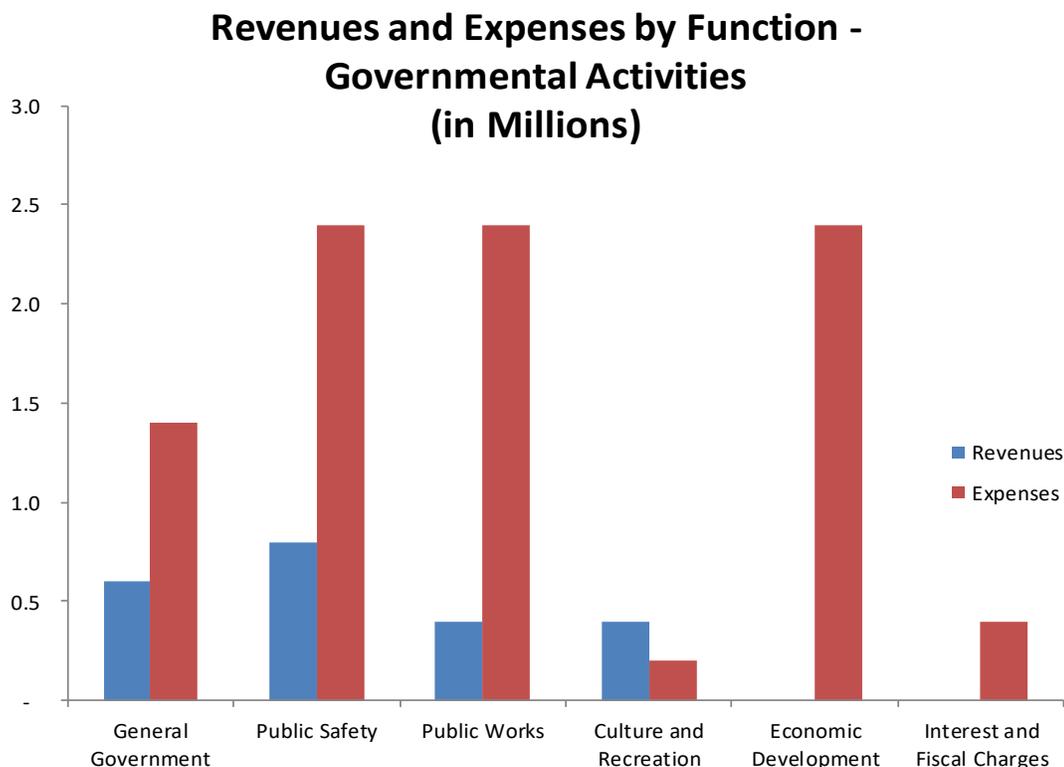


City of Highwood, Illinois

Management’s Discussion and Analysis April 30, 2023

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 and public works are very dependent on the general revenues of the City to function. Economic development expenses are supported by the reserve of bond proceeds recognized in the prior year. 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 increased 15.3% (up \$256,045 from FY22 to FY23) and expenses increased by 17.2 percent (up \$228,378 from FY22 to FY23). 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

City of Highwood, Illinois

**Management’s Discussion and Analysis
April 30, 2023**

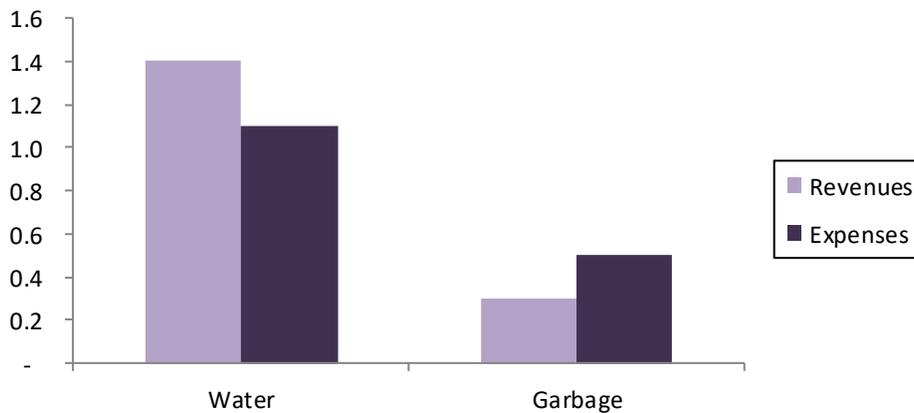
GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Business-Type Activities - Continued

portions of the system as needed. The increase in expenditures was due to more main and hydrant repairs in FY23 than FY22 as well as higher salaries.

- The increase in revenue was due to an increase in water rates for FY23.
- The Garbage Fund operated at a loss of (\$48,915) for the fiscal year as payments made to the contracted garbage company were slightly higher than the fees charged and collected by the City.

**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.

City of Highwood, Illinois

Management's Discussion and Analysis

April 30, 2023

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds

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

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$6.8 million which is a decrease of \$5.2 million over the prior year. Although there was a net decrease in fund balances, individual funds had different results. The General Fund has an increase of \$918,763 over the prior year. The TIF Fund had a decrease of \$5,519,243 as they continue to complete projects and make land purchases from unspent 2021 bond proceeds. Bond proceeds of \$4.8 million were spent in the fiscal year. The Capital Projects Fund had a decrease of \$614,927 due to accrued expenses for the Everts Park Project. Transfers in from the General Fund are not booked until the payments are made.

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 \$417,495. The Garbage Fund had a drawdown of \$48,915. The net effect on the Proprietary funds Net Positions was an increase of \$368,580.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2023

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual charges to appropriations (expenditures) were \$107,601 under the budget amounts. General government contractual services were \$114,830 under budget due to not using consulting services for several City projects in FY23 that included in the budget. The legal department had a large budget over actual variance of \$58,639 due to the reduction of activities that needed attorney review. Parks and recreation personnel came in \$42,726 under budget due to less need for staff than anticipated. All of these were offset by police personnel expenditures being \$121,964 over budget. This was largely due to the need for more overtime as a result of staff shortages.

In addition, resources available for appropriation were \$1,236,696 above the final budgeted amount. Several state taxes came in higher than anticipated (receipts over budget were \$286,647 for home rule sales taxes, \$176,815 for municipal sales taxes, and \$140,766 for income tax). Many state revenues were budgeted based on FY22 revenues, and increases were higher than expected. Grant revenue was \$360,906 over budget as all ARPA funds were spent in FY23, which was not anticipated at the time the budget was prepared.

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, 2023, was \$15.9 million (net of accumulated depreciation), an increase of \$4.0 million from the prior year. This investment in capital assets includes land, buildings and improvements, land improvements, vehicles, machinery and equipment, park facilities, roads, sidewalks, and bridges. The governmental additions included six pieces of land of \$3.7 million. Phase 1 of the Everts Park project was completed during the fiscal year, causing a decrease in construction in progress of \$1.3 million and the increase in land improvements of \$1.6 million. The slight decrease in business-type activities is attributable to current year depreciation being larger than a few small additions to equipment and infrastructure.

City of Highwood, Illinois

**Management’s Discussion and Analysis
April 30, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

Capital Assets - Continued

	Capital Assets - Net of Depreciation (in Millions)					
	As of April 30,					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 6.0	\$ 2.3	\$ -	\$ -	\$ 6.0	\$ 2.3
CIP	0.1	1.4	-	-	0.1	1.4
Land Improvements	1.5	-	0.1	0.2	1.6	0.2
Buildings	0.4	0.5	1.5	1.5	1.9	2.0
Machinery and Equipment	0.5	0.1	0.1	-	0.6	0.1
Infrastructure	2.3	2.4	3.4	3.5	5.7	5.9
Total	\$ 10.8	\$ 6.7	\$ 5.1	\$ 5.2	\$ 15.9	\$ 11.9

Further details on capital assets can be found in Note 7 to the financial statements.

Debt

At year-end, the City of Highwood had total outstanding debt of \$15.9 million as compared to \$16.8 million the previous year, a decrease of 5.4 percent. The City did not issue any new debt during fiscal year 2023. The decrease is attributable to the City paying down on all debt due during the fiscal year. The following is a comparative statement of outstanding debt as of April 30, 2023 and 2022.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
	Bonds	\$ 11.2	\$ 11.7	\$ 2.7	\$ 2.9	\$ 13.9
Loan Payable	-	-	-	0.1	-	0.1
IEPA Loans	-	-	1.9	2.0	1.9	2.0
Other Liabilities	0.1	0.1	-	-	0.1	0.1
Total	\$ 11.3	\$ 11.8	\$ 4.6	\$ 5.0	\$ 15.9	\$ 16.8

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

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2024 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 positive financial performance in many recent years, 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.

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, 2023

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash and investments	\$ 4,680,539	\$ 960,567	\$ 5,641,106	\$ 1,257,329
Receivables, net				
Taxes	3,042,776	-	3,042,776	321,750
Intergovernmental	650,938	-	650,938	-
Accounts	-	331,397	331,397	-
Other	44,861	-	44,861	2,222,589
Lease	3,686,264	-	3,686,264	-
Prepaid expenses	51,790	2,220	54,010	-
Due from component unit	14,533	-	14,533	-
Restricted assets				
Cash and investments	2,615,871	-	2,615,871	-
Capital assets				
Land	6,041,054	-	6,041,054	-
Construction in progress	81,989	-	81,989	-
Other capital assets, net of depreciation	4,711,355	5,114,062	9,825,417	2,507,443
Net pension asset				
IMRF SLEP	27,979	-	27,979	-
Firefighters	15,316	-	15,316	-
	<u>25,665,265</u>	<u>6,408,246</u>	<u>32,073,511</u>	<u>6,309,111</u>
Total assets				
Deferred Outflows of Resources				
Deferred outflows of resources - pensions	1,154,801	32,966	1,187,767	277,271
Unamortized loss on refunding	-	20,629	20,629	-
	<u>1,154,801</u>	<u>53,595</u>	<u>1,208,396</u>	<u>277,271</u>
Total deferred outflows of resources				
Liabilities				
Accounts payable	1,058,259	92,039	1,150,298	406,551
Accrued liabilities and deposits	70,672	12,172	82,844	50,733
Other accrued liabilities	1,008	41,814	42,822	-
Unearned revenue - others	-	-	-	24,773
Accrued interest payable	108,831	38,586	147,417	-
Escrow and deposits payable	110,134	-	110,134	-
Retainage payable	44,187	-	44,187	-
Due to the primary government	-	-	-	14,533
Noncurrent liabilities				
Net pension liability - IMRF	90,308	13,022	103,330	109,526
Net pension liability - Police	1,159,024	-	1,159,024	-
Other due within one year	619,670	328,374	948,044	-
Other due in more than one year	10,601,521	4,289,153	14,890,674	-
	<u>13,863,614</u>	<u>4,815,160</u>	<u>18,678,774</u>	<u>606,116</u>
Total liabilities				

(Cont.)

