

City of Highwood, Illinois

Annual Financial Report

**For the Year Ended
April 30, 2011**

Wolf & Company LLP
Certified Public Accountants

CITY OF HIGHWOOD, ILLINOIS

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the City of Highwood, Illinois, (City), as of and for the year ended April 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Highwood, Illinois. Our responsibility is to express opinions on these financial statements based on our audit.

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

The City's billing system for the Waterworks and Sewerage Enterprise Fund does not provide historical records to support the revenues reported in the Fund. Therefore, we were unable to obtain sufficient evidence to form an opinion on operating revenues and accounts receivable reported in the Waterworks and Sewerage Fund of the City of Highwood.

The City of Highwood does not maintain detailed records of the historical cost, accumulated depreciation or depreciation expense of its capital assets. Therefore, we were unable to obtain sufficient evidence to form an opinion on the capital assets, accumulated depreciation, and depreciation expense of the City of Highwood. The City has not reported any capital asset activity, including additions, disposals or depreciation, for the fiscal year ended April 30, 2011.

The City of Highwood does not maintain accurate records of compensated absence liability payable. Therefore, we were unable to obtain sufficient evidence to form an opinion on compensated absences liability of the City of Highwood.

In our opinion, except for the effect of such adjustments, if any, as might have been disclosed with respect to the Waterworks and Sewerage Fund revenues, capital assets, accumulated depreciation, and depreciation expense; and the compensated absences liability, had detailed records been available, the 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, 2011, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 15, and the required supplementary information included on pages 62 through 67 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited

procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Highwood, Illinois. The supplementary information is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Wolf & Company LLP

Oakbrook Terrace, Illinois
July 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HIGHWOOD, ILLINOIS

Management's Discussion and Analysis April 30, 2011

Our discussion and analysis of the City of Highwood's financial performance provides an overview of the City Of Highwood financial activities for the fiscal year ended April 30, 2011. Please read it in conjunction with the City Of Highwood financial statements, which begin on page 16.

FINANCIAL HIGHLIGHTS

- The City Of Highwood net assets increased by a total of \$842,023. While net assets of business-type activities increased by \$573,522, or nearly 22 percent, net assets of our governmental activities increased by \$268,501, or nearly 12 percent.
- During the year, expenses were \$ 268,501 less than the \$5,153,701 generated in tax and other revenues for governmental programs. In the prior year, expenses were \$66,857 less than the \$5,130,596 generated in tax and other revenues for the governmental program.
- Revenues for business-type activities increased to \$1,256,532 (or 24 percent) while expenses decreased by 33 percent. The increase in business-type activities revenue was done to fund debt service payments that are expected to come due in future years. This will minimize large fluctuations in rates charged for the debt service charges.
- Total cost of all programs was declined by \$525,404 or 8 percent in the current year. Cost saving measures were undertaken to assist with balancing operations in the current year.
- The General Fund reported a deficit this year of \$67,532 which took fund balance down to \$61,049 at the end of the current year.
- The resources available for appropriation were \$507,615 less than budgeted for the General Fund. However, expenditures were kept under appropriation by \$1,338,698 through cost cutting measures including personnel restructuring and elimination of capital purchases.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 16-18) provide information about the activities of the City Of Highwood as a whole and present a longer-term view of the City of Highwood finances. Fund financial statements begin on page 68. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City of Highwood operations in more detail than the government-wide statements by providing information about the City of Highwood 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, 2011

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 finances, in a matter similar to a private-sector business. The government wide-financial statements can be found on pages 16-18 of this report.

The Statement of Net Assets reports information on all of the City of Highwood assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Highwood is improving or deteriorating. Consideration of other nonfinancial factors, such as changes in the City of Highwood 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 assets changed during the most recent fiscal year. All changes in net assets 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, highways and streets, sanitation, economic development, 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, 2011

USING THIS ANNUAL REPORT - Continued

Fund Financial Statements - Continued

Governmental Funds

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

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

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

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

The basic governmental fund financial statements can be found on pages 19-22 of this report.

Proprietary Funds

The City of Highwood maintains two enterprise activities 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.

CITY OF HIGHWOOD, ILLINOIS

Management's Discussion and Analysis April 30, 2011

USING THIS ANNUAL REPORT - Continued

Fund Financial Statements - Continued

Proprietary Funds – Continued

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 of the City of Highwood.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on pages 26-27 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 28-61 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Highwood I.M.R.F. and police and firefighters employee pension obligations. Required supplementary information can be found on pages 62-67 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions.

Combining and individual fund statements and schedules can be found on pages 68-82 of this report.

CITY OF HIGHWOOD, ILLINOIS

Management's Discussion and Analysis April 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets 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 exceeded liabilities by \$5,463,235, increasing by 18% over prior years.

Net Assets (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 7.7	3.3	0.8	0.5	8.5	3.8
Capital Assets	4.1	4.1	3.7	3.7	7.8	7.8
Total Assets	11.8	7.4	4.5	4.2	16.3	11.6
Long-Term Debt Outstanding	(7.1)	(3.4)	(1.3)	(1.6)	(8.4)	(5.0)
Other Liabilities	(2.4)	(1.9)	(0.1)	-	(2.5)	(1.9)
Total Liabilities	(9.5)	(5.3)	(1.4)	(1.6)	(10.9)	(6.9)
Net Assets						
Invested in Capital Assets, Net of Debt	1.0	3.2	2.4	2.1	3.4	5.3
Restricted	1.4	1.3	-	-	1.4	1.3
Unrestricted (Deficit)	(0.1)	(2.4)	0.7	0.4	0.6	(2.0)
Total Net Assets	2.3	2.1	3.1	2.5	5.4	4.6

A large portion of the City of Highwood net assets is its investment in capital assets (for example, land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding which represents 63 percent of net assets. 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 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 or 28 percent of the City of Highwood net assets represents resources that are subject to external restrictions on how they may be used. The remaining 9 percent, or \$.6 million, represents unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF HIGHWOOD, ILLINOIS

**Management's Discussion and Analysis
April 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Changes in Net Assets (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for Services	1.3	1.2	1.3	1.0	2.6	2.2
Capital Grants/Contributions	0.3	0.1	-	-	0.3	0.1
Operating Grants/Contributions	-	0.2	-	-	-	0.2
General Revenues					-	-
Property Taxes	1.5	1.5	-	-	1.5	1.5
Sales Taxes	1.1	1.1	-	-	1.1	1.1
Intergovernmental	0.5	0.5	-	-	0.5	0.5
Other General Revenues	0.4	0.6	-	-	0.4	0.6
Total Revenues	5.1	5.2	1.3	1.0	6.4	6.2
Expenses						
General Government	0.8	0.5	-	-	0.8	0.5
Public Safety	2.7	3.1	-	-	2.7	3.1
Public Works	1.0	1.0	-	-	1.0	1.0
Culture and Recreation	0.2	0.4	-	-	0.2	0.4
Interest and Fiscal Charges	0.2	0.1	-	-	0.2	0.1
Water	-	-	0.5	0.8	0.5	0.8
Garbage	-	-	0.2	0.2	0.2	0.2
Total Expenses	4.9	5.1	0.7	1.0	5.6	6.1
Increase in Net Assets	0.2	0.1	0.6	-	0.8	0.1
Net Assets - Beginning	2.1	2.0	2.5	2.5	4.6	4.5
Net Assets - Ending	2.3	2.1	3.1	2.5	5.4	4.6

Net assets of the City of Highwood governmental activities increased by 12.9 percent (\$2.3 million compared to \$ 2.1 million). Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints, changed from a \$2.5 million deficit the previous fiscal year to a \$0.1 deficit at the end of this year.

CITY OF HIGHWOOD, ILLINOIS

Management's Discussion and Analysis April 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

This unrestricted deficit declined due to debt that was issued in the current year and is applied to capital assets. As those amounts are spent in the future years, this will affect the unrestricted amounts.

Net assets of business-type activities increased by 23 percent (\$2.5 million compared to \$3.1 million in the current year). This increase, however, cannot be used to make up for the deficits that might arise in governmental activities. The City of Highwood generally can only use these net assets to finance the continuing operations of the waterworks and sewerage and garbage operations.

Total revenues remained consistent to prior years. The total cost of all programs and services decreased by approximately \$500,000 or 8.6% with no new programs added this year. Even with the decline in expenditures, the City struggles with operations due to cash deficits.

Governmental Activities

Revenues for governmental activities remained virtually the same in the current year, decreasing by \$0.2 million, a less than 1% decline, while total expenses also showed a \$0.2 million decline, a less than 1% decline.

Although General Fund revenues in total were under budget by \$500,000, most revenue sources exceeded budgeted amounts. The shortfall to budget was due to two items: Property taxes were short to budget by \$150,000 and grant revenues were short to budget by \$330,000. The property tax shortfall was due to budgeting for library taxes which are not reflected in the general fund as they are revenues of the library. The shortfalls in the grant revenues are due to expected grant projects that did not take place in the current year.

The cost of all governmental activities this year was \$4.9 million compared to \$5.1 million last year. Overall, governmental program revenues, were \$1.6 million, including intergovernmental aid and fees for services. This increased in 2011 from \$1.5 million in 2010, principally based on increases in charges for services.

