



# **City of Highwood, Illinois**

**Downtown Redevelopment Tax Increment  
Financing District Fund**

**Report on Compliance With Public Act 85-1142**

April 30, 2024



**City of Highwood, Illinois**  
**Downtown Redevelopment TIF District Fund**  
**Table of Contents**  
**April 30, 2024**

Independent Auditor's Report	1-2
Balance Sheet	3
State of Revenue, Expenditures, and Changes in Fund Balances (Deficit)	4
Notes to the Financial Statements	5-9
Independent Auditor's Report on Compliance	10



## Independent Auditor's Report

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the City of Highwood's Downtown Redevelopment TIF District Fund (the Fund), a capital projects fund of the City of Highwood, Illinois, as of and for the year ended April 30, 2024, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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



# McConnell Jones

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

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of April 30, 2024 and the changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Emphasis of Matter*

We draw attention to Note 1, which explains that these financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City of Highwood, Illinois as of April 30, 2024 or the changes in its financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## *Other Matter*

Management has omitted management's discussion and analysis and budgetary comparison that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Very truly yours,

*McConnell Jones LLP*

Houston, Texas

November 13, 2025

**City of Highwood, Illinois**  
**Downtown Redevelopment TIF District Fund**  
**Balance Sheet**  
**April 30 2024**

**ASSETS**

Cash and investments	\$ 1,875,609
Restricted cash and investments	1,513,058
Property tax receivables	<u>2,214,123</u>
Total Assets	<u><u>\$ 5,602,790</u></u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE**

**Liabilities**

Accounts payable	\$ 836,034
Retainage payable	84,452
Due to other funds	3,700
Escrow and refundable deposits	<u>5,219</u>
Total liabilities	929,405

**Deferred inflows of resources**

Unavailable revenue - property taxes	<u>2,214,120</u>
Total deferred inflows of resources	2,214,120

**Fund Balance**

Restricted	
Debt service	946,207
Capital projects	<u>1,513,058</u>
Total fund balance	2,459,265

Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 5,602,790</u></u>
--------------------------------------------------------------------	----------------------------

**City of Highwood, Illinois**  
**Downtown Redevelopment TIF District Fund**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance**  
**Year Ended April 30, 2024**

**REVENUES**

Property taxes	\$ 1,374,973
Investment income	1,981
Total Revenue	1,376,954

**EXPENDITURES**

General government	26,849
Economic development	205,588
Capital outlay	935,502
Debt service	
Principal	440,000
Interest	267,150
Fiscal agent fees	475
Total Expenditures	1,875,564

Net Change in Fund Balance	(498,610)
Fund Balance - Beginning of Year	2,957,875
<b>Fund Balance - End of Year</b>	<b>\$ 2,459,265</b>

**City of Highwood, Illinois**  
**Downtown Redevelopment TIF District Fund**  
**Notes to the Financials**  
**April 30, 2024**

**Note 1 - Significant Accounting Policies**

The accounting policies of the Downtown Redevelopment TIF District Fund (the "Fund"), for which the City of Highwood, Illinois (the "City") board has oversight responsibility, conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The following is a summary of the significant accounting policies used by the Fund:

***Reporting Entity***

The accompanying financial statements include the accounts of the Downtown Redevelopment TIF District Fund for which the City of Highwood, Illinois board has oversight responsibility and are not intended to present fairly the financial position and results of operations of the City as a whole.

The Fund was established to account for transactions related to the redevelopment plan and redevelopment project within the municipality boundaries established by City ordinance.

The City intends to fund various expenditures of the redevelopment plan and project and retire any debt issued for the project through the following intended sources of revenue: property tax incremental revenue and investment earnings.

***Accounting and Reporting Principles***

The Fund follow accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

***Fund Accounting***

The City accounts for the capital project activities related to the Fund in order to demonstrate accountability for how it spends certain resources.

***Basis of Accounting***

The City's Fund uses the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Fund has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: investment earnings and property taxes associated with the current fiscal period.

**City of Highwood Illinois**  
**Downtown Redevelopment TIF District Fund**  
**Notes to the Financials (Continued)**  
**April 30, 2024**

**Specific Balances and Transactions**

***Equity Classifications***

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.

***Property Taxes Receivables***

Property taxes for levy year 2023 attached as an enforceable lien on January 1, 2023, 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 2023 still outstanding as of April 30, 2024, are recorded as receivables. The 2024 tax levy, which attached as an enforceable lien on the property as of January 1, 2024, has not been recorded as a receivable and deferral as of April 30, 2024, as the tax has not yet been levied by the City and will not be levied until December 2024. Therefore, the levy is not measurable at April 30, 2024. The property tax receivable at April 30, 2024, is related to remaining distributions on the 2023 levy.

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

**City of Highwood Illinois  
Downtown Redevelopment TIF District Fund  
Notes to the Financials (Continued)  
April 30, 2024**

The County collects the property taxes and remits them periodically. The 2023 property tax levy is recognized as a receivable and deferral in fiscal 2024, 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, 2024, the property taxes receivable and deferred inflows consisted of the estimated amount collectible from the 2023 levy.

**Accounting Estimates**

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

**Note 2 - 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.

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

	<b>Carrying Value</b>	<b>Bank Balance</b>
Deposits	\$ 3,388,667	\$ 3,388,667

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

**Custodial Credit Risk**

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

**City of Highwood Illinois  
Downtown Redevelopment TIF District Fund  
Notes to the Financials (Continued)  
April 30, 2024**

*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.

***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.

***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.

***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.

**Note 3 - Long-Term Debt**

Long-term debt activity for the year ended April 30, 2024 can be summarized as follows:

***Governmental Activities***

	<b>Interest Rate</b>	<b>Original Indebtedness</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
Bonds and contracts							
2021 TIF Bonds	3.00%	\$ 9,255,000	\$ 8,905,000	\$ -	\$ (440,000)	\$ 8,465,000	\$ 455,000

**City of Highwood Illinois  
Downtown Redevelopment TIF District Fund  
Notes to the Financials (Continued)  
April 30, 2024**

***Debt Service Requirements to Maturity***

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

<b>Year</b>	<b>Governmental Activities</b>	
	<b>Alternate Revenue</b>	
	<b>Principal</b>	<b>Interest</b>
2025	\$ 455,000	\$ 253,950
2026	470,000	240,300
2027	485,000	226,200
2028	495,000	211,650
2029	510,000	196,800
2030-2034	2,800,000	744,600
2035-2039	3,250,000	298,500
	<b>\$ 8,465,000</b>	<b>\$ 2,172,000</b>

***Legal Debt Margin***

Assessed valuation – 2023	\$ 166,254,157
Legal debt limit – 8.625% of assessed	14,339,421
Amount of debt applicable to debt limit	9,675,000
Legal debt margin	<u>\$ 4,664,421</u>

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

***Alternative 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.



## Independent Auditor's Report on Compliance

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Downtown Redevelopment TIF District Fund (the Fund) of the City of Highwood, Illinois (the City) as of and for the year ended April 30, 2024 and the related notes to the financial statements and have issued our report thereon dated November 13, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the TIF Fund failed to comply with the regulatory provisions in Subsection (q) of Section 11-74.4-3 of the *Illinois Tax Increment Allocation Redevelopment Act* as it relates to eligibility for costs incurred incidental to the implementation of the TIF Funds of the City. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the TIF Fund's noncompliance with the above-referenced regulatory provision, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the City's Council, management, and the State of Illinois and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Houston, Texas  
November 13, 2025