City of Highwood, Illinois
Statement of Net Position
April 30, 2023

	Governmental Activities	Business-Type Activities	Total	Component Unit
Deferred Inflows of Resources				
Deferred inflows of resources - pensions	\$ 824,523	\$ -	\$ 824,523	\$ -
Deferred inflows of resources - property taxes	2,916,806	-	2,916,806	321,750
Deferred inflows of resources - leases	3,828,679	-	3,828,679	-
	<u>7,570,008</u>	<u>-</u>	<u>7,570,008</u>	<u>321,750</u>
Total deferred inflows of resources				
	<u>7,570,008</u>	<u>-</u>	<u>7,570,008</u>	<u>321,750</u>
Net Position				
Net investment in capital assets	2,308,242	2,694,708	2,825,406	2,507,443
Restricted for				
Debt service	279,680	-	279,680	-
Economic development - capital projects	2,615,871	-	2,615,871	-
Road construction and maintenance	447,229	-	447,229	-
Public safety	22,770	-	22,770	-
Library programs	-	-	-	-
Health initiatives	-	-	-	754,875
Renovations	-	-	-	306,979
Pensions	398,013	-	398,013	-
Unrestricted (deficit)	(685,361)	(1,048,027)	444,156	2,089,219
	<u>(685,361)</u>	<u>(1,048,027)</u>	<u>444,156</u>	<u>2,089,219</u>
	<u>2,308,242</u>	<u>2,694,708</u>	<u>2,825,406</u>	<u>2,507,443</u>
Total net position	<u>\$ 5,386,444</u>	<u>\$ 1,646,681</u>	<u>\$ 7,033,125</u>	<u>\$ 5,658,516</u>

City of Highwood, Illinois
Statement of Activities
Year Ended April 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 1,381,279	\$ 635,397	\$ -	\$ -
Public safety	2,375,058	25,615	710,906	-
Public works	2,398,302	120,500	211,596	59,368
Culture, education and recreation	221,021	226,149	-	200,000
Economic development	2,395,330	-	-	-
Interest and fiscal charges	410,713	-	-	-
Total governmental activities	<u>9,181,703</u>	<u>1,007,661</u>	<u>922,502</u>	<u>259,368</u>
Business-Type Activities				
Water and sewer	1,076,273	1,388,934	-	-
Garbage	482,866	302,963	-	-
Total business-type activities	<u>1,559,139</u>	<u>1,691,897</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 10,740,842</u>	<u>\$ 2,699,558</u>	<u>\$ 922,502</u>	<u>\$ 259,368</u>
Component Unit				
Highwood Library	<u>\$ 1,437,550</u>	<u>\$ 2,177</u>	<u>\$ 2,384,631</u>	<u>\$ 1,145,071</u>

General Revenues
Property taxes
Utility taxes
Home rule sales taxes
Intergovernmental - sales taxes
Intergovernmental - other taxes
Unrestricted investment earnings
Gain on sale of capital assets
Miscellaneous
Total general revenues

Change in Net Position

Net Position
May 1

April 30

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (745,882)	\$ -	\$ (745,882)	\$ -
(1,638,537)	-	(1,638,537)	-
(2,006,838)	-	(2,006,838)	-
205,128	-	205,128	-
(2,395,330)	-	(2,395,330)	-
(410,713)	-	(410,713)	-
<u>(6,992,172)</u>	<u>-</u>	<u>(6,992,172)</u>	<u>-</u>
-	312,661	312,661	-
-	(179,903)	(179,903)	-
-	<u>132,758</u>	<u>132,758</u>	-
(6,992,172)	<u>132,758</u>	<u>(6,859,414)</u>	-
<u>2,094,329</u>	<u>-</u>	<u>-</u>	<u>2,094,329</u>
2,750,895	-	2,750,895	291,082
331,568	-	331,568	-
1,286,647	-	1,286,647	-
876,815	-	876,815	-
1,295,859	-	1,295,859	-
59,860	39,473	99,333	1,993
59,327	-	59,327	-
96,435	196,349	292,784	5,258
<u>6,757,406</u>	<u>235,822</u>	<u>6,993,228</u>	<u>298,333</u>
(234,766)	<u>368,580</u>	<u>133,814</u>	<u>2,392,662</u>
<u>5,621,210</u>	<u>1,278,101</u>	<u>6,899,311</u>	<u>3,265,854</u>
<u>\$ 5,386,444</u>	<u>\$ 1,646,681</u>	<u>\$ 7,033,125</u>	<u>\$ 5,658,516</u>

City of Highwood, Illinois
Balance Sheet
Governmental Funds
April 30, 2023

	General Fund	Downtown Redevelopment TIF Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 3,763,412	\$ 441,418	\$ -	\$ 475,709	\$ 4,680,539
Receivables					
Property tax	1,337,531	1,376,927	-	202,348	2,916,806
Other taxes	125,970	-	-	-	125,970
Intergovernmental	432,911	-	200,000	18,027	650,938
Other receivables, net	44,861	-	-	-	44,861
Lease	3,686,264	-	-	-	3,686,264
Prepaid items	51,790	-	-	-	51,790
Restricted assets					
Cash and investments	-	2,615,871	-	-	2,615,871
Due from other funds	200,000	-	-	-	200,000
Due from component unit	14,533	-	-	-	14,533
	<u>\$ 9,657,272</u>	<u>\$ 4,434,216</u>	<u>\$ 200,000</u>	<u>\$ 696,084</u>	<u>\$ 14,987,572</u>
Total assets					
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 127,310	\$ 45,208	\$ 885,741	\$ -	\$ 1,058,259
Retainage payable	-	-	44,187	-	44,187
Accrued payroll	70,672	-	-	-	70,672
Other payroll related liabilities	1,008	-	-	-	1,008
Due to other funds	-	-	200,000	-	200,000
Escrow and refundable deposits	55,928	54,206	-	-	110,134
	<u>254,918</u>	<u>99,414</u>	<u>1,129,928</u>	<u>-</u>	<u>1,484,260</u>
Total liabilities					
Deferred Inflows of Resources					
Unavailable revenue - property taxes	1,337,531	1,376,927	-	202,348	2,916,806
Leases	3,828,679	-	-	-	3,828,679
	<u>5,166,210</u>	<u>1,376,927</u>	<u>-</u>	<u>202,348</u>	<u>6,745,485</u>
Total deferred inflows of resources					
Fund Balances					
Nonspendable					
Prepaid items	51,790	-	-	-	51,790
Restricted					
Debt service	-	342,004	-	46,507	388,511
Capital projects	-	2,615,871	-	-	2,615,871
Road construction and maintenance	-	-	-	447,229	447,229
Public safety	22,770	-	-	-	22,770
Unassigned (deficit)	4,161,584	-	(929,928)	-	3,231,656
	<u>4,236,144</u>	<u>2,957,875</u>	<u>(929,928)</u>	<u>493,736</u>	<u>6,757,827</u>
Total fund balances (deficit)					
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,657,272</u>	<u>\$ 4,434,216</u>	<u>\$ 200,000</u>	<u>\$ 696,084</u>	<u>\$ 14,987,572</u>

City of Highwood, Illinois
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
April 30, 2023

Total Fund Balances - Governmental Funds	\$ 6,757,827
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,834,398
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds, notes and loans	\$ (10,270,000)
Compensated absences	(123,351)
Net pension asset/liabilities	(1,206,037)
Accrued interest	<u>(108,831)</u>
	(11,708,219)
Premiums on bonds are an other financing source in the year of issuance but are shown as an increase in bonds payable and amortized over the life of the bonds on the statement of net position.	(827,840)
Deferred outflows of resources related to pensions are recorded on the statement of net position.	1,154,801
Deferred inflows of resources related to pensions are recorded on the statement of net position.	<u>(824,523)</u>
Net Position of Governmental Activities	<u><u>\$ 5,386,444</u></u>

City of Highwood, Illinois
Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances
Year Ended April 30, 2023

	General Fund	Downtown Redevelopment TIF Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property tax	\$ 1,353,607	\$ 1,196,996	\$ -	\$ 200,292	\$ 2,750,895
Other taxes	1,618,215	-	-	-	1,618,215
Grants	-	-	200,000	-	200,000
Intergovernmental	2,963,730	-	-	270,964	3,234,694
Licenses and permits	198,484	-	-	-	198,484
Fines, forfeitures and penalties	24,558	-	-	-	24,558
Public charges for services	780,199	-	-	-	780,199
Investment income	38,220	4,999	-	16,641	59,860
Miscellaneous	20,705	-	-	-	20,705
Total revenues	<u>6,997,718</u>	<u>1,201,995</u>	<u>200,000</u>	<u>487,897</u>	<u>8,887,610</u>
Expenditures					
Current					
General government	1,194,301	77,865	-	-	1,272,166
Public safety	2,792,583	-	-	-	2,792,583
Public works	871,661	-	-	126,560	998,221
Culture, recreation and education	173,055	-	-	-	173,055
Economic development	-	5,934,267	-	-	5,934,267
Capital outlay	13,159	-	1,954,123	150,745	2,118,027
Debt service					
Principal	-	350,000	-	150,000	500,000
Interest	-	358,631	-	51,075	409,706
Issuance costs and Fiscal agent fees	-	475	-	475	950
Total expenditures	<u>5,044,759</u>	<u>6,721,238</u>	<u>1,954,123</u>	<u>478,855</u>	<u>14,198,975</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,952,959</u>	<u>(5,519,243)</u>	<u>(1,754,123)</u>	<u>9,042</u>	<u>(5,311,365)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	1,139,196	-	1,139,196
Transfers out	(1,139,196)	-	-	-	(1,139,196)
Proceeds from the sale of capital assets	105,000	-	-	-	105,000
Total other financing sources (uses)	<u>(1,034,196)</u>	<u>-</u>	<u>1,139,196</u>	<u>-</u>	<u>105,000</u>
Net Change in Fund Balances	918,763	(5,519,243)	(614,927)	9,042	(5,206,365)
Fund Balances					
May 1	<u>3,317,381</u>	<u>8,477,118</u>	<u>(315,001)</u>	<u>484,694</u>	<u>11,964,192</u>
April 30	<u>\$ 4,236,144</u>	<u>\$ 2,957,875</u>	<u>\$ (929,928)</u>	<u>\$ 493,736</u>	<u>\$ 6,757,827</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, 2023

Net Change in Fund Balances - Total Governmental Funds **\$ (5,206,365)**

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. 4,390,242

Depreciation is reported in the government-wide financial statements. (246,752)

Cash received related to sale of capital assets is recognized as other financing sources in the fund financial statements but is reduced by the amount of the remaining net book value to arrive at gain or loss on sale as reported in the statement of activities. (45,673)

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. 500,000

The amortization of premiums on bonds and losses on refunding are not a use of financial resources in the governmental funds. 94,331

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Changes in

Compensated absences 7,377

Net pension assets (700,735)

Net pension liabilities (204,570)

Deferred outflows of resources - pensions 536,468

Deferred inflows of resources - pensions 735,299

Accrued interest on debt (94,388)

Change in Net Position **\$ (234,766)**

City of Highwood, Illinois
Proprietary Funds Statement of Net Position
April 30, 2023

	<u>Major Funds</u>		
	<u>Waterworks and Sewerage</u>	<u>Garbage</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
Assets			
Current Assets			
Cash and investments	\$ 944,731	\$ 15,836	\$ 960,567
Receivables			
Accounts, net	299,906	31,491	331,397
Prepaid items	2,220	-	2,220
Total current assets	<u>1,246,857</u>	<u>47,327</u>	<u>1,294,184</u>
Noncurrent Assets			
Capital assets			
Property and equipment	11,579,651	198,289	11,777,940
Less accumulated depreciation	<u>(6,604,391)</u>	<u>(59,487)</u>	<u>(6,663,878)</u>
Capital assets, net	<u>4,975,260</u>	<u>138,802</u>	<u>5,114,062</u>
Total assets	<u>6,222,117</u>	<u>186,129</u>	<u>6,408,246</u>
Deferred Outflows of Resources			
Deferred outflows of resources - loss on refunding	20,629	-	20,629
Deferred outflows of resources - pensions	<u>32,966</u>	<u>-</u>	<u>32,966</u>
Total deferred outflows of resources	<u>53,595</u>	<u>-</u>	<u>53,595</u>
Liabilities			
Current Liabilities			
Accounts payable	57,275	34,764	92,039
Accrued payroll	8,118	4,054	12,172
Other current liabilities	41,189	625	41,814
Interest payable	<u>38,586</u>	<u>-</u>	<u>38,586</u>
Total current liabilities	<u>145,168</u>	<u>39,443</u>	<u>184,611</u>
Noncurrent Liabilities			
Long-term debt			
Other due within one year	328,374	-	328,374
Other due in more than one year	<u>4,302,175</u>	<u>-</u>	<u>4,302,175</u>
Total noncurrent liabilities	<u>4,630,549</u>	<u>-</u>	<u>4,630,549</u>
Total liabilities	<u>4,775,717</u>	<u>39,443</u>	<u>4,815,160</u>
Net Position			
Net investment in capital assets	2,555,906	138,802	2,694,708
Unrestricted (deficit)	<u>(1,055,911)</u>	<u>7,884</u>	<u>(1,048,027)</u>
Total net position	<u>\$ 1,499,995</u>	<u>\$ 146,686</u>	<u>\$ 1,646,681</u>

City of Highwood, Illinois
Proprietary Funds Statement of Revenues,
Expenses, and Changes in Fund Net Position
Year Ended April 30, 2023

	<u>Major Enterprise Funds</u>		
	<u>Waterworks and Sewerage Fund</u>	<u>Garbage Fund</u>	<u>Total</u>
Operating Revenues			
Public charges for services	\$ 1,388,934	\$ 302,963	\$ 1,691,897
Operating Expenses			
Personnel	253,573	114,852	368,425
Contractual services	482,626	357,699	840,325
Materials and supplies	50,873	401	51,274
Capital outlay	7,500	-	7,500
Depreciation	195,517	9,914	205,431
Total operating expenses	<u>990,089</u>	<u>482,866</u>	<u>1,472,955</u>
Operating Income (Loss)	<u>398,845</u>	<u>(179,903)</u>	<u>218,942</u>
Nonoperating Revenues (Expenses)			
Investment income	27,105	12,368	39,473
Miscellaneous revenue	77,729	118,620	196,349
Interest expense	(85,709)	-	(85,709)
Fiscal agent fees	(475)	-	(475)
Total nonoperating revenues (expenses)	<u>18,650</u>	<u>130,988</u>	<u>149,638</u>
Changes in Net Position	417,495	(48,915)	368,580
Net Position			
May 1	<u>1,082,500</u>	<u>195,601</u>	<u>1,278,101</u>
April 30	<u>\$ 1,499,995</u>	<u>\$ 146,686</u>	<u>\$ 1,646,681</u>