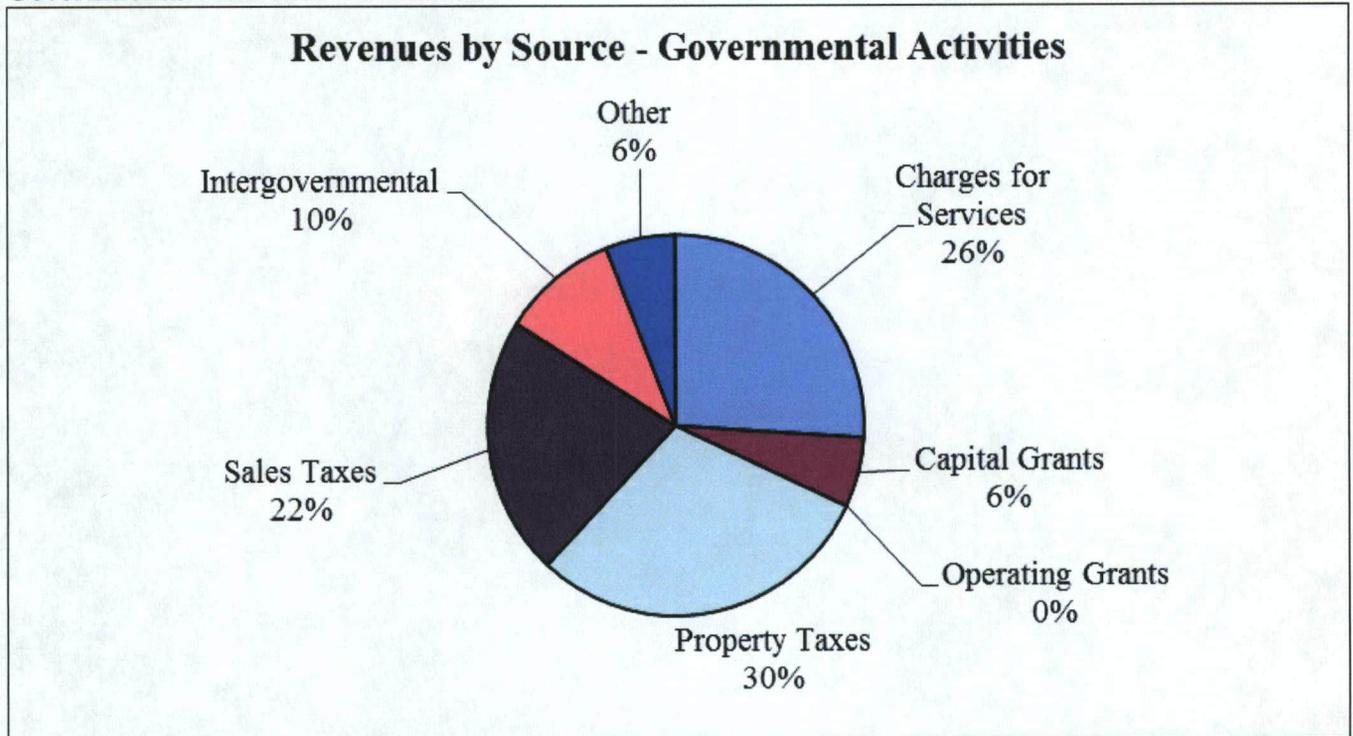
The following table graphically depicts the major revenue sources of the City of Highwood. It depicts very clearly the reliance of property and sales taxes and charges for services to fund governmental activities. The downtown district plays a large role in the operations of the City by funding 22 percent of its operations. The City continues to evaluate different revenue streams to fund the different operations of the City.

CITY OF HIGHWOOD, ILLINOIS

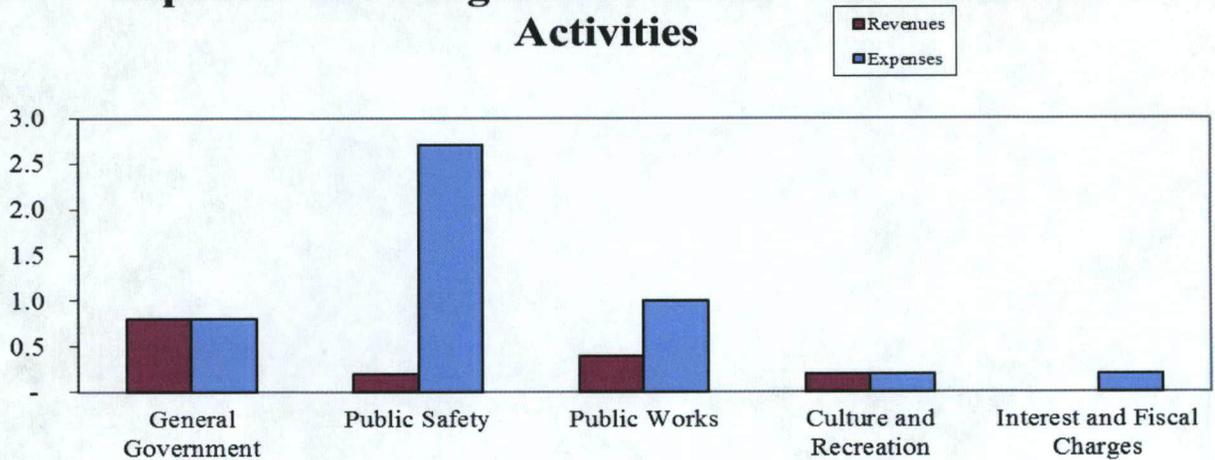
Management's Discussion and Analysis
April 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental Activities – Continued



Expenses and Program Revenues - Governmental Activities



CITY OF HIGHWOOD, ILLINOIS

Management's Discussion and Analysis
April 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental Activities – Continued

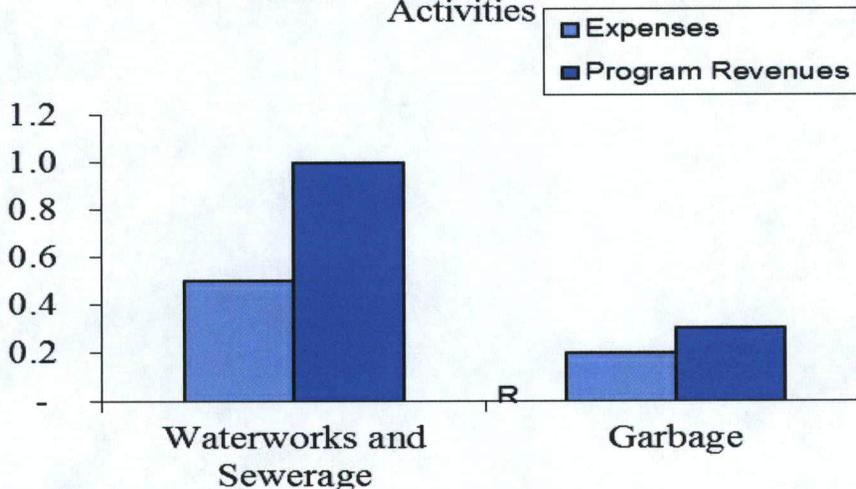
The 'Expenses and Program Revenues' Table identifies those governmental functions where program expenses greatly exceed revenues. The City continues to evaluate all available fees for comparability to other communities and collections to cover the costs of operations.

Business-type activities

Revenues of the City's business-type activities increased by 30 percent (\$1.3 million in 2011 compared to \$1.0 in 2010) and expenses decreased by 30 percent. Key factors behind these results include:

- The waterworks and sewerage system is increasing revenues for the replacement of various sections of the waterworks system. These increases are to be funded through the issuance of long-term debt and repayment out of future water revenues.
- The Garbage Fund operated at a virtual break even for the fiscal year. Expenses declined in the current year by \$35,000. The City has utilized the same contract for Garbage Services for an extended period of time.

Expenses and Program Revenues - Business-Type Activities



CITY OF HIGHWOOD, ILLINOIS

Management's Discussion and Analysis April 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Business-type Activities - Continued

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds

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

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$ 5.3 million, which is an increase of \$3.9 million over prior year's total of \$1.4 million. The increase in the current year is due to the issuance of long-term debt in the current year that had not been expended in the current year of \$3.8 million. In addition, these other changes in fund balances should be noted:

- Motor fuel tax funds, provided by the State, can only be used to replace, maintain, or improve the City's roads. This year the City received \$150,284 in revenues from the State and expended \$124,529 in these allowable activities.

Proprietary funds

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

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

The City intends to run the Fund at a breakeven rate. Periodically, there will be an annual surplus or draw down due to timing of capital projects and payments of debt service payments. The surplus during the current fiscal year was \$540,861. Unrestricted net assets increased by \$280,000 over the prior year due primarily to the increase in rates to assist in supporting future debt service and capital improvements to be done in future years.

CITY OF HIGHWOOD, ILLINOIS

Management's Discussion and Analysis April 30, 2011

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS - Continued

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council did not amend its budget for the current year.

Actual charges to appropriations (expenditures) were \$1.3 million below the budget amounts. Each department in the General Fund had positive variances to budget. The Public Safety department had the most significant savings to budget. Most savings in the current year was due to positions remaining vacant for the entire year or projects not being completed due to lack of funding.

However, resources available for appropriation were \$507,615 below the final budgeted amount. Property tax collections were less than budgeted due to not reflecting the library revenues in the general fund. Intergovernmental revenues were also significantly below budget due to the grants not being received that were expected. These shortfalls were partially offset by 10 percent overages in income taxes and 5 percent overages in sales taxes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Highwood investment in capital assets for its governmental and business-type activities as of April 30, 2011 was \$7.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements, vehicles, machinery and equipment, park facilities, roads, sidewalks, and bridges. The City does not maintain detail records of their capital assets and therefore, increases and decreases in the current year are not accounted for.

Capital Assets - Net of Depreciation (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 0.7	0.7	-	-	0.7	0.7
Buildings	1.1	1.1	0.4	0.4	1.5	1.5
Machinery and Equipment	-	-	-	-	-	-
Infrastructure	2.3	2.3	3.3	3.3	5.6	5.6
Total	4.1	4.1	3.7	3.7	7.8	7.8

Further discussion of Capital Assets can be found in Note 6 to the financial statements.

CITY OF HIGHWOOD, ILLINOIS

Management's Discussion and Analysis April 30, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

Debt

At year-end, the City of Highwood had total outstanding bonded debt of \$8.4 million as compared to \$5.0 million the previous year, an increase of 72.3 percent. The following is a comparative statement of outstanding debt:

General Obligation and Revenue Bonds (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 7.1	3.4	-	-	7.1	3.4
Revenue Bonds and Notes	-	-	1.3	1.6	1.3	1.6
Total	7.1	3.4	1.3	1.6	8.4	5.0

New debt resulted mainly from general obligation bonds to reconstruct several sections of the water system and streets in the City. Further discussion of Long-term Debt can be found in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2011 budget, tax rates, and fees that will be charged for its governmental and business-type activities. One of those factors is the economy.

As of April 30, 2011, the City was in negotiations with two different unions within the City. The Lieutenants recently unionized and are negotiating their first contract with the City. In addition to the Lieutenants, the Firefighter's contract has also expired and is under negotiation.