City of Highwood, Illinois
Proprietary Funds Statement of Cash Flows
Year Ended April 30, 2023

	Major Funds		Total
	Waterworks and Sewerage Fund	Garbage Fund	
Cash Flows From Operating Activities			
Received from customers	\$ 1,359,998	\$ 341,917	\$ 1,701,915
Paid to suppliers for grounds and services	(903,066)	(350,262)	(1,253,328)
Paid to employees for services	(228,829)	(113,488)	(342,317)
Other miscellaneous receipts	77,254	118,620	195,874
	<u>305,357</u>	<u>(3,213)</u>	<u>302,144</u>
Net cash provided by (used in) operating activities			
Cash Flows From Investing Activities			
Net cash provided by investing activities - investment income	<u>27,105</u>	<u>12,368</u>	<u>39,473</u>
Cash Flows From Capital and Related Financing Activities			
Bonds retired	(125,000)	-	(125,000)
Loans retired	(174,218)	-	(174,218)
Interest paid	(123,366)	-	(123,366)
Purchases of capital assets	(125,673)	-	(125,673)
Net cash used in capital and related financial activities	<u>(548,257)</u>	<u>-</u>	<u>(548,257)</u>
Net Change in Cash and Cash Equivalents	(215,795)	9,155	(206,640)
Cash and Cash Equivalents			
May 1	<u>1,160,526</u>	<u>6,681</u>	<u>1,167,207</u>
April 30	<u>\$ 944,731</u>	<u>\$ 15,836</u>	<u>\$ 960,567</u>

City of Highwood, Illinois
Proprietary Funds Statement of Cash Flows
Year Ended April 30, 2023

	Major Funds		
	Waterworks and Sewerage Fund	Garbage Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	\$ 398,845	\$ (179,903)	\$ 218,942
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	195,517	9,914	205,431
Other miscellaneous revenue	77,729	118,620	196,349
Other miscellaneous expense	(475)	-	(475)
Deferred outflows of resources - pension	(29,769)	-	(29,769)
Net pension liability/asset	122,793	-	122,793
Deferred inflows of resources - pension	(72,610)	-	(72,610)
Changes in assets and liabilities			
Accounts receivable	(28,936)	38,954	10,018
Prepaid expenses	(963)	-	(963)
Accounts payable	(1,466)	9,316	7,850
Accrued payroll	4,330	1,364	5,694
Due to other funds	(355,453)	-	(355,453)
Other liabilities	(4,185)	(1,478)	(5,663)
	<u>\$ 305,357</u>	<u>\$ (3,213)</u>	<u>\$ 302,144</u>
Net cash provided by (used in) operating activities			
	<u>\$ 305,357</u>	<u>\$ (3,213)</u>	<u>\$ 302,144</u>
Noncash Capital Financing Activities			
Capital asset purchases not yet paid and included in accounts payable			<u>\$ 2,000</u>

City of Highwood, Illinois
Statement of Fiduciary Net Position
Pension Trust Funds
April 30, 2023

	Pension Trust Funds
Assets	
Cash and cash equivalents	\$ 130,932
Investments, at net asset value	
Pooled investment accounts	9,777,832
Prepaid expenses	4,378
Total assets	9,913,142
Liabilities	
Accounts payable	8,300
Net Position	
Restricted for pensions	\$ 9,904,842

City of Highwood, Illinois
Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year End April 30, 2023

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 405,921
Plan members	93,449
Other member revenue	104,881
	604,251
Total contributions	604,251
Investment Income	
Investment income	358,821
Net change in fair value of investments	(183,993)
Investment expense	(7,693)
	167,135
Net investment income	167,135
Total additions	771,386
Deductions	
Benefits	405,299
Administration	105,129
Refunds of contributions	27,988
	538,416
Total deductions	538,416
Change in Net Position	232,970
Net Position Restricted for Pensions	
May 1	9,671,872
April 30	\$ 9,904,842

City of Highwood, Illinois

Notes to Financial Statements

April 30, 2023

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 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

City of Highwood, Illinois

Notes to Financial Statements

April 30, 2023

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, 2023. 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, 2023, which was audited by another auditor.

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

City of Highwood, Illinois

Notes to Financial Statements

April 30, 2023

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 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.

The **Capital Projects Fund** is 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.

City of Highwood, Illinois

Notes to Financial Statements

April 30, 2023

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

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 deferred 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

City of Highwood, Illinois

Notes to Financial Statements

April 30, 2023

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.

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

City of Highwood, Illinois

Notes to Financial Statements

April 30, 2023

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.

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.

Property Taxes Receivables

Property taxes for levy year 2022 attached as an enforceable lien on January 1, 2022, 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 2022 still outstanding as of April 30, 2023, are recorded as receivables. The 2023 tax levy, which attached as an enforceable lien on the property as of January 1, 2023, has not been recorded as a receivable and deferral as of April 30, 2023, as the tax has not yet been levied by the City and will not be levied until December 2023. Therefore, the levy is not measurable at April 30, 2023. The property tax receivable at April 30, 2023, is related to remaining distributions on the 2022 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 2022 property tax levy is recognized as a receivable and deferral in fiscal 2023, 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, 2023, the property taxes receivable and deferred inflows consisted of the estimated amount collectible from the 2022 levy.

Lease Receivables

The City is a lessor for noncancellable leases of certain tower equipment and recognizes a related lease receivable and a deferred inflow of resources. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred

City of Highwood, Illinois

Notes to Financial Statements

April 30, 2023

inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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), if any, are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

Restricted Assets

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

Capital Assets

Government-Wide Statements

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$10,000 for general capital assets and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2023

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.

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, 2023, 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 assets 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 assets 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 three types of items that qualify for reporting in this category. Accordingly, the items, unavailable/deferred property taxes, deferred inflows for pensions and deferred inflows related to leases, are reported in the statement of net position and the governmental funds balance sheet, as noted. The unavailable/deferred property taxes are

City of Highwood, Illinois

Notes to Financial Statements

April 30, 2023

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. The deferred inflows related to leases represents items that will be recognized as rent income 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 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

City of Highwood, Illinois

Notes to Financial Statements

April 30, 2023

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.
- (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.

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2023

Change in Accounting Principle

The City adopted the provisions of GASB Statement No. 87, *Leases*, for the fiscal year ended April 30, 2023. As described elsewhere in Note 5, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The adoption had no impact on the City's beginning net position/fund balance.

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.

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, 2023:

Fund	Deficit Fund Balance
Capital Projects Fund (major fund)	\$ (929,928)

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

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2023

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.

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

	Carrying Value	Bank/Broker Statement Balances
Deposits	\$ 4,733,612	\$ 4,747,842
Illinois Funds (investments)	3,522,165	3,522,165
Petty cash	1,200	-
	\$ 8,256,977	\$ 8,270,007

Reconciliation to financial statements:

	Government-Wide Statement of Net Position
Cash and investments - unrestricted	\$ 5,641,106
Cash and investments - restricted	2,615,871
	\$ 8,256,977

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

City of Highwood, Illinois

Notes to Financial Statements

April 30, 2023

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, 2023, approximately \$35,000 of the City's total bank balances were exposed to custodial credit risk.

Investments

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

Credit Risk

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

Concentration of Credit Risk

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

Interest Rate Risk

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

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2023

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	\$ 1,337,531	\$ 1,376,927	\$ 202,348	\$ -	\$ -	\$ 2,916,806
Other taxes						
Sales tax	125,970	-	-	-	-	125,970
Intergovernmental						
Sales tax	183,936	-	-	-	-	183,936
Telecom	8,011	-	-	-	-	8,011
Use tax	33,555	-	-	-	-	33,555
Income tax	179,289	-	-	-	-	179,289
Replacement tax	6,046	-	-	-	-	6,046
Cannabis tax	22,074	-	-	-	-	22,074
Motor fuel tax	-	-	18,027	-	-	18,027
Accounts, net	44,861	-	-	299,906	31,491	376,258
	<u>\$ 1,941,273</u>	<u>\$ 1,376,927</u>	<u>\$ 220,375</u>	<u>\$ 299,906</u>	<u>\$ 31,491</u>	<u>\$ 3,869,972</u>

All of the receivables on the balance sheet are expected to be collected within one year. As of April 30, 2023, the General, Waterworks and Sewerage, and Garbage Funds have recorded allowance for uncollectible accounts of \$31,050, \$68,670, and \$6,060, respectively.

Note 5: Lease Receivables and Change in Accounting Principle

The City leases a portion of its property and water towers to various third-party communication companies, the terms of which expire 2028 through 2049. Lease payments are due monthly or on an annual basis. Payments increase annually based on an agreed amount or percentage stipulated in the contract.

As of April 30, 2023, the City's receivable for lease payments was \$3,686,264. Also, the City has a deferred inflow of resources associated with leases that will be recognized as revenue over the lease term. As of April 30, 2023, the balance of the deferred inflow of resources was \$3,828,679.

Revenue recognized under lease contracts during the year ended April 30, 2023, was \$295,114, which includes both lease revenue and interest.

The implementation of GASB Statement No. 87, *Leases*, did not result in the restatement of fund balance or net position beginning balances.

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2023

The effects of the implementation are as follows:

	April 30, 2022 As Reported	GASB 87 Leases Adjustment on May 1, 2022	May 1, 2022 As Adjusted
Assets and Deferred Outflows of Resources			
Lease receivables (A)	\$ -	\$ 3,897,011	\$ (3,897,011)
Liabilities and Deferred Inflows of Resources			
Unearned rent (B)	113,587	(113,587)	-
Deferred inflows of resources (C)	-	(4,010,598)	4,010,598

- (A) The adjustment represents the recognition of the present value of future lease receipts minus any advance or unearned rent.
- (B) The adjustment represents the derecognition of unearned rent, with the implementation of GASB 87, *Leases*, this amount is included in the determination of deferred inflows of resources.
- (C) The adjustment represents the recognition of deferred inflows of resources related to the present value of future lease receipts.

Note 6: Restricted Assets

The following represent the balances of the restricted assets:

Unspent portion of 2021 TIF Bonds at April 30, 2023.

	Restricted Assets	Noncurrent Liabilities Payable From Restricted Assets	Restricted Net Position
Governmental activities			
Unspent bond proceeds	<u>\$ 2,615,871</u>	<u>\$ (2,615,871)</u>	<u>\$ -</u>

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2023

Note 7: 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	\$ 3,709,704	\$ -	\$ 6,041,054
Construction in progress	1,406,948	62,079	1,387,038	81,989
	<u>3,738,298</u>	<u>3,771,783</u>	<u>1,387,038</u>	<u>6,123,043</u>
Capital assets being depreciated				
Land improvements	737,840	1,559,459	-	2,297,299
Buildings	2,274,947	-	-	2,274,947
Equipment and vehicles	792,568	446,038	146,155	1,092,451
Infrastructure	13,468,516	-	-	13,468,516
	<u>17,273,871</u>	<u>2,005,497</u>	<u>146,155</u>	<u>19,133,213</u>
Less accumulated depreciation for				
Land improvements	737,840	38,986	-	776,826
Buildings	1,809,931	37,799	-	1,847,730
Equipment and vehicles	643,884	69,388	100,482	612,790
Infrastructure	11,083,933	100,579	-	11,184,512
	<u>14,275,588</u>	<u>246,752</u>	<u>100,482</u>	<u>14,421,858</u>
Total capital assets being depreciated, net	<u>2,998,283</u>	<u>1,758,745</u>	<u>45,673</u>	<u>4,711,355</u>
Governmental activities capital assets, net	<u>\$ 6,736,581</u>	<u>\$ 5,530,528</u>	<u>\$ 1,432,711</u>	<u>\$ 10,834,398</u>

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2023

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	3,881,087	-	-	3,881,087
Machinery and equipment	350,600	38,567	-	389,167
Waterworks and sewerage system	7,180,391	87,106	-	7,267,497
	<u>11,652,267</u>	<u>125,673</u>	<u>-</u>	<u>11,777,940</u>
Less accumulated depreciation for				
Land improvements	91,470	9,917	-	101,387
Buildings	2,335,931	59,042	-	2,394,973
Machinery and equipment	314,302	7,884	-	322,186
Waterworks and sewerage system	3,716,744	128,588	-	3,845,332
	<u>6,458,447</u>	<u>205,431</u>	<u>-</u>	<u>6,663,878</u>
Total capital assets being depreciated, net	<u>5,193,820</u>	<u>(79,758)</u>	<u>-</u>	<u>5,114,062</u>
Business-type activities capital assets, net	<u>\$ 5,193,820</u>	<u>\$ (79,758)</u>	<u>\$ -</u>	<u>\$ 5,114,062</u>

Depreciation Expense

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

Governmental activities	
General government	\$ 39,157
Public safety	50,873
Public works	115,823
Culture, education and recreation	40,899
	<u>\$ 246,752</u>
Business-type activities	
Water	\$ 141,162
Sewer	54,355
Garbage	9,914
	<u>\$ 205,431</u>

City of Highwood, Illinois
Notes to Financial Statements
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Note 8: 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
General Fund	Component unit (Public Library)	<u>\$ 14,533</u>
General Fund	Capital Projects Fund (Major Fund)	<u>\$ 200,000</u>

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 2023.

Transferring Fund	Receiving Fund	Amount
General Fund	Capital Projects Fund (Major)	<u>\$ 1,139,196</u>

City of Highwood, Illinois
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April 30, 2023

Note 9: Long-Term Obligations

Long-term obligations activity for the year ended April 30, 2023, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 10,770,000	\$ -	\$ 500,000	\$ 10,270,000	\$ 595,000
Bond premium	922,171	-	94,331	827,840	-
	11,692,171	-	594,331	11,097,840	595,000
Other liabilities					
Vested compensated absences	130,728	22,651	30,028	123,351	24,670
Total governmental activities long-term liabilities	<u>\$ 11,822,899</u>	<u>\$ 22,651</u>	<u>\$ 624,359</u>	<u>\$ 11,221,191</u>	<u>\$ 619,670</u>

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
2020 General Obligation Bonds	\$ 2,620,000	\$ -	\$ 125,000	\$ 2,495,000	\$ 195,000
Bond premium	243,925	-	38,312	205,613	-
Loan payable	43,663	-	43,663	-	-
IEPA loans	2,047,469	-	130,555	1,916,914	133,374
Total business-type activities long-term liabilities	<u>\$ 4,955,057</u>	<u>\$ -</u>	<u>\$ 337,530</u>	<u>\$ 4,617,527</u>	<u>\$ 328,374</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 – 2022	<u>\$ 153,412,601</u>
Legal debt limit – 8.625% of assessed	\$ 13,231,837
Amount of debt applicable to debt limit	<u>10,270,000</u>
Legal debt margin	<u>\$ 2,961,837</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

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2023

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.

Governmental Activities - Alternate Revenue and General Obligation Bonds

Alternate revenue and general obligation debt payable at April 30, 2023, consists of the following:

Governmental Activities	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance April 30, 2023
Series 2021 TIF General Obligation Bonds	2021	1/1/2039	3.00%	9,255,000	\$ 8,905,000
Series 2015 General Obligation Bonds	2015	12/1/2030	1.85% - 4.00%	2,355,000	1,365,000
Total governmental activities - alternate revenue and general obligation bonds					<u>\$ 10,270,000</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, 2023, consists of the following:

Business-Type Activities	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance April 30, 2023
Series 2020 General Obligation Refunding Bond	2020	12/1/2033	3.00%	\$ 2,670,000	<u>\$ 2,495,000</u>

City of Highwood, Illinois
Notes to Financial Statements
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Debt service requirements to maturity are as follows:

Year	Governmental Activities	
	General Obligation	
	Principal	Interest
2024	\$ 155,000	\$ 47,475
2025	155,000	43,213
2026	160,000	38,950
2027	165,000	34,150
2028	170,000	29,200
2029-2031	560,000	45,400
	<u>\$ 1,365,000</u>	<u>\$ 238,388</u>

Year	Governmental Activities	
	Alternate Revenue	
	Principal	Interest
2024	\$ 440,000	\$ 267,150
2025	455,000	253,950
2026	470,000	240,300
2027	485,000	226,200
2028	495,000	211,650
2029-2033	2,715,000	826,050
2034-2038	3,155,000	393,150
2039	690,000	20,700
	<u>\$ 8,905,000</u>	<u>\$ 2,439,150</u>

Year	Business-Type Activities	
	2020 General Obligation	
	Principal	Interest
2024	\$ 195,000	\$ 74,850
2025	205,000	69,000
2026	210,000	62,850
2027	215,000	56,550
2028	220,000	50,100
2029-2033	1,190,000	147,900
2034	260,000	7,800
	<u>\$ 2,495,000</u>	<u>\$ 469,050</u>

City of Highwood, Illinois
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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 - Other Notes or Loans Payable</u>	<u>Date of Issue</u>	<u>Original Indebtedness</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance April 30, 2023</u>
Illinois Environmental Protection Agency (IEPA) Loan payable - water	3/10/2016	\$ 2,610,846	8/26/2035	2.21%	\$ 1,423,896
Loan payable - sewer	3/10/2016	249,578	9/4/2035	2.21%	143,551
Loan payable - water tower	4/30/2017	571,500	8/2/2036	1.86%	<u>349,467</u>
					<u><u>\$ 1,916,914</u></u>

Debt service requirements to maturity are as follows:

<u>Year</u>	<u>Business-Type Activities Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 133,374	\$ 40,428
2025	136,257	37,546
2026	139,200	34,602
2027	142,209	31,593
2028	145,282	28,521
2029-2033	774,897	94,114
2034-2037	<u>445,695</u>	<u>15,198</u>
	<u><u>\$ 1,916,914</u></u>	<u><u>\$ 282,002</u></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, 2023, 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.

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2023

Basis of Accounting/Measurement Focus

The Library follows the modified accrual basis of accounting in the fund financial statements and the flow of economic resources measurement focus in the government-wide financial statements.

Deposits and Investments

The Library is authorized to make deposits in commercial banks, CDs and savings and loan institutions and make investments in obligations of the U.S. Treasury and U.S. agencies, savings accounts and the Illinois Metropolitan Investment Fund and Illinois Funds.

The Illinois Metropolitan Investment Fund (I.M.E.T.) is a non-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from the participating members. I.M.E.T. is not registered with the SEC as an investment company. Investments in I.M.E.T. are valued at I.M.E.T.'s net asset value per share, which is the price the investment could be sold for.

At April 30, 2023, the Library has the following cash and investment balances:

	Carrying Value	Bank Statement Balance
Deposits	\$ 612,561	\$ 636,701
Illinois Metropolitan Investment Fund	20,722	20,722
	\$ 633,283	\$ 657,423

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.

Library's unsecured and uncollateralized bank deposits amounted to \$386,701 at April 30, 2023.

In addition to the Library amounts above, the Friends had unsecured and uncollateralized bank deposits of \$374,046 at April 30, 2023.

Investments

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

The Library's investments are not exposed to custodial credit and the Library's investment policy is silent in regard to custodial credit risk for investments.

City of Highwood, Illinois
Notes to Financial Statements
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Interest Rate Risk

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

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	\$ 1,802,827	\$ -	\$ 2,099,393	
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	709,578	23,132	-	732,710	
Equipment and vehicles	1,284,484	2,483	-	1,286,967	
	<u>1,994,062</u>	<u>25,615</u>	<u>-</u>	<u>2,019,677</u>	
Total capital assets being depreciated, net	<u>433,665</u>	<u>(25,615)</u>	<u>-</u>	<u>408,050</u>	
Governmental activities capital assets, net	<u>\$ 730,231</u>	<u>\$ 1,777,212</u>	<u>\$ -</u>	<u>\$ 2,507,443</u>	

Defined Benefit Pension Plan

The Library contributes, through the City, to the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system. However, the Library's participation in IMRF is equivalent to a cost-sharing, multiple-employer pension plan since only one actuarial valuation is performed for both the City and the Library combined. All disclosures for the agent plan are included in the City's disclosures below.

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 - Regular	\$ 90,308	\$ 13,022	\$ 103,330	\$ 109,526	\$ 212,856
IMRF - SLEP	(27,979)	-	(27,979)	-	(27,979)
Police	1,159,024	-	1,159,024	-	1,159,024
Firefighters	(15,316)	-	(15,316)	-	(15,316)
	<u>\$ 1,206,037</u>	<u>\$ 13,022</u>	<u>\$ 1,219,059</u>	<u>\$ 109,526</u>	<u>\$ 1,328,585</u>
Deferred outflows of Resources					
IMRF	\$ 236,869	\$ 32,966	\$ 269,835	\$ 277,271	\$ 547,106
Police	571,459	-	571,459	-	571,459
Firefighters	346,473	-	346,473	-	346,473
	<u>\$ 1,154,801</u>	<u>\$ 32,966</u>	<u>\$ 1,187,767</u>	<u>\$ 277,271</u>	<u>\$ 1,465,038</u>
Deferred inflows of Resources					
Police	<u>\$ 824,523</u>	<u>\$ -</u>	<u>\$ 824,523</u>	<u>\$ -</u>	<u>\$ 824,523</u>
Pension expense/ (reduction)					
IMRF	\$ 72,075	\$ 10,604	\$ 82,679	\$ 89,167	\$ 171,846
Police	138,365	-	138,365	-	138,365
Firefighters	(215,255)	-	(215,255)	-	(215,255)
	<u>\$ (4,815)</u>	<u>\$ 10,604</u>	<u>\$ 5,789</u>	<u>\$ 89,167</u>	<u>\$ 94,956</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 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

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2023

basis of employer contributions to total employer contributions for the fiscal year. The City's portion was 48.54% and the Library's portion was 51.46%.

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.

Employees Covered by Benefit Terms

At December 31, 2022, 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	34	-
Active members	23	-
	83	1

City of Highwood, Illinois
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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 2022 was 5.24% and for 2023, it is 3.35%. For the year ended April 30, 2023, the City contributed \$74,447 to the plan, which includes \$38,735 from the Library. 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 2023 and 2022 was 0.00%. For the year ended April 30, 2023, the City contributed \$0 to the SLEP Plan.

Net Pension Liability/Asset

The City's net pension liability at April 30, 2023, was measured as of December 31, 2022, 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 liability/(asset) as of April 30, 2023, is \$212,856 for the Regular Plan and \$(27,979) for the SLEP Plan.

Actuarial Assumptions

The following are the methods and assumptions used to determine the net pension liability as of April 30, 2023:

Actuarial valuation date	December 31, 2022
Measurement date	December 31, 2022
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.

City of Highwood, Illinois
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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 1.84% in 2022 to 4.05% in 2023.

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	35.5%	6.50%
International equity	18.0%	7.60%
Fixed income	25.5%	4.90%
Alternative investments	9.5%	6.25% - 9.90%
Real estate	10.5%	6.20%
Short term	1.0%	4.00%
	<u>100.00%</u>	

City of Highwood, Illinois
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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.

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	\$ 5,440,810	\$ 6,596,299	\$ (1,155,489)
Changes for the year			
Service cost	91,998	-	91,998
Interest	388,909	-	388,909
Differences between expected and actual experience	165,121	-	165,121
Changes in assumptions	-	-	-
Contributions - employer	-	73,565	(73,565)
Contributions - employee	-	63,177	(63,177)
Net investment income	-	(837,611)	837,611
Benefit payments, including refunds of employees' contributions	(245,089)	(245,089)	-
Administrative expenses	-	-	-
Other (net transfer)	-	(21,448)	21,448
Net changes	400,939	(967,406)	1,368,345
Balance, end of year	\$ 5,841,749	\$ 5,628,893	\$ 212,856

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	\$ 51,479	\$ 98,980	\$ (47,501)
Changes for the year			
Service cost	-	-	-
Interest	3,595	-	3,595
Differences between expected and actual experience	448	-	448
Changes in assumptions	-	-	-
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	(15,607)	15,607
Benefit payments, including refunds of employees' contributions	(3,780)	(3,780)	-
Administrative expenses	-	-	-
Other (net transfer)	-	128	(128)
Net changes	263	(19,259)	19,522
Balance, end of year	\$ 51,742	\$ 79,721	\$ (27,979)

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 liability/(asset)	\$ 945,122	\$ 212,856	\$ (347,521)

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SLEP

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension asset	\$ (22,497)	\$ (27,979)	\$ (32,611)

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, 2023, the City recognized pension expense/ (reduction of expenses) of \$173,275 and \$(1,429) for the Regular Plan and SLEP, respectively. At April 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Regular Plan		SLEP	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 67,121	\$ -	\$ -	\$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	454,470	-	8,255	-
Total deferred amounts to be recognized in pension expense in future periods	521,591	-	8,255	-
Pension contributions made subsequent to the measurement date	17,260	-	-	-
	\$ 538,851	\$ -	\$ 8,255	\$ -

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Deferred outflows of resources of \$17,260 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, 2024. 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
2024	\$ 37,604	\$ 57	\$ 37,661
2025	74,907	1,159	76,066
2026	146,854	2,508	149,362
2027	262,226	4,531	266,757
	<u>\$ 521,591</u>	<u>\$ 8,255</u>	<u>\$ 529,846</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 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

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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, 2023, the Police Pension membership consisted of:

Inactive plan members currently receiving benefits	5
Inactive plan members entitled but not yet receiving benefits	7
Active plan members	11
	23
	23

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, 2023, the City contributed \$289,297 to the Police Pension Plan.