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

CITY OF HIGHWOOD, ILLINOIS

**Management's Discussion and Analysis
April 30, 2011**

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF HIGHWOOD, ILLINOIS

Statement of Net Assets

April 30, 2011

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash and Investments	\$ 5,574,027	221,780	5,795,807	274,088
Receivables, Net				
Taxes	1,845,026		1,845,026	218,604
Intergovernmental Accounts	169,214	252,857	422,071	
Other	71,196		71,196	
Due from Fiduciary Funds				
Due from Component Unit	1,045		1,045	
Other Assets				205
Internal Balances	26,974	(26,974)		
Restricted Assets				
Cash and Investments		338,760	338,760	
Deferred Charges	42,432		42,432	
Capital Assets				
Land	678,443	83,196	761,639	
Other Capital Assets, Net of Depreciation	3,391,130	3,614,287	7,005,417	377,544
Total Assets	11,799,487	4,483,906	16,283,393	870,441
Liabilities				
Accounts Payable	134,920	45,726	180,646	
Accrued Liabilities and Deposits	74,212	6,825	81,037	
Line of Credit Payable	340,095		340,095	
Other Accrued Liabilities	19,801	335	20,136	
Unearned Revenue	1,656,069		1,656,069	218,604
Accrued Interest Payable	83,428	19,418	102,846	
Due to Fiduciary Funds	70,619		70,619	
Due to Primary Government				1,045
Noncurrent Liabilities				
Due Within One Year	180,586	267,399	447,985	
Due in More Than One Year	6,891,515	1,029,210	7,920,725	
Total Liabilities	9,451,245	1,368,913	10,820,158	219,649
Net Assets				
Investment in Capital Assets, Net of Related Debt	952,482	2,409,075	3,361,557	377,544
Restricted for				
Debt Service	1,081,092		1,081,092	
Public Safety	84,782		84,782	
Streets and Highways	280,617		280,617	
Capital Projects	73,550		73,550	
Unrestricted	(124,281)	705,918	581,637	273,248
Total Net Assets	\$ 2,348,242	3,114,993	5,463,235	650,792

See accompanying Independent Auditor's Report and Notes to the Financial Statements.

CITY OF HIGHWOOD, ILLINOIS

Statement of Activities

Year Ended April 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 845,546	774,677		
Public Safety	2,710,296	235,197		
Public Works	927,992	49,855		313,088
Culture, Education and Recreation	172,966	210,391		
Interest and Fiscal Charges	228,400			
Total Governmental Activities	4,885,200	1,270,120	-	313,088
Business-Type Activities				
Water and Sewer	473,571	1,009,006		
Garbage	209,439	241,754		
Total Business-Type Activities	683,010	1,250,760	-	-
Total Primary Government	\$ 5,568,210	2,520,880	-	313,088
Component Unit				
Highwood Library	\$ 264,752	15,353	7,532	-

General Revenues
 Taxes
 Property
 Sales
 Utility
 Other
 Investment Income
 Miscellaneous
 Total General Revenues

Change in Net Assets

Net Assets

May 1

April 1

See accompanying Independent Auditor's Report and Notes to the Financial Statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
(70,869)		(70,869)	
(2,475,099)		(2,475,099)	
(565,049)		(565,049)	
37,425		37,425	
(228,400)		(228,400)	
(3,301,992)	-	(3,301,992)	-
	535,435	535,435	
	32,315	32,315	
-	567,750	567,750	-
(3,301,992)	567,750	(2,734,242)	-
-	-	-	(241,867)
1,468,293		1,468,293	235,302
1,061,678		1,061,678	
386,816		386,816	
533,057		533,057	
18,524	2,680	21,204	377
102,125	3,092	105,217	11,007
3,570,493	5,772	3,576,265	246,686
268,501	573,522	842,023	4,819
2,079,741	2,541,471	4,621,212	645,973
2,348,242	3,114,993	5,463,235	650,792

CITY OF HIGHWOOD, ILLINOIS

Balance Sheet - Governmental Funds

April 30, 2011

	General Fund	TIF Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Investments	\$ 346,827	1,081,092	3,705,466	440,642	5,574,027
Receivables					
Property Tax	948,271	599,281			1,547,552
Other Taxes	311,165				311,165
Intergovernmental	169,214				169,214
Other Receivables, Net	42,417			15,088	57,505
Due from Other Funds	96,653			18,691	115,344
Due from Component Unit	1,045				1,045
Total Assets	\$ 1,915,592	1,680,373	3,705,466	474,421	7,775,852
Liabilities					
Accounts Payable	\$ 115,938			18,982	134,920
Accrued Payroll	74,212				74,212
Line of Credit Payable	340,095				340,095
Other Current Liabilities	19,801				19,801
Due to Other Funds	71,880			16,490	88,370
Due to Fiduciary Funds	70,619				70,619
Deferred Revenue	1,161,998	599,281			1,761,279
Total Liabilities	1,854,543	599,281	-	35,472	2,489,296
Fund Balances					
Unreserved, Reported in					
General Fund	61,049				61,049
Special Revenue Funds				365,399	365,399
Debt Service Funds		1,081,092			1,081,092
Capital Projects Funds			3,705,466	73,550	3,779,016
Total Fund Balances	61,049	1,081,092	3,705,466	438,949	5,286,556
Total Liabilities and Fund Balances	\$ 1,915,592	1,680,373	3,705,466	474,421	7,775,852

See accompanying Independent Auditor's Report and Notes to the Financial Statements.

CITY OF HIGHWOOD, ILLINOIS

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

April 30, 2011

Total Fund Balances - Governmental Funds	\$ 5,286,556
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,069,573
Bond issuance costs are expenditures in governmental funds in the year of issuance but are capitalized and amortized on the Statement of Net Assets.	42,432
Some receivables that are not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	105,210
Discounts on bonds are an other financing use in the year of issuance but are shown as a decrease in bonds payable and amortized over the life of the bond in the Statement of Net Assets.	35,397
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and Notes Payable	(6,857,954)
Compensated Absences	(202,443)
Net Pension Obligations	(47,101)
Accrued Interest	(83,428)
Net Assets of Governmental Activities	<u>\$ 2,348,242</u>

See accompanying Independent Auditor's Report and Notes to the Financial Statements.

CITY OF HIGHWOOD, ILLINOIS

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

Year Ended April 30, 2011

	General Fund	TIF Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property Tax	\$ 869,435	598,858			1,468,293
Other Taxes	1,444,973			46,782	1,491,755
Intergovernmental	654,379			169,208	823,587
Licenses and Permits	279,357				279,357
Fines, Forfeitures and Penalties	104,236				104,236
Public Charges for Services	886,527			4,428	890,955
Investment Income	2,676	6,232	8,102	1,514	18,524
Miscellaneous	73,141				73,141
Total Revenues	4,314,724	605,090	8,102	221,932	5,149,848
Expenditures					
Current					
General Government	794,543			46,672	841,215
Public Safety	2,612,500			56,618	2,669,118
Public Works	689,349			122,853	812,202
Culture, Recreation and Education	172,966				172,966
Capital Outlay	36,560		20,273	94,956	151,789
Debt Service					
Principal	67,126	100,000			167,126
Interest	9,544	110,185			119,729
Bond Issuance Costs			44,367		44,367
Total Expenditures	4,382,588	210,185	64,640	321,099	4,978,512
Excess (Deficiency) of Revenues over Expenditures	(67,864)	394,905	(56,538)	(99,167)	171,336
Other Financing Sources (Uses)					
Transfers In				240,000	240,000
Transfers Out		(240,000)			(240,000)
Bond Proceeds			3,800,000		3,800,000
Bond Discount			(38,000)		(38,000)
Proceeds from Sale of Capital Assets	332				332
Other Financing Sources (Uses)	332	(240,000)	3,762,000	240,000	3,762,332
Net Change in Fund Balance	(67,532)	154,905	3,705,462	140,833	3,933,668
Fund Balance					
May 1	128,581	926,187	4	298,116	1,352,888
April 30	\$ 61,049	1,081,092	3,705,466	438,949	5,286,556

See accompanying Independent Auditor's Report and Notes to the Financial Statements.

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, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ 3,933,668
Amounts reported for governmental activities in the Statement of Activities are different because:	
Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	3,521
The issuance of long-term debt is reported as an other financing source in governmental funds, but as an increase of principal outstanding in the Statement of Net Assets.	(3,800,000)
The discount on bonds issued is reported as an other financing use in the governmental funds, but as a decrease in principal outstanding on the Statement of Net Assets.	38,000
Bond issuance costs are reported as expenditures in the governmental funds, but as a deferred charge on the Statement of Net Assets.	44,367
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Principal Repaid	167,126
Some of the bonds issued in the current year are accretion bonds. Accretion of the bonds during the year increases the carrying value of the bonds and will be repaid using future year resources. The current year's accretion is charged to interest expense in the Statement of Activities.	(39,069)
The amortization of issuance costs, premiums on bonds, discounts on bonds and losses on refunding are not a use of a financial resource.	(4,538)
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.	
Compensated Absences	23,561
Net Pension Obligation	(33,071)
Accrued Interest on Debt	(65,064)
Change in Net Assets	<u>\$ 268,501</u>

See accompanying Independent Auditor's Report and Notes to the Financial Statements.

CITY OF HIGHWOOD, ILLINOIS

Statement of Net Assets - Proprietary Funds

April 30, 2011

	Waterworks and Sewerage Fund	Nonmajor Enterprise Fund - Garbage Fund	Total
Assets			
Current Assets			
Cash and Investments	\$ 115,744	106,036	221,780
Receivables			
Accounts	252,857		252,857
Due from Other Funds	45,945	9,483	55,428
Restricted Assets			
Cash and Investments	338,760		338,760
Total Current Assets	<u>753,306</u>	<u>115,519</u>	<u>868,825</u>
Noncurrent Assets			
Capital Assets			
Land	83,196		83,196
Property and Equipment	6,061,735		6,061,735
Less: Accumulated Depreciation	(2,447,448)		(2,447,448)
Total Noncurrent Assets	<u>3,697,483</u>	<u>-</u>	<u>3,697,483</u>
Total Assets	<u>4,450,789</u>	<u>115,519</u>	<u>4,566,308</u>
Liabilities			
Current Liabilities			
Accounts Payable	15,408	30,318	45,726
Accrued Payroll	6,220	605	6,825
Other Current Liabilities		335	335
Due to Other Funds	70,239	12,163	82,402
Interest Payable	19,418		19,418
Total Current Liabilities	<u>111,285</u>	<u>43,421</u>	<u>154,706</u>
Noncurrent Liabilities			
Long-Term Debt			
Due Within One Year	267,399		267,399
Due in More Than One Year	1,029,210		1,029,210
Total Noncurrent Liabilities	<u>1,296,609</u>	<u>-</u>	<u>1,296,609</u>
Total Liabilities	<u>1,407,894</u>	<u>43,421</u>	<u>1,451,315</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,409,075		2,409,075
Unrestricted	633,820	72,098	705,918
Total Net Assets	<u>\$ 3,042,895</u>	<u>72,098</u>	<u>3,114,993</u>

See accompanying Independent Auditor's Report and Notes to the Financial Statements.