Police Pension Fund Investments

Investments of the Police’ Pension Plan are combined in a commingled external investment pool and held by the Illinois Police Officers’ Pension Investment Fund (IPOPIF). IPOPIF is an investment trust fund established by Illinois Public Act 101- 0610, which was effective as of January 1, 2020. Participation in IPOPIF is mandatory for Illinois police pension funds. IPOPIF consolidates the assets of the state’s police pension fund assets under its management for the purpose of obtaining a total return on investments to provide pension benefits to the beneficiaries of the participating pension funds.

IPOPIF is authorized to invest in all investments allowed by Illinois Compiled Statutes (ILCS). The IPOPIF shall not be subject to any of the limitations applicable to investments of pension fund assets currently held by the transferor pension funds under Sections 1-113.1 through 1 113.12 or Article 4 of the Illinois Pension Code.

For additional information on IPOPIF’s investments, please refer to their annual reports as of June 30, 2022 and 2023. A copy of the reports can be obtained from IPOPIF at 456 Fulton Street, Suite 402 Peoria, IL 61602 or at www.IPOPIF.org. On December 17, 2021, the IPOPIF Board adopted its Investment Policy, which provided for a short-term asset allocation to accommodate the initial transition of investment assets from Participating Pension Funds and the subsequent buildout of diversified strategies. The policy was revised and amended on April 12, 2024, to provide long-term allocation targets.

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Asset Classes	Target Allocation	Long Term Target Allocation
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 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 best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) 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, 2023, are listed in the table above.

For the year ended April 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.02%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

All investments in the plan are stated at fair value and recorded as of the trade date. Fair value measurements are categorized based on a hierarchy established by generally accepted accounting principles using one of three levels determined by valuation inputs used to measure the fair value of the asset.

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, which 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.

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Level 3 Includes unobservable inputs for an asset or liability.

The Police' Pension Fund had no investments subject to these fair value measurements at April 30, 2023.

The valuation method for the pooled investment in IPOPIF is measured at the net asset value (NAV) per share (or its equivalent). The Net Asset Value (NAV) of the plan's pooled investment in IPOPIF was \$5,604,998 at April 30, 2023. The pooled investments consist of the investments as noted in the target allocation table available at www.IPOPIF.org. Investments in IPOPIF are valued at IPOPIF's share price, which is the price the investment could be sold. There are no unfunded commitments at April 30, 2023. The Plan may redeem shares by submitting requests at least seven calendar days prior to the requested transfer date to ensure availability and to minimize costs. IPOPIF may, in its sole discretion and based on the circumstances, process cash withdrawal requests with fewer than seven calendar days before the requested transfer date. Multiple transactions can be entered up to 13 months in advance.

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.

Net Pension Liability

The City's net pension liability was measured as of April 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of May 1, 2022, rolled forward to April 30, 2023.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of May 1, 2022, using the following actuarial methods and assumptions.

Actuarial valuation date	May 1, 2022
Measurement date	April 30, 2023
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

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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 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 3.21% to 3.53% 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	\$ 6,210,352	\$ 5,304,446	\$ 905,906
Changes for the year			
Service cost	294,677	-	294,677
Interest	405,964	-	405,964
Changes of benefits term	(10,316)	-	(10,316)
Changes in assumptions	135,132	-	135,132
Contributions - employer	-	289,297	(289,297)
Contributions - employee	-	93,449	(93,449)
Contributions - other	-	104,881	(104,881)
Net investment income	-	147,312	(147,312)
Benefit payments, including refunds of employees' contributions	(201,431)	(201,431)	-
Administrative expenses	-	(62,600)	62,600
Net changes	624,026	370,908	253,118
Balance, end of year	\$ 6,834,378	\$ 5,675,354	\$ 1,159,024

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	\$ 2,271,577	\$ 1,159,024	\$ 260,946

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

For the year ended April 30, 2023, the City recognized pension expense of \$138,365. At April 30, 2023, 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	\$ 130,390	\$ 743,723
Changes of assumptions	19,699	80,800
Net differences between projected and actual earnings on pension plan investments	<u>421,370</u>	<u>-</u>
	<u><u>\$ 571,459</u></u>	<u><u>\$ 824,523</u></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
2024	\$ (91,681)
2025	(115,174)
2026	9,231
2027	(43,736)
2028	(11,704)
Thereafter	<u>-</u>
	<u><u>\$ (253,064)</u></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 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

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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, 2023, the Firefighters' Pension Plan membership consisted of:

Inactive plan members currently receiving benefits	12
Inactive plan members entitled but not yet receiving benefits	4
Active plan members	-
	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, 2023, the City contributed \$116,624 to the Firefighters' Pension Plan.

Firefighters' Pension Fund Investments

Investments of the Firefighters' Pension Plan are combined in a commingled external investment pool and held by the Illinois Firefighters' Pension Investment Fund (IFPIF). IFPIF is an investment trust fund established by Illinois Public Act 101-0610, which was effective as of January 1, 2020.

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Participation in IFPIF is mandatory for Illinois firefighter pension funds. IFPIF consolidates the assets of the state's firefighter pension fund assets under its management for the purpose of obtaining a total return on investments to provide pension benefits to the beneficiaries of the participating pension funds.

IFPIF is authorized to invest in all investments allowed by Illinois Compiled Statutes (ILCS). The IFPIF shall not be subject to any of the limitations applicable to investments of pension fund assets currently held by the transferor pension funds under Sections 1-113.1 through 1-113.12 or Article 4 of the Illinois Pension Code.

For additional information on IFPIF's investments, please refer to their annual reports as of June 30, 2021 and 2022. A copy of the reports can be obtained from IFPIF at 1919 South Highland Avenue, Building A, Suite 237, Lombard, IL 60148 or at www.ifpif.org.

On June 18, 2021, the IFPIF Board adopted its Investment Policy, which included interim and long-term asset allocations. The Board amended its long-term asset allocation at its meeting held June 17, 2022.

Asset Allocation	Interim Asset Allocation (%)	Long-Term Asset Allocation (%)	Interim Ranges (%)
Equity			
U.S. Equity	36	25	+/- 5
Developed Market Equity (non-U.S.)	19	13	+/- 4
Emerging Market Equity	10	7	+/- 3
Private Equity	0	10	+/- 10
Credit			
Public Credit	3	3	+/- 1
Private Credit	0	7	+/- 7
Rate Sensitive			
Core Fixed Income	12	9	+/- 3
Core Plus Fixed Income	12	9	+/- 3
Short-Term Treasuries	3	3	+/- 1
Real Assets			
Real Estate	5	10	+/- 2
Infrastructure	0	4	+/- 4

The long-term expected rate of return of the Firefighters' Pension Fund's investments of 6.50% was determined using best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) 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.

For the year ended April 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.46%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

All investments in the plan are stated at fair value and recorded as of the trade date. Fair value measurements are categorized based on a hierarchy established by generally accepted

City of Highwood, Illinois

Notes to Financial Statements

April 30, 2023

accounting principles using one of three levels determined by valuation inputs used to measure the fair value of the asset.

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, which 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.

The Firefighters' Pension Fund had no investments subject to these fair value measurements at April 30, 2023.

The valuation method for the pooled investment in IFPIF is measured at the Net Asset Value (NAV) per share (or its equivalent). The NAV of the plan's pooled investment in IFPIF was \$4,172,834 at April 30, 2023. The pooled investments consist of the investments as noted in the target allocation table available at www.ifpif.org. Investments in IFPIF are valued at IFPIF's share price, which is the price the investment could be sold. There are no unfunded commitments at April 30, 2023. The Plan may redeem shares by giving notice by 5:00 p.m. central time on the 1st of each month. Requests properly submitted on or before the 1st of each month will be processed for redemption by the 14th of the month. Expedited redemptions may be processed at the sole discretion of IFPIF.

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.

Net Pension Liability/(Asset)

The City's net pension liability/(asset) was measured as of April 30, 2023, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of May 1, 2022, rolled forward to April 30, 2023.

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2023

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of May 1, 2022, using the following actuarial methods and assumptions.

Actuarial valuation date	May 1, 2022
Measurement date	April 30, 2023
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.25%
Salary increases	0.00%
Investment rate of return	6.50%
Asset valuation method	Market value of assets

Mortality rates healthy pre-commencement - Pub-2010 Public Safety Employee Mortality Table without adjustment, with generational improvement scale MP-2021 applied from 2010.

Mortality rates healthy post-commencement - Pub-2010 Public Safety Employee Mortality Table with 1.081 adjustment for males, with generational improvement scale MP-2021 applied from 2010. The Pub-2010 Public Safety Survivor Mortality Table with 1.098 adjustment for females, with generational improvement scale MP-2021 applied from 2010 is used for survivors.

Mortality rates disabled - Pub-2010 Disabled Retiree Mortality Table with 1.178 adjustment for males, with generational improvement scale MP-2021 applied from 2010.

All other assumptions are described in the Illinois Firefighters Pension Investment Fund Actuarial Experience Study provided December 1, 2021, reflecting experience for the years 2017-2020.

Assumption Changes

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

- The discount rate used increased from 6.00% in 2022 to 6.50% in 2023.
- Mortality rates have been updated as enumerated in the actuarial assumptions section.

Discount Rate

The discount rate used to measure the total pension liability was 6.50% (6.00% in 2022). The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Firefighters' Pension Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2023

Changes to Net Pension Liability/(Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balance, beginning of year	\$ 4,506,282	\$ 4,367,426	\$ 138,856
Changes for the year			
Service cost	17,119	-	17,119
Interest	264,448	-	264,448
Difference between expected and actual experience	(372)	-	(372)
Changes of assumptions	(341,449)	-	(341,449)
Contributions - employer	-	116,624	(116,624)
Contributions - employee	-	-	-
Net investment income	-	19,823	(19,823)
Benefit payments, including refunds of employees' contributions	(231,856)	(231,856)	-
Administrative expenses	-	(42,529)	42,529
Net changes	(292,110)	(137,938)	(154,172)
Balance, end of year	\$ 4,214,172	\$ 4,229,488	\$ (15,316)

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	\$ 552,047	\$ (15,316)	\$ (447,465)

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2023

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended April 30, 2023, the City recognized pension expense/(income) of \$(215,255). At April 30, 2023, the City reported deferred outflows 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	<u>\$ 346,473</u>

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

Year Ending April 30,	Amount
2024	\$ 69,094
2025	64,173
2026	165,709
2027	<u>47,497</u>
	<u>\$ 346,473</u>

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, 2023

Note 12: Pension Trust Funds – Financial Data

Schedule of fiduciary net position as of April 30, 2023:

	Police Pension Fund	Firefighters' Pension Fund	Total
Assets			
Cash and cash equivalents	\$ 71,875	\$ 59,057	\$ 130,932
Investments, at net asset value			
Pooled investment accounts	5,604,998	4,172,834	9,777,832
Prepays	<u>3,251</u>	<u>1,127</u>	<u>4,378</u>
Total assets	<u>5,680,124</u>	<u>4,233,018</u>	<u>9,913,142</u>
Liabilities			
Accounts payable	<u>4,770</u>	<u>3,530</u>	<u>8,300</u>
Net Position			
Restricted for pensions	<u><u>\$ 5,675,354</u></u>	<u><u>\$ 4,229,488</u></u>	<u><u>\$ 9,904,842</u></u>

City of Highwood, Illinois
Notes to Financial Statements
April 30, 2023

Schedule of changes in fiduciary net position for the year ended April 30, 2023:

	Police Pension Fund	Firefighters' Pension Fund	Total
Additions			
Contributions			
Employer	\$ 289,297	\$ 116,624	\$ 405,921
Plan members	93,449	-	93,449
Other member revenue	104,881	-	104,881
Total contributions	<u>487,627</u>	<u>116,624</u>	<u>604,251</u>
Investment Income			
Investment income	331,462	27,359	358,821
Net change in fair value of investments	(179,388)	(4,605)	(183,993)
Less investment expenses	<u>(4,762)</u>	<u>(2,931)</u>	<u>(7,693)</u>
Net investment income	<u>147,312</u>	<u>19,823</u>	<u>167,135</u>
 Total additions	 <u>634,939</u>	 <u>136,447</u>	 <u>771,386</u>
Deductions			
Benefits	173,443	231,856	405,299
Administration	62,600	42,529	105,129
Refunds of contributions	<u>27,988</u>	<u>-</u>	<u>27,988</u>
 Total deductions	 <u>264,031</u>	 <u>274,385</u>	 <u>538,416</u>
 Changes in Net Position	 <u>370,908</u>	 <u>(137,938)</u>	 <u>232,970</u>
 Net Position, May 1	 <u>5,304,446</u>	 <u>4,367,426</u>	 <u>9,671,872</u>
 Net Position, April 30	 <u>\$ 5,675,354</u>	 <u>\$ 4,229,488</u>	 <u>\$ 9,904,842</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. Mesirov 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

City of Highwood, Illinois

Notes to Financial Statements

April 30, 2023

costs. This workers' compensation pool is reinsured through Safety National. By participating in IPRF, more than 500 public entities and governmental agencies have pooled their workers' compensation exposures and controlled costs through a unified loss prevention and claims management program. In the past 5+ years, the pool has authorized safety group dividends or grants based on the 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 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.

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 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: Pronouncements Effective in Future Periods

The Governmental Accounting Standards Board (GASB) has issued the following standards which are not yet effective for the City:

GASB Statement No. 92, *Omnibus 2020* (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

City of Highwood, Illinois

Notes to Financial Statements

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activities and fair value disclosures. GASB 92 is effective for reporting periods based on individual topics discussed therein. 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) provides guidance on governments are 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 beginning after June 15, 2022 (City fiscal year ending April 30, 2024), 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) 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.

GASB Statement No. 100, *Accounting Changes and Error Corrections* (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 (City fiscal year ending April 30, 2025), and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences* (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 (City fiscal year ending April 30, 2025), and all reporting periods thereafter, with early application encouraged.

GASB Statement No. 102, *Certain Risk Disclosures*, requires governments to disclose information about certain concentrations or constraints that could affect services provided or the ability to meet

City of Highwood, Illinois

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April 30, 2023

obligations as they come due. Governments should start planning for compliance by identifying potential constraints and concentrations, assessing risks related to these factors, developing processes to evaluate and monitor disclosure criteria, and preparing to gather and present the required information in financial statement notes. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 103, *Financial Reporting Model Improvements*, improves the financial reporting model by standardizing the presentation for various matters within governmental financial statements. The purpose is to eliminate diversity in practice and improve comparability. Impacted areas include management's discussion and analysis, unusual or infrequent items, the definitions and presentation of operating and nonoperating revenues and expenses in enterprise funds, presentation of major component units, presentation of budgetary comparison information, and financial trends information within the statistical section of separately issued financial reports. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. Changes are required to be made retroactively to the earliest period presented.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of capital assets to be disclosed separately in the capital assets note disclosures. GASB 104 requires lease assets recognized in accordance with Statement No. 87, Leases, intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, and intangible assets other than those three types to be disclosed separately by major class. In addition, GASB 104 requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. The requirements of this Statement should be applied retroactively to all periods presented in the basic financial statements, if practicable.

Management has not yet completed its evaluation of the impact, if any, of the provisions of these standards on its financial statements.

**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, 2023

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Property taxes	\$ 1,347,922	\$ 1,353,607	\$ 5,685
Other taxes	1,285,000	1,618,215	333,215
Licenses and permits	211,500	198,484	(13,016)
Intergovernmental	2,210,400	2,963,730	753,330
Charges for services	677,500	780,199	102,699
Fines and forfeits	18,700	24,558	5,858
Interest	1,000	38,220	37,220
Miscellaneous	9,000	20,705	11,705
Total revenues	<u>5,761,022</u>	<u>6,997,718</u>	<u>1,236,696</u>
Expenditures			
Current			
General government	1,400,089	1,194,301	(205,788)
Public safety	2,678,318	2,792,583	114,265
Public works	824,315	871,661	47,346
Culture and recreation	227,138	173,055	(54,083)
Capital outlay	22,500	13,159	(9,341)
Total expenditures	<u>5,152,360</u>	<u>5,044,759</u>	<u>(107,601)</u>
Excess (Deficiency) Revenues Over Expenditures	<u>608,662</u>	<u>1,952,959</u>	<u>1,344,297</u>
Other Financing Sources (Uses)			
Transfers out	(1,350,000)	(1,139,196)	210,804
Proceeds from sale of capital assets	-	105,000	105,000
Total other financial uses	<u>(1,350,000)</u>	<u>(1,034,196)</u>	<u>315,804</u>
Net Change in Fund Balance	<u>\$ (741,338)</u>	918,763	<u>\$ 1,660,101</u>
Fund Balance, May 1		<u>3,317,381</u>	
Fund Balance, April 30		<u>\$ 4,236,144</u>	

City of Highwood, Illinois
Notes to Required Supplementary Information
April 30, 2023

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, 2023

Fiscal Year Ending April 30,	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability								
Service cost	\$ 91,998	\$ 75,035	\$ 77,578	\$ 66,438	\$ 75,849	\$ 76,713	\$ 67,467	\$ 78,742
Interest	388,909	370,852	357,501	339,017	354,799	339,233	326,523	320,640
Changes in benefit terms								
Differences between expected and actual experience	165,121	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	(245,089)	(255,465)	(227,564)	(217,206)	(265,952)	(179,405)	(180,746)	(205,996)
Net change in total pension liability	400,939	235,389	199,384	254,555	(74,227)	251,251	158,372	77,264
Total pension liability - beginning	5,440,810	5,205,421	5,006,037	4,751,482	4,825,709	4,574,458	4,416,086	4,338,822
Total pension liability - ending	<u>\$ 5,841,749</u>	<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	\$ 73,565	\$ 70,034	\$ 68,018	\$ 70,697	\$ 71,087	\$ 84,703	\$ 79,039	\$ 76,453
Contributions - members	63,177	38,755	35,222	32,430	29,924	32,887	29,640	28,766
Net investment income	(837,611)	988,786	726,757	834,744	(258,493)	729,945	275,794	20,200
Benefit payments, including refunds of member contributions	(245,089)	(255,465)	(227,564)	(217,206)	(265,952)	(179,405)	(180,746)	(205,996)
Other (net transfer)	(21,448)	(1,277)	56,939	12,282	52,124	(73,064)	(29,795)	(44,338)
Net change in plan fiduciary net position	(967,406)	840,833	659,372	732,947	(371,310)	595,066	173,932	(124,915)
Plan net position - beginning	6,596,299	5,755,466	5,096,094	4,363,147	4,734,457	4,139,391	3,965,459	4,090,374
Plan net position - ending	<u>\$ 5,628,893</u>	<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>\$ 212,856</u>	<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								
	96.36%	121.24%	110.57%	101.80%	91.83%	98.11%	90.49%	89.80%
Covered employee payroll	\$ 1,403,920	\$ 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	15.16%	(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 1.84% in 2022 to 4.05% in 2023.

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, 2023

Fiscal Year Ending April 30,	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability								
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	3,595	3,575	3,538	3,054	3,441	3,424	3,254	1,757
Changes in benefit terms								
Differences between expected and actual experience	448	431	387	10,484	(3,267)	(2,448)	(984)	(215)
Change of assumptions	-	-	217	-	1,145	(752)	-	-
Benefit payments, including refunds of member contributions	(3,780)	(3,678)	(3,576)	(10,147)	-	-	-	-
Net change in total pension liability	263	328	566	3,391	1,319	224	2,270	1,542
Total pension liability - beginning	51,479	51,151	50,585	47,194	45,875	45,651	43,381	41,839
Total pension liability - ending	\$ 51,742	\$ 51,479	\$ 51,151	\$ 50,585	\$ 47,194	\$ 45,875	\$ 45,651	\$ 43,381
Plan fiduciary net position								
Contributions - city	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 323
Contributions - members								
Net investment income	(15,607)	16,253	12,225	10,541	(2,598)	10,397	4,251	-
Benefit payments, including refunds of member contributions	(3,780)	(3,678)	(3,576)	(10,147)	-	-	-	-
Other (net transfer)	128	(105)	701	4,391	207	(138)	121	(4,812)
Net change in plan fiduciary net position	(19,259)	12,470	9,350	4,785	(2,391)	10,259	4,372	(4,489)
Plan net position - beginning	98,980	86,510	77,160	72,375	74,766	64,507	60,135	64,624
Plan net position - ending	\$ 79,721	\$ 98,980	\$ 86,510	\$ 77,160	\$ 72,375	\$ 74,766	\$ 64,507	\$ 60,135
City's net pension liability (asset)	\$ (27,979)	\$ (47,501)	\$ (35,359)	\$ (26,575)	\$ (25,181)	\$ (28,891)	\$ (18,856)	\$ (16,754)
Plan fiduciary net position as a percentage of the total pension liability	154.07%	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%							

Change in assumptions

Municipal bond rate used in calculating the single discount rate changed from 1.84% in 2022 to 4.05% in 2023.

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, 2023

Fiscal Year Ending April 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability									
Service cost	\$ 294,677	\$ 297,838	\$ 294,314	\$ 256,184	\$ 282,025	\$ 292,329	\$ 274,490	\$ 212,460	\$ 265,577
Interest	405,964	366,711	369,803	383,280	371,476	341,831	312,866	280,126	239,435
Changes in benefit terms	(10,316)	-	-	28,673	-	-	-	-	-
Differences between expected and actual experience	135,132	(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	(201,431)	(170,514)	(188,356)	(212,866)	(193,965)	(220,168)	(188,415)	(285,904)	(276,692)
Net change in total pension liability	624,026	(39,977)	80,020	112,327	245,977	442,987	461,491	454,946	228,320
Total pension liability - beginning	6,210,352	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	\$ 6,834,378	\$ 6,210,352	\$ 6,250,329	\$ 6,170,309	\$ 6,057,982	\$ 5,812,005	\$ 5,369,018	\$ 4,907,527	\$ 4,452,581
Plan fiduciary net position									
Contributions - city	\$ 289,297	\$ 621,094	\$ 323,053	\$ 367,731	\$ 381,524	\$ 307,415	\$ 268,542	\$ 267,185	\$ 250,138
Contributions - members	93,449	90,634	87,184	75,460	75,363	75,396	70,003	102,682	68,892
Contributions - other	104,881	-	-	-	-	-	-	-	-
Net investment income	147,312	(446,704)	881,752	171,820	225,224	142,355	203,145	35,829	177,719
Benefit payments, including refunds of member contributions	(201,431)	(170,514)	(188,356)	(212,866)	(193,965)	(220,168)	(188,415)	(285,904)	(276,692)
Administrative expense	(62,600)	(41,722)	(33,476)	(41,052)	(38,082)	(33,848)	(42,340)	(76,332)	(39,043)
Net change in plan fiduciary net position	370,908	52,788	1,070,157	361,093	450,064	271,150	310,935	43,460	181,014
Plan net position - beginning	5,304,446	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	\$ 5,675,354	\$ 5,304,446	\$ 5,251,658	\$ 4,181,501	\$ 3,820,408	\$ 3,370,344	\$ 3,099,194	\$ 2,788,259	\$ 2,744,799
City's net pension liability	\$ 1,159,024	\$ 905,906	\$ 998,671	\$ 1,988,808	\$ 2,237,574	\$ 2,441,661	\$ 2,269,824	\$ 2,119,268	\$ 1,707,782
Plan fiduciary net position as a percentage of the total pension liability	83.04%	85.41%	84.02%	67.77%	63.06%	57.99%	57.72%	56.82%	61.65%
Covered payroll	\$ 942,977	\$ 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	122.91%	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 3.21% to 3.53% 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/(Asset) and Related Ratios
April 30, 2023