CITY OF HIGHWOOD, ILLINOIS

Statement of Revenues, Expenses and Changes in
Net Assets - Propriety Funds

Year Ended April 30, 2011

	Waterworks and Sewerage Fund	Nonmajor Enterprise Fund - Garbage Fund	Total
Operating Revenues			
Public Charges for Services	\$ 1,009,006	241,754	1,250,760
Operating Expenses			
Personnel	229,533	26,698	256,231
Contractual Services	155,686	175,041	330,727
Materials and Supplies	39,991	3,800	43,791
Total Operating Expenses	425,210	205,539	630,749
Operating Income	583,796	36,215	620,011
Nonoperating Revenues (Expenses)			
Investment Income	2,334	346	2,680
Miscellaneous Revenue	3,092		3,092
Miscellaneous Expense	(5,669)	(3,900)	(9,569)
Interest Expense	(42,692)		(42,692)
	(42,935)	(3,554)	(46,489)
Changes in Net Assets	540,861	32,661	573,522
Net Assets			
May 1	2,502,034	39,437	2,541,471
April 30	\$ 3,042,895	72,098	3,114,993

See accompanying Independent Auditor's Report and Notes to the Financial Statements.

CITY OF HIGHWOOD, ILLINOIS

Statement of Cash Flows - Proprietary Funds

Year Ended April 30, 2011

	Waterworks and Sewerage Fund	Nonmajor Enterprise Fund - Garbage Fund	Total
Cash Flows from Operating Activities			
Received from Customers	\$ 900,327	245,734	1,146,061
Paid to Suppliers for Grounds and Services	(188,105)	(148,188)	(336,293)
Paid to Employees for Services	(264,601)	(26,093)	(290,694)
Other Operating Expenses	(5,669)	(3,900)	(9,569)
	<u>441,952</u>	<u>67,553</u>	<u>509,505</u>
Cash Flows from Investing Activities			
Investment Income	2,334	346	2,680
Other Income	3,092		3,092
	<u>5,426</u>	<u>346</u>	<u>5,772</u>
Cash Flows from Noncapital Financing Activities			
Interfund Receipts	403,302	70,264	473,566
Interfund Borrowings	(426,272)	(42,680)	(468,952)
	<u>(22,970)</u>	<u>27,584</u>	<u>4,614</u>
Cash Flows from Capital and Related Financing Activities			
Debt Retired	(260,971)		(260,971)
Interest Paid	(45,973)		(45,973)
	<u>(306,944)</u>	<u>-</u>	<u>(306,944)</u>
Net Increase in Cash and Cash Equivalents	117,464	95,483	212,947
Cash and Cash Equivalents			
May 1	337,040	10,553	347,593
April 30	<u>\$ 454,504</u>	<u>106,036</u>	<u>560,540</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 583,796	36,215	620,011
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Other Operating Expenses	(5,669)	(3,900)	(9,569)
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivables	(108,679)	3,980	(104,699)
Decrease in Prepaid Expenses	607		607
Increase in Accounts Payable	12,608	30,318	42,926
Increase (Decrease) in Accrued Salaries	(3,071)	605	(2,466)
Increase (Decrease) in Other Current Liabilities	(5,643)	335	(5,308)
Decrease in Compensated Absences	(31,997)		(31,997)
Net Cash Provided by Operating Activities	<u>\$ 441,952</u>	<u>67,553</u>	<u>509,505</u>

See accompanying Independent Auditor's Report and Notes to the Financial Statements.

CITY OF HIGHWOOD, ILLINOIS

Statement of Fiduciary Net Assets - Fiduciary Funds

April 30, 2011

	Pension Trust Funds	Agency Fund
Assets		
Cash and Cash Equivalents	\$ 163,119	16,061
Investments		
U.S. Treasuries	1,236,930	
U.S. Agencies	1,987,332	
Mutual Funds	450,466	
Municipal Bonds	393,219	
Receivables, Net		
Accrued Interest	39,326	
Accounts		13,718
Due from Municipality	40	70,579
Total Assets	4,270,432	100,358
Liabilities		
Accounts Payable	3,538	
Deposits		25,358
Due to Other Organizations		75,000
Total Liabilities	3,538	100,358
Net Assets		
Held in Trust for Pension Benefits	\$ 4,266,894	-

See accompanying Independent Auditor's Report and Notes to the Financial Statements.

CITY OF HIGHWOOD, ILLINOIS

Statement of Changes in Fiduciary Net Assets - Pension Trust Funds

Year Ended April 30, 2011

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer	\$ 310,185
Plan Members	98,772
	<u>408,957</u>
Investment Income	
Investment Income	145,702
Gains/Losses on Investments	113,873
Investment Expense	(16,720)
	<u>242,855</u>
Total Additions	<u>651,812</u>
Deductions	
Benefits	119,154
Administration	55,431
Refunds of Contributions	48,312
	<u>222,897</u>
Total Deductions	<u>222,897</u>
Change in Net Assets	428,915
Net Assets Held in Trust for Pension Benefits	
May 1	<u>3,837,979</u>
April 30	<u>\$ 4,266,894</u>

See accompanying Independent Auditor's Report and Notes to the Financial Statements.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

This report includes all of the funds of the City of Highwood. 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 are 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 (see note below for description) to emphasize that it is legally separate from the primary government.

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

1. Summary of Significant Accounting Policies (Cont.)

A. Reporting Entity (Cont.)

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

Discretely Presented Component Unit

Highwood Public Library

The government-wide financial statements include the Highwood Public Library (Library) as a component unit. The Library is a legally separate organization. The board of the Library is appointed by the Mayor with the approval of the City Council. The Library's budget and tax levy is subject to approval by the City Council. As a component unit, the Library's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended April 30, 2011. The Library does not issue separate financial statements.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

- 1. Summary of Significant Accounting Policies (Cont.)
 - B. Government-Wide and Fund Financial Statements (Cont.)

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/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 categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and
- 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 and proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The **TIF Debt Service Fund** accounts for resources accumulated and payments made for principal and interest on long-term debt.

The **Capital Projects Fund** accounts for financial resources, primarily bond proceeds, used for various capital projects related to the waterworks system and the streets of the City.

The City reports the following major enterprise fund:

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

The City reports the following nonmajor governmental and enterprise funds:

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

- Motor Fuel Tax Fund
- E-911 Fund

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

1. Summary of Significant Accounting Policies (Cont.)

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

Fund Financial Statements (Cont.)

Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.

TIF Capital Projects Fund

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

Garbage Fund

In addition, the City reports the following fund types:

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

Police Pension Fund

Firefighters' Pension Fund

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

Escrow Fund

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

Government-Wide Financial Statements

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

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

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

Government-Wide Financial Statements (Cont.)

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of income taxes. Income taxes received after 60 days will be considered as available as the State being greater than 60 days behind on payments for income taxes to local governments is considered to be a highly unusual circumstance. 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 revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred 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 deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also 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 deferred revenue is removed from the balance sheet and revenue is recognized.

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

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

Fund Financial Statements (Cont.)

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. 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 Water and sewer are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accounting Estimates

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

- D. Assets, Liabilities, and Net Assets or Equity

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,

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.

Pension funds may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, and the Illinois insurance company general and separate accounts, mutual funds and equity securities. The police pension fund's investment policy allows investments in all of the above listed accounts, but does exclude any repurchase agreements. The firefighters' pension fund allows funds to be invested in any type of security authorized by the Illinois Pension Code. The City has adopted an investment policy. That policy follows the state statute for allowable investments.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

1. Summary of Significant Accounting Policies (Cont.)

D. Assets, Liabilities, and Net Assets or Equity (Cont.)

Deposits and Investments (Cont.)

Interest Rate Risk – 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 entity 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 2 years from the date of purchase. Reserve funds may be invested in securities exceeding 2 years if the maturity 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. The police pension's investment policy states that a maximum of 40% of the bond portfolio may have maturities of 15 years or more. The firefighters' pension investment policy states that investments shall be undertaken in a manner that seeks to ensure the preservation of capital. Secondly, the investment portfolio shall remain sufficiently liquid to enable the pension fund to pay all necessary benefits and meet all operating requirements which might be reasonably anticipated. Lastly, assets shall be invested to achieve attractive real rates of return. The duration of the investment must coincide with the cash flow requirements of the Fund to meet short-term and long-term needs.

Credit Risk – State statutes limit the investments in commercial paper to the top three ratings of two nationally recognized statistical rating organizations (NRSRO's). The City's investment policy does not further limit investment instrument choices.

Concentration of Credit Risk – 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. The police pension's investment policy states that the following asset allocation ranges should be followed:

	Minimum	Target	Maximum
Equities (Separate Account)	10.0%	10.0%	10.0%
Fixed Income	65.0%	88.5%	89.0%
Cash	1.0%	1.5%	25.0%

Furthermore, no more than 40% of the fixed income portfolio will be in zero coupon bonds.

The firefighters' pension investment policy requires diversification of the fixed income portfolio.

Custodial Credit Risk - Deposits – The City's and police pension'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.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

1. Summary of Significant Accounting Policies (Cont.)

D. Assets, Liabilities, and Net Assets or Equity (Cont.)

Deposits and Investments (Cont.)

Custodial Credit Risk - Investments – 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 police pension's investment policy states that all investments are to be clearly held and accounted for to indicate ownership by the board. Custody at a national brokerage firm is allowed if the account is insured by the Security Investor Protection Corp. (SIPC). Additional amounts of insurance will be necessary to cover the total value of the pension fund. The Firefighter's pension investment policy requires that investments of the Fund shall be held in a custodial trust account for the benefit of the Fund at a commercial bank located in the State of Illinois. Safekeeping account receipts will be held by the City.

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.

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 publically available financial report, which may be obtained from the State of Illinois Treasurer, Illinois Funds Administrative Office, 300 W. Jefferson, Springfield, Illinois 62702

Receivables

Property taxes for levy year 2010 attaches as an enforceable lien on January 1, 2010, 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). The 2011 tax levy, which attached as an enforceable lien on the property as of January 1, 2011, has not been recorded as a receivable and deferral as of April 30, 2011, as the tax has not yet been levied by the City and will not be levied until December 2011, and therefore, the levy is not measurable at April 30, 2011.

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 such taxes and remits them periodically. The 2010 property tax levy is recognized as a receivable and deferral in fiscal 2011, net the allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues. At April 30, 2011, the property taxes receivable and deferred tax revenue consisted of the estimated amount collectible from the 2010 levy.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

1. Summary of Significant Accounting Policies (Cont.)

D. Assets, Liabilities, and Net Assets or Equity (Cont.)

Receivables (Cont.)