Fiscal Year Ending April 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability									
Service cost	\$ 17,119	\$ 28,621	\$ 28,630	\$ 13,559	\$ 13,177	\$ 14,077	\$ 13,405	\$ 47,232	\$ 124,679
Interest	264,448	232,775	271,161	249,642	249,362	243,271	239,411	202,582	216,932
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(372)	(930,000)	519,188	(83,563)	1,864	35,150	(51,684)	94,500	-
Change of assumptions	(341,449)	(1,591,322)	392,375	557,415	240,347	-	22,286	497,252	-
Benefit payments, including refunds of member contributions	(231,856)	(192,110)	(186,350)	(207,982)	(175,490)	(165,866)	(126,604)	(83,330)	(55,235)
Net change in total pension liability	(292,110)	(2,452,036)	1,025,004	529,071	329,260	126,632	96,814	758,236	286,376
Total pension liability - beginning	4,506,282	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	\$ 4,214,172	\$ 4,506,282	\$ 6,958,318	\$ 5,933,314	\$ 5,404,243	\$ 5,074,983	\$ 4,948,351	\$ 4,851,537	\$ 4,093,301
Plan fiduciary net position									
Contributions - city	\$ 116,624	\$ 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	19,823	(358,272)	704,590	168,461	233,033	170,241	249,067	45,112	209,458
Benefit payments, including refunds of member contributions	(231,856)	(192,110)	(186,350)	(207,982)	(175,490)	(165,866)	(126,604)	(83,330)	(55,235)
Administrative expense	(42,529)	(40,858)	(32,275)	(43,066)	(28,140)	(25,087)	(28,062)	(25,416)	(26,227)
Net change in plan fiduciary net position	(137,938)	(218,655)	592,136	86,986	122,545	71,513	232,802	74,662	306,368
Plan net position - beginning	4,367,426	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	\$ 4,229,488	\$ 4,367,426	\$ 4,586,081	\$ 3,993,945	\$ 3,906,959	\$ 3,784,414	\$ 3,712,901	\$ 3,480,099	\$ 3,405,437
City's net pension liability/(asset)	\$ (15,316)	\$ 138,856	\$ 2,372,237	\$ 1,939,369	\$ 1,497,284	\$ 1,290,569	\$ 1,235,450	\$ 1,371,438	\$ 687,864
Plan fiduciary net position as a percentage of the total pension liability									
	100.36%	96.92%	65.91%	67.31%	72.29%	74.57%	75.03%	71.73%	83.20%
Covered payroll	N/A	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	N/A	2262.27%	1949.94%	1866.66%	1037.64%	178.17%

Change in assumptions

Discount rate changed from 6.00% in 2022 to 6.50% in 2023.
Mortality rates have been updated from the last valuation date.

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

City of Highwood, Illinois
Required Supplementary Information
Illinois Municipal Retirement Fund - Regular Plan
Schedule of City Contributions
April 30, 2023

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
4/30/2023	\$ 74,447	\$ 74,447	\$ -	\$ 1,606,582	4.63%
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 2022 Contribution Rates

Actuarial cost method	Aggregate entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21-year closed period
Asset valuation method	5-year smoothed market; 20% corridor
Wage growth	2.75%
Price inflation	2.25% approximate; no explicit price inflation assumption is used in this valuation.
Salary increases	2.85% to 13.75%, 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 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.
Other	There were no benefit changes during the year.

Information above based on valuation assumptions used in the December 31, 2020 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, 2023

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
4/30/2023	\$ -	\$ -	\$ -	\$ -	0.00%
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 2022 Contribution Rates

Actuarial cost method	Aggregate entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21-year closed period
Asset valuation method	5-year smoothed market; 20% corridor
Wage growth	2.75%
Price inflation	2.25% approximate; no explicit price inflation assumption is used in this valuation.
Salary increases	2.85% to 13.75%, 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 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.
Other	There were no benefit changes during the year.

Information above based on valuation assumptions used in the December 31, 2020 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, 2023

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
4/30/2023	\$ 290,773	\$ 289,297	\$ (1,476)	\$ 942,977	30.68%
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 2022 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 20 years, closed

Asset valuation method 5-Year Smoothed Market value

Price inflation 2.25%

Total payroll increases 3.25%

Individual pay 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, 2023

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
4/30/2023	\$ 117,186	\$ 116,624	\$ (562)	NA	NA
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 2022 Contribution Rates

Actuarial cost method	Entry-age normal
Amortization method	Level dollar (closed)
Remaining amortization period	15 years, closed
Asset valuation method	5-Year Smoothed Market Value
Price inflation	2.25%
Salary increases	0.00%
Investment rate of return	6.50%
Mortality	
Healthy (pre-commencement)	Pub-2010 Public Safety Employee Mortality Table without adjustment, with generational improvement scale MP-2021 applied from 2010.
Healthy (post-commencement)	Pub-2010 Public Safety Employee Mortality Table with 1.081 adjustment for males, with generational improvement scale MP-2021 applied from 2010. The Pub-2010 Public Safety Survivor Mortality Table with 1.098 adjustment for females, with generational improvement scale MP-2021 applied from 2010 is used for survivors.
Disabled	Pub-2010 Disabled Retiree Mortality Table with 1.178 adjustment for males, with generational improvement scale MP-2021 applied from 2010.
All other assumptions and experience study	All other assumptions are described in the Illinois Firefighters Pension Investment Fund Actuarial Experience Study provided December 1, 2021, reflecting experience for the years 2017-2020.

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, 2023

Fiscal Year Ended	Annual Money-Weighted Rate of Return Net of Investment Expense
4/30/2023	7.02%
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, 2023

Year Ended	Annual Money-Weighted Rate of Return Net of Investment Expense
4/30/2023	0.46%
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, 2023

	Original and Final Budget	Actual
Taxes		
Property tax	\$ 1,347,922	\$ 1,353,607
Home rule sales tax	1,000,000	1,286,647
Utility taxes	285,000	331,568
	<u>2,632,922</u>	<u>2,971,822</u>
Licenses and Permits		
Licenses	130,000	131,635
Permits	81,500	66,849
	<u>211,500</u>	<u>198,484</u>
Intergovernmental		
Income tax	650,000	790,766
Sales tax	700,000	876,815
Replacement tax	10,400	23,692
Local use tax	185,000	208,062
Cannabis tax	100,000	156,260
Municipal gas tax	150,000	117,079
Grants	350,000	710,906
Dispatch fees	65,000	80,150
	<u>2,210,400</u>	<u>2,963,730</u>
Charges for Services		
Parking fees	25,000	42,650
Cable franchise fees	55,000	56,202
Zoning and planning fees	132,500	120,500
Rental fees	269,000	308,489
Seized autos	-	1,057
Refunds and reimbursements	13,000	17,757
Park recreation fees	175,000	226,149
Miscellaneous fees and fines	8,000	7,395
	<u>677,500</u>	<u>780,199</u>
Fines and Forfeits		
Police fines	11,700	16,955
Court fines	7,000	7,603
	<u>18,700</u>	<u>24,558</u>

(Cont.)

City of Highwood, Illinois
General Fund
Schedule of Revenues - Budget and Actual
Year Ended April 30, 2023

	Original and Final Budget	Actual
Interest		
Investment income	\$ 1,000	\$ 38,220
Miscellaneous		
Donations	7,000	16,285
Debt collection	-	4,420
Miscellaneous income	2,000	-
	9,000	20,705
Total revenue	\$ 5,761,022	\$ 6,997,718

City of Highwood, Illinois
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended April 30, 2023

	Original and Final Budget	Actual
General Government		
Administration		
Personnel	\$ 738,689	\$ 665,156
Contractual services	339,100	224,270
Materials and supplies	13,000	20,475
Special events	15,000	24,000
Miscellaneous	31,200	75,936
	1,136,989	1,009,837
 Legal		
Contractual services	164,600	96,664
Lawsuit settlements	-	9,297
	164,600	105,961
 Building, Zoning and Health Department		
Personnel	3,500	2,901
Contractual services	9,000	6,231
Materials and supplies	1,000	593
Miscellaneous	85,000	68,778
	98,500	78,503
 Total general government	1,400,089	1,194,301
 Public Safety		
Police Department		
Personnel	1,521,316	1,643,280
Contractual services	320,486	278,544
Materials and supplies	47,000	64,172
	1,888,802	1,985,996
 Fire Department		
Personnel	117,186	116,624
Contractual services	672,330	689,963
	789,516	806,587
	1,579,032	1,613,174
 Capital Outlay		
Police - equipment	2,500	-
	2,500	-
 Total public safety	2,680,818	2,792,583

(Cont.)

City of Highwood, Illinois
General Fund
Schedule of Expenditures - Budget and Actual
Year Ended April 30, 2023

	Original and Final Budget	Actual
Public Works		
Highways and Streets		
Personnel	\$ 133,865	\$ 141,587
Contractual services	587,200	598,033
Materials and supplies	42,250	39,465
Miscellaneous	61,000	92,576
	824,315	871,661
Capital Outlay		
Public works	20,000	13,159
	20,000	13,159
Total public works	844,315	884,820
Culture and Recreation		
Parks and Recreation		
Personnel	126,088	83,362
Contractual services	39,550	44,242
Supplies and materials	8,000	6,152
Special events	50,000	37,163
Miscellaneous	3,500	2,136
	227,138	173,055
Total culture and recreation	227,138	173,055
Total expenditures	\$ 5,152,360	\$ 5,044,759

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, 2023

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Taxes			
Property taxes	\$ 1,150,000	\$ 1,196,996	\$ 46,996
Investment income	2,000	4,999	2,999
Total revenues	<u>1,152,000</u>	<u>1,201,995</u>	<u>49,995</u>
Expenditures			
General government			
Accounting fees	5,000	13,000	8,000
Legal fees	35,000	64,865	29,865
Economic development	8,820,000	5,934,267	(2,885,733)
Capital outlay	300,000	-	(300,000)
Debt service			
Principal	350,000	350,000	-
Interest	358,631	358,631	-
Fiscal agent fees	2,500	475	(2,025)
Total expenditures	<u>9,871,131</u>	<u>6,721,238</u>	<u>(3,149,893)</u>
Net Change in Fund Balance	<u><u>\$ (8,719,131)</u></u>	<u>(5,519,243)</u>	<u><u>\$ 3,199,888</u></u>
Fund Balance, Beginning of Year		<u>8,477,118</u>	
Fund Balance, End of Year		<u><u>\$ 2,957,875</u></u>	

City of Highwood, Illinois
Capital Projects Fund (Major Fund)
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2023

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Grants	\$ -	\$ 200,000	\$ 200,000
Expenditures			
Capital outlay	<u>1,350,000</u>	<u>1,954,123</u>	<u>604,123</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,350,000)	(1,754,123)	(404,123)
Other Financing Sources			
Transfers in	<u>1,350,000</u>	<u>1,139,196</u>	<u>(210,804)</u>
Net Change in Fund Balance	<u><u>\$ -</u></u>	<u>(614,927)</u>	<u><u>\$ (614,927)</u></u>
Fund Balance (Deficit), Beginning of Year		<u>(315,001)</u>	
Fund Balance (Deficit), End of Year		<u><u>\$ (929,928)</u></u>	

Nonmajor Governmental Funds

City of Highwood, Illinois
Nonmajor Governmental Funds
Combining Balance Sheet
April 30, 2023

	Special Revenue Funds		Debt Service Funds	Total Nonmajor Government Funds
	Motor Fuel Tax Fund	Rebuild Illinois Fund	Debt Service	
Assets				
Cash and investments	\$ 358,791	\$ 70,411	\$ 46,507	\$ 475,709
Property tax receivable	-	-	202,348	202,348
Accounts receivable	18,027	-	-	18,027
Total assets	<u>\$ 376,818</u>	<u>\$ 70,411</u>	<u>\$ 248,855</u>	<u>\$ 696,084</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	\$ -	\$ -	\$ 202,348	\$ 202,348
Fund Balances				
Restricted				
Debt service	-	-	46,507	46,507
Road construction and maintenance	376,818	70,411	-	447,229
Total fund balances	<u>376,818</u>	<u>70,411</u>	<u>46,507</u>	<u>493,736</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 376,818</u>	<u>\$ 70,411</u>	<u>\$ 248,855</u>	<u>\$ 696,084</u>

City of Highwood, Illinois
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Year Ended April 30, 2023

	<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	\$ 211,596	\$ 59,368	\$ -	\$ 270,964
Property taxes	-	-	200,292	200,292
Investment income	16,641	-	-	16,641
Total revenues	<u>228,237</u>	<u>59,368</u>	<u>200,292</u>	<u>487,897</u>
Expenditures				
Current				
Public works	126,560	-	-	126,560
Capital outlay	-	150,745	-	150,745
Debt service				
Principal	-	-	150,000	150,000
Interest	-	-	51,075	51,075
Issuance costs	-	-	475	475
Total expenditures	<u>126,560</u>	<u>150,745</u>	<u>201,550</u>	<u>478,855</u>
Net Change in Fund Balance	101,677	(91,377)	(1,258)	9,042
Fund Balance				
May 1	<u>275,141</u>	<u>161,788</u>	<u>47,765</u>	<u>484,694</u>
April 30	<u>\$ 376,818</u>	<u>\$ 70,411</u>	<u>\$ 46,507</u>	<u>\$ 493,736</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, 2023