Based on experience with real estate tax collections in past, the City does not record an allowance for uncollectible accounts.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payable between funds within governmental activities are eliminated in the statement of net assets. 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 assets.

Capital Assets

Government-Wide Statements

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. 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 asset is as follows:

Buildings and Improvements	10-50 Years
Equipment and Vehicles	4-20 Years
Infrastructure	20-50 Years

The City did not maintain adequate records to report capital assets activity during fiscal year ended April 30, 2011, therefore, has not reported additions, deletions or depreciation in these financial statements.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

1. Summary of Significant Accounting Policies (Cont.)

D. Assets, Liabilities, and Net Assets or Equity (Cont.)

Capital Assets (Cont.)

Fund Financial Statements

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

Compensated Absences

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

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at April 30, 2011, are determined on the basis of current salary rates and include salary related payments. The City did not maintain adequate records to support the activity of the outstanding balances of compensated absences disclosed in Note 9.

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 debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. 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 13 for Commitments and Contingencies.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

1. Summary of Significant Accounting Policies (Cont.)

D. Assets, Liabilities, and Net Assets or Equity (Cont.)

Equity Classifications

Government-Wide Statements

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

- a. **Invested in Capital Assets, Net of Related Debt** - 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.
- b. **Restricted Net Assets** - Consists of net assets with constraints placed on their 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 Assets** - All other net assets that do not meet the definitions of "restricted" or "invested in capital assets, net of related debt."

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.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved fund balance is that portion of fund balance that is not available for the subsequent year's budget due to legal restrictions or resources which are not available for current spending. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled "designated." The balance is labeled "undesignated," which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

2. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Budget amounts are as originally adopted by the Board of Trustees. 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 passage of an ordinance. Formal budgetary integration is employed as a management control device during the year of the General Fund, debt service, special revenue and enterprise funds.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2011

2. Stewardship, Compliance and Accountability (Cont.)

A. Budgetary Information (Cont.)

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

B. Deficit Balances

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

As of April 30, 2011, no individual funds report a deficit balance.

3. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and balance sheet as cash and investments. In addition, investments are 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	Statement Balances
Deposits	\$ 6,005,061	6,108,554
Illinois Funds	308,086	307,878
Investments	4,067,947	4,067,947
Petty Cash	600	600
	<u>\$ 10,381,694</u>	<u>10,484,979</u>

Reconciliation to financial statements:

Per Statement of Net Assets

Unrestricted Cash and Investments	\$ 5,795,807
Restricted Cash and Investments	338,760

Per Statement of Net Assets - Fiduciary Funds

Cash	163,119
U.S. Government and Agency Obligations	3,224,262
Mutual Funds	450,466
Municipal Bonds	393,219
Agency Fund	<u>16,061</u>
	<u>\$ 10,381,694</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

3. Deposits and Investments (Cont.)

Custodial Credit Risk

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

Deposits – As of April 30, 2011, none of the City's total bank balances were exposed to custodial credit risk.

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

All of the pensions' investments subject to credit risk had either AAA, AA+, or "AA ratings with their applicable rating agency, except for the following Municipal Bonds: Dolton, IL rated BBB, Melrose Park, IL rated BBB.

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.

At April 30, 2011, the City did not have any one individual investment that represented more than 5% of its overall portfolio.

Interest Rate Risk

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

As of April 30, 2011, the City's investments in the Illinois Funds were due within one year.

The pension funds' investments subject to interest rate risk were as follows:

Police Pension

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	Over 10
U.S. Treasuries	\$ 603,869	39,972	266,620	297,277	
U.S. Agencies	960,108	50,756	371,957	479,393	58,002
Municipal Bonds	211,393	25,551	114,846	25,718	45,278
	<u>\$ 1,775,370</u>	<u>116,279</u>	<u>753,423</u>	<u>802,388</u>	<u>103,280</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2011

3. Deposits and Investments (Cont.)

Firefighters' Pension

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	Over 10
U.S. Treasuries	\$ 633,061	77,730	233,448	321,883	
U.S. Agencies	1,027,224		554,461	389,504	83,259
Municipal Bonds	181,826		125,658	56,168	
	<u>\$ 1,842,111</u>	<u>77,730</u>	<u>913,567</u>	<u>767,555</u>	<u>83,259</u>

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

4. Receivables

	General Fund	TIF Debt Service Fund	Nonmajor and Other Funds	Total
Receivables				
Property Taxes	\$ 948,271	599,281		1,547,552
Sales Tax	240,744			240,744
Utility Tax	13,691			13,691
Telecom	50,047			50,047
Use Tax	6,683			6,683
Income	167,937			167,937
Replacement	1,277			1,277
Motor Fuel Tax			11,828	11,828
Accounts	42,417		3,260	45,677
	<u>\$ 1,471,067</u>	<u>599,281</u>	<u>15,088</u>	<u>2,085,436</u>

All of the receivables on the balance sheet are expected to be collected within one year.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2011

4. Receivables (Cont.)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Property Taxes Receivable for Subsequent Year	\$	1,547,552	1,547,552
Telecom Tax	16,494		16,494
Sales Tax	88,716		88,716
Rental Income Received in Advance		108,517	108,517
Total Deferred/Unearned Revenue for Governmental Funds	\$ 105,210	1,656,069	1,761,279

5. Restricted Assets

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

Bond Reserve - Used to report resources set aside to make up potential future deficiencies in the debt service account.

Following is a list of restricted assets at April 30, 2011:

	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Assets
Bond Reserve Account	\$ 338,760	(338,760)	

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2011

6. Capital Assets

A. Governmental Activities

The City did not maintain adequate records to report capital assets in the current or prior year. Therefore, no activity, including depreciation, has been reported in either entity-wide or enterprise fund financial statements. Following is the balance carried forward from the beginning of the year which has been included in the Statement of Net Assets:

	Balances May 1	Additions	Deletions	Balances April 30
Capital Assets Not Being Depreciated				
Land	\$ 678,443			678,443
Capital Assets Being Depreciated				
Buildings and Improvements	2,812,435			2,812,435
Equipment and Vehicles	4,442,299			4,442,299
Infrastructure	4,163,818			4,163,818
	<u>11,418,552</u>	-	-	<u>11,418,552</u>
Less Accumulated Depreciation for				
Buildings and Improvements	1,732,392			1,732,392
Equipment and Vehicles	4,442,299			4,442,299
Infrastructure	1,852,731			1,852,731
	<u>8,027,422</u>	-	-	<u>8,027,422</u>
Total Capital Assets Being Depreciated, Net	<u>3,391,130</u>	-	-	<u>3,391,130</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,069,573</u>	-	-	<u>4,069,573</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2011

6. Capital Assets

B. Business-Type Activities

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

	Balances May 1	Additions	Deletions	Balances April 30
Capital Assets Not Being Depreciated				
Land	\$ 83,196			83,196
Capital Assets Being Depreciated				
Buildings and Improvements	1,045,984			1,045,984
Machinery and Equipment	231,730			231,730
Waterworks and Sewerage System	4,784,021			4,784,021
	<u>6,061,735</u>	-	-	<u>6,061,735</u>
Less Accumulated Depreciation for				
Buildings and Improvements	667,463			667,463
Machinery and Equipment	231,730			231,730
Waterworks and Sewerage System	1,548,255			1,548,255
	<u>2,447,448</u>	-	-	<u>2,447,448</u>
Total Capital Assets Being Depreciated, Net	<u>3,614,287</u>	-	-	<u>3,614,287</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,697,483</u>	-	-	<u>3,697,483</u>

7. Interfund Transactions

A. Interfund Receivables/Payables

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

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2011

7. Interfund Transactions (Cont.)

A. Interfund Receivables/Payables (Cont.)

The following is a schedule of interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	\$ 15,259
General	Water and Sewer	69,231
General	Nonmajor Enterprise Funds	12,163
Nonmajor Governmental Funds	General	18,691
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	190
Water and Sewer	General	44,904
Water and Sewer	Nonmajor Governmental Funds	1,041
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	1,008
Nonmajor Enterprise Funds	General	<u>8,285</u>
Total - Fund Financial Statements		170,772
Less: Government-wide Eliminations		<u>(143,798)</u>
Total Internal Balances - Government-wide Statement of Net Assets		<u>\$ 26,974</u>
Escrow	General	\$ 70,579
Fire Pension	General	7
Police Pension	General	<u>33</u>
Total - Fiduciary Funds		<u>\$ 70,619</u>

All amounts are due within one year.

B. Transfers

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

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
TIF Capital Projects	TIF Debt Service	<u>\$ 240,000</u>	To utilize property taxes received in excess of debt service for the TIF District for redevelopment costs.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

8. Short-Term Debt Obligation

The City has a line of credit with Lake Forest Bank and Trust Company in the amount of \$500,000. The maturity date is August 5, 2011. The interest rate is 3%. A total of \$340,095 is outstanding on the line of credit as of April 30, 2011.

	Beginning Balance	Increases	Decreases	Ending Balance
Bank Line of Credit Payable	\$	640,095	300,000	340,095

9. Long-Term Debt Obligations

Long-term Obligations activity for the year ended April 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
<u>Governmental Activities</u>					
Bonds and Notes Payable					
Alternative Revenue Bonds	\$ 3,096,403	*	39,069	100,000	3,035,472
2010A General Obligation Build America Bonds		800,000		800,000	
2010B General Obligation Recovery Zone Economic Development Bonds		3,000,000		3,000,000	
Notes Payable	89,608		67,126	22,482	10,097
Unamortized Bond Discount		(38,000)	(2,603)	(35,397)	
	<u>3,186,011</u>	<u>3,801,069</u>	<u>164,523</u>	<u>6,822,557</u>	<u>140,097</u>
Other Liabilities					
Vested Compensated Absences	226,004	21,644	45,205	202,443	40,489
Net Pension Obligation	14,030	33,071		47,101	
	<u>240,034</u>	<u>54,715</u>	<u>45,205</u>	<u>249,544</u>	<u>40,489</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 3,426,045</u>	<u>3,855,784</u>	<u>209,728</u>	<u>7,072,101</u>	<u>180,586</u>

* Represents accreted interest on Capital Appreciation Bonds

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
<u>Business-Type Activities</u>					
Bonds and Notes Payable					
Alternative Revenue Bonds	\$ 775,000		205,000	570,000	210,000
IEPA Loan	774,379		55,971	718,408	57,399
	<u>1,549,379</u>	<u>-</u>	<u>260,971</u>	<u>1,288,408</u>	<u>267,399</u>
Other Liabilities					
Vested Compensated Absences	40,198		31,997	8,201	
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,589,577</u>	<u>-</u>	<u>292,968</u>	<u>1,296,609</u>	<u>267,399</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2011

9. Long-Term Debt Obligations (Cont.)

The General Fund is expected to pay the Net Pension Obligation. For the governmental activities, the compensated absences are generally liquidated by the General Fund. The City is subject to the Illinois Municipal Code, which limits the amount of certain indebtedness to 8.625% of the most recent available equalized assessed valuation of the City. As of April 30, 2011, the statutory debt limit for the City was \$12,739,620, providing a debt margin of \$6,099,620.

Alternative Revenue Debt

Governmental Activities Alternative Revenue Debt

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

Alternative revenue debt payable at April 30, 2011, consists of the following:

Governmental Activities Alternative Revenue Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance April 30, 2011
Series 2002	2002	1/1/2022	3.70%-5.10%	\$ 2,330,000	\$ 2,270,000
Series 2002 CAB	2002	1/1/2021	4.00%-5.40%	624,207	765,472
Total Governmental Activities - Alternative Revenue Debt					<u>\$ 3,035,472</u>

Business-Type Activities Alternative Revenue Debt

Business-Type Activities Alternative Revenue Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 4/30/2011
Series 2004	2004	5/1/2014	1.30%-3.70%	\$ 1,860,000	<u>\$ 570,000</u>

General Obligation Debt

Governmental 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 governmental activities.

General Obligation debt payable at April 30, 2011, consists of the following:

Governmental Activities Alternative Revenue Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 4/30/2011
Series 2010A	2011	12/1/2019	3.22%-4.72%	\$ 800,000	\$ 800,000
Series 2010B	2011	12/1/2033	5.62%-6.84%	3,000,000	3,000,000
Total Governmental Activities - General Obligation Debt					<u>\$ 3,800,000</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2011

9. Long-Term Debt Obligations (Cont.)

General Obligation Debt (Cont.)

Governmental Activities General Obligation Debt (Cont.)

Debt service requirements to maturity are as follows:

Year	Governmental Activities Alternative Revenue Source		Business-Type Activities Alternative Revenue Source	
	Principal	Interest	Principal	Interest
2012	\$ 130,000	108,665	210,000	2,135
2013	160,000	106,325	220,000	13,100
2014	195,000	102,925	140,000	5,180
2015	230,000	98,360		
2016	265,000	92,555		
2017-2021	1,920,000	314,573		
2022	385,000	19,250		
	<u>\$ 3,285,000</u>	<u>842,653</u>	<u>570,000</u>	<u>20,415</u>

Year	2010A General Obligation Build America Bonds			2010B General Obligation Recovery Zone Economic Development Bonds		
	Principal	Gross Interest	Net Interest*	Principal	Gross Interest	Net Interest**
2012	\$	35,518	23,086		202,063	111,135
2013		33,560	21,814		190,926	105,009
2014		33,560	21,814		190,926	105,009
2015	140,000	33,560	21,814		190,926	105,009
2016	140,000	29,052	18,883		190,926	105,009
2017-2021	520,000	55,460	36,049	260,000	949,291	522,110
2022-2026				910,000	782,939	430,616
2027-2031				1,080,000	483,246	265,785
2032-2033				750,000	103,968	57,182
	<u>\$ 800,000</u>	<u>220,710</u>	<u>143,460</u>	<u>3,000,000</u>	<u>3,285,211</u>	<u>1,806,864</u>

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

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2011

9. Long-Term Debt Obligations (Cont.)

Other Bonds or Notes or Loans Payable

Governmental Activities Other Bonds or Notes or Loans Payable	Date of Issue	Original Indebtedness	Final Maturity	Interest Rates	Balance April 30, 2011
Note Payable of 2009	2009	\$ 48,685	6/30/2013	4.62%	\$ 22,482
Total Governmental Activities - Other Bonds or Notes or Loans Payable					\$ 22,482

Business-Type Activities Other Bonds or Notes or Loans Payable	Date of Issue	Original Indebtedness	Final Maturity	Interest Rates	Balance April 30, 2011
Illinois Environmental Protection Agency (IEPA) Loan Payable of 2002	2002	\$ 1,170,000	12/30/2021	Various	\$ 718,408

Debt service requirements to maturity are as follows:

Year	Governmental Activities Other Bonds or Notes or Loans Payable		Business-Type Activities Other Bonds or Notes or Loans Payable	
	Principal	Interest	Principal	Interest
2012	\$ 10,097	828	57,399	17,850
2013	10,574	350	58,863	16,386
2014	1,811	11	60,364	14,885
2015			61,904	13,345
2016			63,484	11,765
2017-2021			342,553	33,692
2022			73,841	1,407
	\$ 22,482	1,189	718,408	109,330

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

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 assets and statement of activities.

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

A. Basis of Accounting/Measurement Focus

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

B. Deposits and Investments

	Carrying Value	Statement Balance	Associated Risks
Deposits	<u>\$ 274,008</u>	<u>\$ 255,994</u>	

C. Custodial Credit Risk

Deposits

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

As of April 30, 2011, none of the Library'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 Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

D. Interest Rate Risk

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

As of April 30, 2011, the Library's investments in the Illinois Funds were all due within one year.

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2011

10. Highwood Public Library – Component Unit

E. Capital Assets

The City did not maintain adequate records to report capital assets in the current or prior year. Therefore, no activity, including depreciation, has been reported in the component unit’s statements.

	Beginning Balance	Additions	Deletions	Ending Balance	Useful Lives (Years)
Building and Improvements	\$ 983,126			983,126	50
Less: Accumulated Depreciation	(605,582)			(605,582)	
	<u>\$ 377,544</u>	-	-	<u>377,544</u>	

11. Defined Benefit Pension Plans

The City participates in three contributory retirement plans. The Illinois Municipal Retirement Fund (a state-wide plan) covers substantially all full-time employees, except law enforcement officers and firefighters. Law enforcement officers are covered under the Police Pension Fund and firefighters are covered under the Firefighters’ Pension Plan.

A. Illinois Municipal Retirement Fund

Plan Description

The City contributes to the Illinois Municipal Retirement Fund (IMRF), which provides retirement (including early retirement), disability and death benefits to plan members and beneficiaries. IMRF is a defined benefit agent multiple-employer public employee retirement system which acts as a common investment and administrative agent for local governments and school districts in Illinois. All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. 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.

Funding Policy

As set by State statute, regular plan members are required to contribute 4.50% of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City contribution rate for calendar year 2010 was 10.84% of annual covered payroll. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2011

11. Defined Benefit Pension Plans (Cont.)

A. Illinois Municipal Retirement Fund (Cont.)

Annual Pension Cost, Net Pension Obligation and Actuarial Assumptions

For December 31, 2010, the City's actual contributions were \$80,877. The annual pension cost was \$80,877. The required contribution for 2010 was determined as part of the December 31, 2008 actuarial valuation using the entry age actuarial cost method.

The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative and direct investment expenses); (b) projected salary increases of 4% a year attributable to inflation; (c) additional projected salary increases ranging from .4% to 10% per year, depending on age and service attributable to seniority/merit; and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The employer plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at the December 31, 2008 valuation was 30 years.

As of December 31, 2010, the most recent actuarial valuation date, the Regular Plan was 86.07% funded. The actuarial accrued liability was \$2,399,137, and the actuarial value of assets was \$2,064,846, resulting in an unfunded actuarial accrued liability of \$334,291. The covered payroll for 2010 was \$746,097 and the ratio of the UAAL to the covered payroll was 45.00%.

In addition, certain public safety employees were previously covered by the IMRF Sheriff's Law Enforcement Personnel (SLEP) Plan. The SLEP Plan was 207.83% funded. Actuarial accrued liability was \$22,477 and actuarial value of assets was \$46,713, resulting in an overfunded actuarial accrued liability of \$24,236.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Three-Year Trend Information for the Regular Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2010	\$ 80,887	100.00%	0
12/31/2009	52,694	100.00%	0
12/31/2008	50,549	100.00%	0

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2011

11. Defined Benefit Pension Plans (Cont.)

A. Illinois Municipal Retirement Fund (Cont.)

Three-Year Trend Information for the SLEP Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2010	\$ 6,227	100.00%	0
12/31/2009	9,321	100.00%	0
12/31/2008	4,507	100.00%	0

B. Police Pension

Plan Description and Provisions

The Police Pension Plan, which is a defined benefit single-employer pension plan, covers all sworn police personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (Chapter 40 - Article 5/3) and may be amended only by the Illinois legislature. The City accounts for the Police Pension Plan as a pension trust fund. The Police Pension Plan does not issue stand-alone financial reports.

The Police Pension Plan provides retirement benefits, as well as death and disability benefits. Employees attaining the age of fifty, with twenty or more years of creditable service, are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank held in the police service at the date of retirement. The monthly pension shall be increased by 2.5% of such monthly salary for each additional year of service over 30 years of service to a maximum of 75% of such monthly 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 retirement benefit.

The monthly pension of a police officer who retired with twenty 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 originally granted pension.

The City's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2011 was \$525,726. At April 30, 2011, the Police Pension Plan's membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but Not Yet Receiving Them	6
Current Employees	
Vested	4
Nonvested	<u>5</u>
Total	<u>15</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

11. Defined Benefit Pension Plans (Cont.)

B. Police Pension (Cont.)

Summary Significant Accounting Policies

Basis of Accounting - The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Methods Used to Value Investments - Fixed income securities are reported at fair value. Short-term investments are reported at fair value. Investment income is recognized when earned. Gains and losses on sales and exchanges of fixed income securities are recognized on the trade date. Fair values are derived from published sources.

Contributions - The Fund's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, accumulate assets gradually over time so that sufficient assets will be available to pay benefits when due.

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 twenty 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 2033, the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded.

Concentration of Investments - The Police Pension Fund did not have any investments (other than U.S. Government and U.S. Government guaranteed obligations) in any one organization that represents 5% or more of net assets available for benefits).

C. Firefighters' Pension Plan

Plan Description and Provisions

The City contributes to the Firefighters' Pension Plan, a single-employer defined benefit pension plan covering fire sworn personnel. Although this is a single-employer pension plan, the defined benefits as well as the employee and employer contribution levels are mandated by Illinois Compiled Statutes (Chapter 40 - Article 5/4) and may be amended only by the Illinois legislature. The City accounts for the Firefighters' Pension Plan as a pension trust fund. The Firefighters' Pension Plan does not issue a separate stand-alone financial report.