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Intergovernmental			
Motor fuel tax	\$ 195,000	\$ 211,596	\$ 16,596
Investment income	1,000	16,641	15,641
Total revenues	196,000	228,237	32,237
Expenditures			
Public works			
Street improvements	185,000	126,560	(58,440)
Net Change in Fund Balance	\$ 11,000	101,677	\$ 90,677
Fund Balance, May 1		275,141	
Fund Balance, April 30		\$ 376,818	

City of Highwood, Illinois
Rebuild Illinois Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2023

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Intergovernmental	\$ 59,368	\$ 59,368	\$ -
Expenditures			
Capital outlay	<u>136,210</u>	<u>150,745</u>	<u>14,535</u>
Net Change in Fund Balance	<u>\$ (76,842)</u>	(91,377)	<u>\$ (14,535)</u>
Fund Balance, May 1		<u>161,788</u>	
Fund Balance, April 30		<u>\$ 70,411</u>	

Debt Service Fund

City of Highwood, Illinois
Debt Service Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2023

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Property taxes	\$ 199,255	\$ 200,292	\$ 1,037
Expenditures			
Debt service			
Principal	150,000	150,000	-
Interest	51,075	51,075	-
Fiscal agent fees	475	475	-
Total expenditures	<u>201,550</u>	<u>201,550</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (2,295)</u>	(1,258)	<u>\$ 1,037</u>
Fund Balance, Beginning of Year		<u>47,765</u>	
Fund Balance, End of Year		<u>\$ 46,507</u>	

Proprietary Funds

City of Highwood, Illinois
Waterworks and Sewerage Fund (Major Fund)
Schedule of Revenues, Expenses, and
Changes in Fund Net Position - Budget and Actual -
(GAAP and Budgetary Basis)
Year Ended April 30, 2023

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues			
Charges for services	\$ 1,221,500	\$ 1,388,934	\$ 167,434
Operating Expenses			
Personnel	233,523	253,573	20,050
Contractual services	611,900	482,626	(129,274)
Materials and supplies	59,450	50,873	(8,577)
Capital outlay	310,000	7,500	(302,500)
Depreciation	-	195,517	195,517
Total operating expenses	1,214,873	990,089	(224,784)
Operating Income	6,627	398,845	392,218
Nonoperating Revenues (Expenses)			
Interest income	1,000	27,105	26,105
Miscellaneous income	10,000	77,729	67,729
Miscellaneous expense	(1,000)	-	1,000
Interest expense	(426,179)	(85,709)	340,470
Fiscal agent fees	(2,500)	(475)	2,025
Total nonoperating revenues (expenses)	(418,679)	18,650	437,329
Changes in Net Position - Budgetary Basis	\$ (412,052)	\$ 417,495	\$ 829,547
Net Position			
May 1		1,082,500	
April 30		\$ 1,499,995	

City of Highwood, Illinois
Garbage Fund (Major Fund)
Schedule of Revenues, Expenses, and
Changes in Fund Net Position - Budget and Actual
Year Ended April 30, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
Operating Revenues			
Refuse and garbage collection	\$ 318,000	\$ 302,963	\$ (15,037)
Operating Expenses			
Personnel	125,496	114,852	(10,644)
Contractual services	339,400	357,699	18,299
Depreciation	-	9,914	9,914
Materials and supplies	2,500	401	(2,099)
Total operating expenses	<u>467,396</u>	<u>482,866</u>	<u>15,470</u>
Operating Income (Loss)	<u>(149,396)</u>	<u>(179,903)</u>	<u>(30,507)</u>
Nonoperating Revenues			
Interest income	1,000	12,368	11,368
Miscellaneous revenue	42,000	118,620	76,620
Total nonoperating revenues	<u>43,000</u>	<u>130,988</u>	<u>87,988</u>
Change in Net Position	<u>\$ (106,396)</u>	(48,915)	<u>\$ 57,481</u>
Net Position, May 1		<u>195,601</u>	
Net Position, April 30		<u>\$ 146,686</u>	

Fiduciary Funds

City of Highwood, Illinois
Fiduciary Funds
Combining Statement of Fiduciary Net Position
Pension Trust Funds
April 30, 2023

	Police Pension Fund	Firefighters' Pension Fund	Total
Assets			
Cash and cash equivalents	\$ 71,875	\$ 59,057	\$ 130,932
Investments, at net asset value			
Pooled investment accounts	5,604,998	4,172,834	9,777,832
Prepays	3,251	1,127	4,378
Total assets	<u>5,680,124</u>	<u>4,233,018</u>	<u>9,913,142</u>
Liabilities			
Accounts payable	<u>4,770</u>	<u>3,530</u>	<u>8,300</u>
Net Position			
Restricted for pensions	<u>\$ 5,675,354</u>	<u>\$ 4,229,488</u>	<u>\$ 9,904,842</u>

City of Highwood, Illinois
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended April 30, 2023

	Police Pension Fund	Firefighters' Pension Fund	Total
Additions			
Contributions			
Employer	\$ 289,297	\$ 116,624	\$ 405,921
Plan members	93,449	-	93,449
Other member revenue	104,881	-	104,881
Total contributions	<u>487,627</u>	<u>116,624</u>	<u>604,251</u>
Investment Income			
Investment income	331,462	27,359	358,821
Net change in fair value of investments	(179,388)	(4,605)	(183,993)
Less investment expenses	(4,762)	(2,931)	(7,693)
Net investment loss	<u>147,312</u>	<u>19,823</u>	<u>167,135</u>
Total additions	<u>634,939</u>	<u>136,447</u>	<u>771,386</u>
Deductions			
Benefits	173,443	231,856	405,299
Administration	62,600	42,529	105,129
Refunds of contributions	27,988	-	27,988
Total deductions	<u>264,031</u>	<u>274,385</u>	<u>538,416</u>
Changes in Net Position	370,908	(137,938)	232,970
Net Position, May 1	<u>5,304,446</u>	<u>4,367,426</u>	<u>9,671,872</u>
Net Position, April 30	<u>\$ 5,675,354</u>	<u>\$ 4,229,488</u>	<u>\$ 9,904,842</u>

Component Unit - Library

City of Highwood, Illinois
Component Unit - Library
Statement of Net Position and Governmental Funds
Combining Balance Sheet
April 30, 2023

	City of Highwood Public Library			Discretely Presented Component Unit	Eliminations	Component Unit Statement of Net Position
	General Fund	Adjustments Capital-Related and Other Items	Total Library	Friends of the Highwood Public Library		
Assets						
Cash and cash equivalents	\$ 633,283	\$ -	\$ 633,283	\$ 624,046	\$ -	\$ 1,257,329
Receivables						
Property taxes	321,750	-	321,750	-	-	321,750
Grants	1,750,089	-	1,750,089	472,500	-	2,222,589
Capital assets	-	2,507,443	2,507,443	-	-	2,507,443
Total assets	2,705,122	2,507,443	5,212,565	1,096,546	-	6,309,111
Deferred Outflows of Resources						
Deferred outflows of resources - pensions	-	277,271	277,271	-	-	277,271
Total assets and deferred outflows of resources	\$ 2,705,122	\$ 2,784,714	\$ 5,489,836	\$ 1,096,546	\$ -	\$ 6,586,382
Liabilities						
Accounts payable	\$ 406,551	\$ -	\$ 406,551	\$ -	\$ -	\$ 406,551
Accrued payroll	50,733	-	50,733	-	-	50,733
Net pension liability	-	109,526	109,526	-	-	109,526
Unearned revenue - grants	24,773	-	24,773	-	-	24,773
Due to primary government	14,533	-	14,533	-	-	14,533
Total liabilities	496,590	109,526	606,116	-	-	606,116
Deferred Inflows of Resources						
Unavailable property taxes	321,750	-	321,750	-	-	321,750
Unavailable grant revenues	956,082	(956,082)	-	-	-	-
Deferred inflows of resources - pensions	-	-	-	-	-	-
Total deferred inflows of resources	1,277,832	(956,082)	321,750	-	-	321,750
Fund Balances/Net Position						
Investment in capital assets	-	2,507,443	2,507,443	-	-	2,507,443
Restricted for library programs	246,648	-	246,648	-	-	246,648
Restricted for health initiatives	68,823	488,063	556,886	197,989	-	754,875
Restricted for capital renovations	306,979	-	306,979	-	-	306,979
Unassigned/unrestricted	308,250	635,764	944,014	898,557	-	1,842,571
Total fund balances/net position	930,700	3,631,270	4,561,970	1,096,546	-	5,658,516
Total liabilities, deferred inflows of resources and fund balances/net position	\$ 2,705,122	\$ 2,784,714	\$ 5,489,836	\$ 1,096,546	\$ -	\$ 6,586,382

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, 2023

	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	\$ 291,082	\$ -	\$ 291,082	\$ -	\$ -	\$ 291,082
Intergovernmental	14,766	-	14,766	-	-	14,766
Grants and contributions	2,106,472	561,294	2,667,766	1,032,170	(185,000)	3,514,936
Charges for services	2,177	-	2,177	-	-	2,177
Investment income	1,993	-	1,993	-	-	1,993
Miscellaneous	5,258	-	5,258	-	-	5,258
Total revenues	<u>2,421,748</u>	<u>561,294</u>	<u>2,983,042</u>	<u>1,032,170</u>	<u>(185,000)</u>	<u>3,830,212</u>
Expenditures						
Civic and cultural	1,427,510	3,659	1,431,169	191,381	(185,000)	1,437,550
Capital outlay	1,820,234	(1,820,234)	-	-	-	-
Total expenditures	<u>3,247,744</u>	<u>(1,816,575)</u>	<u>1,431,169</u>	<u>191,381</u>	<u>(185,000)</u>	<u>1,437,550</u>
Net Change in Fund Balance	(825,996)	2,377,869	1,551,873	840,789	-	2,392,662
Fund Balances/Net Position						
May 1	<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>
April 30	<u>\$ 930,700</u>	<u>\$ 3,631,270</u>	<u>\$ 4,561,970</u>	<u>\$ 1,096,546</u>	<u>\$ -</u>	<u>\$ 5,658,516</u>

Other Supplemental Information

City of Highwood, Illinois
Long-Term Debt Requirements
General Obligation Refunding Bonds, Series 2020
April 30, 2023

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
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>\$ 2,495,000</u>	<u>\$ 469,050</u>	<u>\$ 2,964,050</u>

City of Highwood, Illinois
Long-Term Debt Requirements
General Obligation Bonds Series 2015
April 30, 2023

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
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>\$ 1,365,000</u>	<u>\$ 238,388</u>	<u>\$ 1,603,388</u>

City of Highwood, Illinois
Long-Term Debt Requirements
IEPA Sewer Loan Payable of 2015
April 30, 2023

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
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	6,533	73	6,606
	<u>\$ 143,551</u>	<u>\$ 21,528</u>	<u>\$ 165,079</u>

City of Highwood, Illinois
Long-Term Debt Requirements
IEPA Water Loan Payable of 2015
April 30, 2023

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
2024	\$ 100,075	\$ 30,918	\$ 130,993
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>\$ 1,423,896</u>	<u>\$ 213,522</u>	<u>\$ 1,637,418</u>

City of Highwood, Illinois
Long-Term Debt Requirements
IEPA Water Tower Loan Payable of 2017
April 30, 2023

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
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	11,475	107	11,582
	<u>\$ 349,467</u>	<u>\$ 46,952</u>	<u>\$ 396,419</u>

City of Highwood, Illinois
Long-Term Debt Requirements
General Obligation Bonds Series 2021
April 30, 2023

Date of issue	September 16, 2021
Date of maturity	January 1, 2039
Authorized issue	\$9,255,000
Interest rates	3%
Interest dates	January 1
Principal maturity date	January 1

Future Principal and Interest Requirements

Fiscal Year	Principal	Interest	Total
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>\$ 8,905,000</u>	<u>\$ 2,439,150</u>	<u>\$ 11,344,150</u>

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 28, 2025. Our report includes a reference to other auditors who audited the financial statements of Friends of the Highwood Public Library, a component unit of the City of Highwood Public Library, as described in our report on the City's financial statements. The financial statements of the Friends of the Highwood Public Library were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Friends of the Highwood Public Library. Our report also contained an Emphasis of Matter paragraph regarding a change in accounting principle.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

Chicago, Illinois
February 28, 2025