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit equal to one-half the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension is increased by one-twelfth of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service 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 retires 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 of 55, by 3% of the original pension and 3% annually thereafter.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

11. Defined Benefit Pension Plans (Cont.)

C. Firefighters' Pension Plan (Cont.)

Plan Description and Provisions (Cont.)

The City's payroll for employees covered by the Firefighters' Pension Plan for the year ended April 30, 2011 was \$481,019. At April 30, 2011, the Firefighters' Pension Plan's membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but Not Yet Receiving Them	4
Current Employees	
Vested	4
Nonvested	<u>4</u>
Total	<u>12</u>

Summary Significant Accounting Policies

Basis of Accounting - The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Methods Used to Value Investments - Fixed income securities are reported at fair value. Short-term investments are reported at fair value. Investment income is recognized when earned. Gains and losses on sales and exchanges of fixed income securities are recognized on the trade date. Fair values are derived from published sources.

Contributions - The Fund's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, accumulate assets gradually over time so that sufficient assets will be available to pay benefits when due.

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 twenty years of service, accumulated employee contributions may be refunded without 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 2033, the City's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is fully funded.

Concentrations of Investments - The Firefighters' Pension Fund did not have any investments (other than U.S. government and U.S. government guaranteed obligations) in any one organization that represents 5% or more of net assets available for benefits.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

11. Defined Benefit Pension Plans (Cont.)

D. Summary of Significant Accounting Policies and Plan Asset Matters

The financial statements are prepared using the accrual basis of accounting. 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. Investments are reported at fair value.

Computation of Net Pension Obligation at April 30, 2011

	Police Pension	Firefighters' Pension	Total
Annual Required Contribution	\$ 199,385	143,568	342,953
Interest on the NPO	366	616	982
Adjustments to the ARC	(268)	(451)	(719)
Annual Pension Cost	199,483	143,733	343,216
Contributions Made	166,520	143,625	310,145
Increase in the Net Pension Obligation	32,963	108	33,071
Net Pension Obligation at May 1, 2010	5,226	8,804	14,030
Net Pension Obligation at April 30, 2011	<u>\$ 38,189</u>	<u>8,912</u>	<u>47,101</u>

E. Financial Statement Information

Statement of Net Assets

	Police Pension	Firefighters' Pension
Assets		
Cash, Cash Equivalents and Investments	\$ 2,042,842	2,188,224
Interest Receivable	20,614	18,712
Due from City	33	7
Total Assets	2,063,489	2,206,943
Liabilities		
Other Payables	2,055	1,483
Net Assets		
Held in Trust for Pension Benefits	<u>\$ 2,061,434</u>	<u>2,205,460</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

11. Defined Benefit Pension Plans (Cont.)

E. Financial Statement Information (Cont.)

Statement of Changes in Net Assets

	Police Pension	Firefighters' Pension
Additions		
Contributions		
Employer	\$ 166,553	143,632
Plan Members	53,938	44,834
	<u>220,491</u>	<u>188,466</u>
Investment Income		
Net Appreciation in Fair Value of Investments	129,559	130,016
Investment Fees	(8,071)	(8,649)
	<u>121,488</u>	<u>121,367</u>
Total Additions	<u>341,979</u>	<u>309,833</u>
Deductions		
Administration	28,874	26,557
Pension Benefits and Refunds	112,737	54,729
Total Deductions	<u>141,611</u>	<u>81,286</u>
Change in Net Assets	200,368	228,547
Net Assets		
Beginning	<u>1,861,066</u>	<u>1,976,913</u>
Ending	<u>\$ 2,061,434</u>	<u>2,205,460</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2011

11. Defined Benefit Pension Plans (Cont.)

F. Significant Actuarial Assumptions

The information presented in the notes and the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial Valuation Date	December 31, 2010	April 30, 2011	April 30, 2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Market Value	Market Value	Market Value
Amortization Method	Level Percentage of Projected Payroll - Closed Basis	Level Percentage of Projected Payroll - Closed Basis	Level Percentage of Projected Payroll - Closed Basis
Significant Actuarial Assumptions			
(a) Remaining Amortization Period (Years)	30	30	30
(b) Rate of Return on Investment of Present and Future Assets	7.50% Compounded Annually	6.75% Compounded Annually	6.75% Compounded Annually
(c) Projected Salary Increases - Attributable to Inflation	4.00% Compounded Annually	5.50% Compounded Annually	5.50% Compounded Annually
(d) Additional Projected Salary Increases - Attributable to Seniority/Merit	0.4% to 10.0%	<i>(Note: Separate Information for (c) and (d) not available)</i>	
(e) Postretirement Benefit Increases	3.00%	3.00% Compounded Annually	3.00% Compounded Annually

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

11. Defined Benefit Pension Plans (Cont.)

G. Funding Status at April 30, 2011

Plan	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
Illinois Municipal Retirement	\$ 2,064,846	2,399,137	334,291	86.07%	746,097	44.81%
IMRF - SLEP	46,713	22,477	(24,236)	207.83%	55,551	-43.63%
Police Pension	2,061,401	3,177,105	1,115,704	64.88%	525,726	212.22%
Firefighters' Pension	2,205,453	2,914,491	709,038	75.67%	481,019	147.40%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

H. Trend Information

	Fiscal Year	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual Pension Cost	2011	\$ 80,877	199,483	143,733
	2010	52,694	189,969	117,593
	2009	50,549	181,144	100,256
Percent Contributed	2011	100%	83.50%	99.90%
	2010	100%	100.40%	100.30%
	2009	100%	99.90%	100.60%
Net Pension Obligation (Asset)	2011		38,189	8,912
	2010		5,226	8,804
	2009		5,990	9,108

12. 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. These risks are provided for through participation in the Illinois Municipal League Risk Management Association and private insurance coverage. The City has purchased insurance from private insurance companies, covered risks included medical, dental, life and other. Premiums have been displayed as expenditures/expenses in appropriate funds. There were no significant changes in insurance coverages from the prior year and settlements did not exceed insurance coverage in any of the past three fiscal years.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

12. Risk Management (Cont.)

Public Entity Risk Pool

The City participates in the Illinois Municipal League Risk Management Association (IMLRA). IMLRA is an organization of municipalities and special districts in Northeastern Illinois, which has formed an association under the Illinois Intergovernmental Cooperation's Statute to pool its risk management needs. The agency administers a mix of self-insurance and commercial insurance coverages; property/casualty and workers' compensation claim administration/litigation management services; unemployment claim administration; extensive risk management/loss control consulting and training programs; and a risk information system and financial reporting service for its members.

Each member appoints one delegate to represent the member on the Board of Directors. The City does not exercise any control over the activities of the Association beyond its representation on the Board of Directors.

The City participates in the minimum/maximum program with the Association. Initial contributions are determined each year based on administrative expenses plus 80% of the normal loss fund. Annually the claims of members participating in the program are reviewed and when the City's paid claims dollars exceed 100% of the loss fund, additional amounts will be due from the City up to, but not to exceed 120% of the normal loss fund. The City's payments to IMLRMA are displayed on the financial statements as expenditures/expenses in appropriate funds.

13. Tax Increment Financing Districts

The City of Highwood has established several Tax Increment Redevelopment Project Areas (RPAs) to encourage redevelopment of certain sites for more market oriented commercial uses of the properties that will enhance their value and improve their contributions to the City and its surrounding areas. As part of the redevelopment plans, the City has made significant improvements to utilities, public parking, intersections, and traffic signalization, streets and landscaping. The redevelopment plans also include site preparation, land acquisition and assembly, and demolition/clearance.

Construction and development in the RPAs were the responsibility of developers and are substantially complete. To entice development of the areas, the City created tax increment financing (TIF) districts to finance public improvements made within the RPAs.

Several funds have been established to record the revenues generated in the RPAs that relate directly to servicing the debt issued to make public improvements to the RPAs.

14. Subsequent Events

In August, 2011, the City conducted an evaluation under the Fair Labor Standards Act. That evaluation identified nine positions in the City that have possibly been misclassified. Those results are currently being evaluated by the City's Labor attorney and potential amounts due are being calculated. Preliminary estimates of liability of back pay and penalties range between \$250,000 and \$550,000. The actual amount was not available as of the issuance of this report.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2011

14. Subsequent Events (Cont.)

Subsequent to fiscal year end, the City has entered into an intergovernmental agreement with the Village of Highland Park to complete infrastructure improvements for property in both municipalities. The total cost of the joint project is \$3,262,736. Of this amount, the City of Highwood is responsible for \$2,266,494 or 69.4% of the project. Bonds were issued in 2010 and the proceeds of those bonds are reflected in the Capital Project Fund and will be utilized to fund the costs of this project.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIGHWOOD, ILLINOIS

Required Supplemental Information

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

Year Ended April 30, 2011

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Property Taxes	\$ 1,109,605	869,435	(240,170)
Other Taxes	1,440,500	1,444,973	4,473
Licenses and Permits	294,500	279,357	(15,143)
Intergovernmental	941,100	654,379	(286,721)
Charges for Services	879,192	886,527	7,335
Fines and Forfeits	115,000	104,236	(10,764)
Interest	2,442	2,676	234
Miscellaneous	40,000	73,141	33,141
Total Revenues	<u>4,822,339</u>	<u>4,314,724</u>	<u>(507,615)</u>
Expenditures			
Current			
General Government	1,037,352	794,543	(242,809)
Public Safety	3,121,040	2,612,500	(508,540)
Public Works	1,097,402	689,349	(408,053)
Culture and Recreation	205,210	172,966	(32,244)
Capital Outlay	245,282	36,560	(208,722)
Debt Service			
Principal		67,126	67,126
Interest	15,000	9,544	(5,456)
Total Expenditures	<u>5,721,286</u>	<u>4,382,588</u>	<u>(1,338,698)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(898,947)</u>	<u>(67,864)</u>	<u>831,083</u>
Other Financing Sources			
Transfers In	80,000		(80,000)
Proceeds from Sale of Capital Assets		332	332
Total Other Financing Sources (Uses)	<u>80,000</u>	<u>332</u>	<u>(79,668)</u>
Net Change in Fund Balance	<u>\$ (818,947)</u>	<u>(67,532)</u>	<u>751,415</u>
Fund Balance			
May 1		<u>128,581</u>	
April 30		<u>61,049</u>	

See accompanying Note to the Required Supplementary Information.

CITY OF HIGHWOOD, ILLINOIS

Note to the Required Supplementary Information
April 30, 2011

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 Manger 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. During the year, the Capital Projects Fund exceeded its appropriations in the amount of \$64,640 and the E-911 Fund exceeded its appropriations in the amount of \$2,239.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Illinois Municipal Retirement Fund

Schedule of Funding Progress

April 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2010	\$ 2,064,846	2,399,137	334,291	86.07 %	746,097	44.81 %
12/31/2009	1,886,488	2,147,187	260,699	87.86	822,056	31.71
12/31/2008	1,744,188	2,094,211	350,023	83.29	769,289	45.50
12/31/2007	2,098,077	2,015,687	(82,390)	104.09	731,709	(11.26)
12/31/2006	1,865,326	1,802,207	(63,119)	103.50	685,389	(9.21)
12/31/2005	1,641,347	1,579,387	(61,960)	103.92	620,621	(9.98)
12/31/2004	1,593,625	1,514,465	(79,160)	105.23	558,217	(14.18)

On a market basis, the actuarial value of assets as of December 31, 2010 is \$2,181,144. On a market basis, the funded ratio would be 90.91%.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

IMRF Sheriff's Law Enforcement Personnel Fund

Schedule of Funding Progress

April 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2010	\$ 46,713	22,477	(24,236)	207.83 %	55,551	(43.63) %
12/31/2009	35,273	2,544	(32,729)	1,386.52	74,092	(44.17)
12/31/2008	19,313	(11,961)	(31,274)	(161.47)	35,767	(87.44)
12/31/2007	14,376		(14,376)			

On a market basis, the actuarial value of assets as of December 31, 2010 is \$48,640. On a market basis, the funded ratio would be 216.40%.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Police Pension Fund

Schedule of Funding Progress

April 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
5/1/2010	\$ 2,061,401	3,177,105	1,115,704	64.88 %	525,726	212.22 %
5/1/2009	1,861,066	2,904,501	1,043,435	64.08	567,861	183.75
5/1/2008	1,598,682	2,751,955	1,153,273	58.09	672,107	171.59
5/1/2007	1,504,144	2,698,517	1,194,373	55.74	631,291	189.20
5/1/2006	1,395,043	2,831,873	1,436,830	49.26	560,355	256.41
5/1/2005	1,173,505	2,522,388	1,348,883	46.52	461,881	292.04
5/1/2004	1,141,360	2,459,206	1,317,846	46.41	522,208	252.36

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Firefighters' Pension Fund

Schedule of Funding Progress

April 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
5/1/2010	\$ 2,205,453	2,914,491	709,038	75.67 %	481,019	147.40 %
5/1/2009	1,976,913	2,522,861	545,948	78.36	443,025	123.23
5/1/2008	1,728,065	2,361,523	633,458	73.18	494,424	128.12
5/1/2007	1,653,853	2,098,150	444,297	78.82	428,628	103.66
5/1/2006	1,584,019	1,977,168	393,149	80.12	368,998	106.55
5/1/2005	1,375,906	2,083,172	707,266	66.05	450,403	157.03
5/1/2004	1,251,868	1,372,120	120,252	91.24	389,849	30.85

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

MAJOR GOVERNMENTAL FUNDS

CITY OF HIGHWOOD, ILLINOIS

General Fund

Schedule of Revenues - Budget and Actual

Year Ended April 30, 2011

	Original and Final Budget	Actual
Taxes		
Property Tax	\$ 1,109,605	869,435
Sales Tax	476,500	480,842
Sales Tax - Home Rule	570,000	580,836
Utility Taxes	394,000	383,295
	<u>2,550,105</u>	<u>2,314,408</u>
Licenses and Permits		
Licenses	248,000	247,809
Permits	46,500	31,548
	<u>294,500</u>	<u>279,357</u>
Intergovernmental		
Income Tax	406,672	443,505
Replacement Tax	7,374	9,550
Fire Insurance Tax (2% Fire Dues)	5,000	5,734
Local Use Tax	62,488	74,268
Grants	459,566	121,322
	<u>941,100</u>	<u>654,379</u>
Charges for Services		
Developers Fees		2,199
Parking Fees	58,152	54,364
Cable Franchise Fees	42,000	37,299
Zoning and Planning Fees	44,500	49,855
Rental Fees	251,000	282,440
Ambulance Fees	63,056	56,738
Transfer Fee	38,000	22,893
Alarm Systems and Calls	30,000	19,223
Seized Autos	35,000	55,000
Refunds and Reimbursements	96,600	59,424
Park Recreation Fees	195,000	210,391
2H Agreement	19,884	19,884
Miscellaneous Fees and Fines	6,000	16,817
	<u>879,192</u>	<u>886,527</u>
Fines and Forfeits		
Police Fines	46,000	39,727
Court Fines	69,000	64,509
	<u>115,000</u>	<u>104,236</u>
Interest		
Investment Income	2,442	2,676

(Cont.)

CITY OF HIGHWOOD, ILLINOIS

General Fund

Schedule of Revenues - Budget and Actual (Cont.)

Year Ended April 30, 2011

	Original and Final Budget	Actual
Miscellaneous		
Special Event Revenue	35,000	43,374
Donations		28,124
Miscellaneous Income	5,000	1,643
	<u>40,000</u>	<u>73,141</u>
 Total Revenue	 <u>\$ 4,822,339</u>	 <u>4,314,724</u>

CITY OF HIGHWOOD, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual

Year Ended April 30, 2011

	Original and Final Budget	Actual
General Government		
Administration and Legal		
Personnel	\$ 366,221	228,615
Contractual Services	250,585	398,378
Materials and Supplies	8,280	9,992
Special Events		1,300
Miscellaneous	45,080	54,595
Library Real Estate Tax Payment	271,799	
	<u>941,965</u>	<u>692,880</u>
Building, Zoning and Health Department		
Personnel	69,137	60,267
Contractual Services	25,215	7,601
Materials and Supplies	460	789
Miscellaneous	575	2,144
Reserve for Uncollectibles		30,862
	<u>95,387</u>	<u>101,663</u>
Capital Outlay		
Equipment - General Administration	5,750	4,331
	<u>5,750</u>	<u>4,331</u>
Total General Government	<u>1,043,102</u>	<u>798,874</u>
Public Safety		
Police Department		
Personnel	1,057,881	909,064
Contractual Services	326,255	224,710
Materials and Supplies	37,490	35,311
Miscellaneous	1,380	865
Police Pension Contributions	192,378	166,553
	<u>1,615,384</u>	<u>1,336,503</u>
Fire Department		
Personnel	1,117,030	942,425
Contractual Services	191,672	159,421
Materials and Supplies	25,300	13,115
Miscellaneous	5,750	17,404
Fire Pension Contributions	165,904	143,632
	<u>1,505,656</u>	<u>1,275,997</u>
Capital Outlay		
Police - Equipment	105,149	26,410
Fire	22,833	5,258
	<u>127,982</u>	<u>31,668</u>
Total Public Safety	<u>3,249,022</u>	<u>2,644,168</u>

See accompanying Note to the Required Supplementary Information.

(Cont.)

CITY OF HIGHWOOD, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual (Cont.)

Year Ended April 30, 2011

	Original and Final Budget	Actual
Public Works		
Highways and Streets		
Personnel	326,365	346,718
Contractual Services	123,971	211,637
Street Light Maintenance	82,800	53,576
Materials and Supplies	59,800	54,182
Miscellaneous	504,466	23,236
	1,097,402	689,349
Capital Outlay		
Public Works	110,400	561
	1,207,802	689,910
Culture and Recreation		
Parks and Recreation		
Personnel	79,975	75,445
Contractual Services	62,474	44,752
Supplies and Materials	19,060	18,949
Special Events	34,500	30,050
Miscellaneous	9,201	3,770
	205,210	172,966
Capital Outlay		
Culture and Recreation	1,150	
	206,360	172,966
Debt Service		
Principal		67,126
Interest	15,000	9,544
	15,000	76,670
	\$ 5,721,286	4,382,588

See accompanying Note to the Required Supplementary Information.

CITY OF HIGHWOOD, ILLINOIS

TIF Debt Service Fund (Major Fund)

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

Year Ended April 30, 2011

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Property Tax	\$ 599,281	598,858	(423)
Investment Income	7,840	6,232	(1,608)
Total Revenues	<u>607,121</u>	<u>605,090</u>	<u>(2,031)</u>
Expenditures			
Debt Service			
Principal	86,250	100,000	13,750
Interest	126,500	110,185	(16,315)
Paying Agent Fees	1,380		(1,380)
Total Expenditures	<u>214,130</u>	<u>210,185</u>	<u>(3,945)</u>
Excess of Revenues over Expenditures	392,991	394,905	1,914
Other Financing Uses			
Transfers Out	<u>(575,000)</u>	<u>(240,000)</u>	<u>335,000</u>
Net Change in Fund Balance	<u>\$ (182,009)</u>	154,905	<u>336,914</u>
Fund Balance			
May 1		<u>926,187</u>	
April 30		<u>1,081,092</u>	

See accompanying Note to the Required Supplementary Information.

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, 2011

	Original and Final Budget	Actual Fund	Variance With Final Budget Over (Under)
Revenues			
Investment Income	\$	8,102	8,102
Expenditures			
Capital Outlay			
Western Avenue		20,273	20,273
Bond Issuance Costs		44,367	44,367
Total Expenditures	-	64,640	64,640
Excess (Deficiency) of Revenues over Expenditures	-	(56,538)	(56,538)
Other Financing Sources (Uses)			
Bond Proceeds		3,800,000	3,800,000
Bond Discount		(38,000)	(38,000)
Other Financing Sources (Uses)	-	3,762,000	3,762,000
Net Change in Fund Balance	\$ -	3,705,462	3,705,462
Fund Balance			
Beginning of Year		4	
End of Year		3,705,466	

NONMAJOR GOVERNMENTAL FUNDS

CITY OF HIGHWOOD, ILLINOIS

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2011

	<u>Special Revenue Funds</u>		TIF Capital Projects Fund	Total Nonmajor Government Funds
	Motor Fuel Tax Fund	E-911 Fund		
Assets				
Cash and Investments	\$ 276,303	82,570	81,769	440,642
Accounts Receivable	11,828	3,260		15,088
Due from Other Funds		18,691		18,691
Total Assets	\$ 288,131	104,521	81,769	474,421
Liabilities				
Accounts Payable	\$ 456	18,526		18,982
Due to Other Funds	7,058	1,213	8,219	16,490
Total Liabilities	7,514	19,739	8,219	35,472
Fund Balances				
Unreserved, Undesignated Special Revenue Funds	280,617	84,782		365,399
Undesignated Capital Projects Funds			73,550	73,550
Total Fund Balances	280,617	84,782	73,550	438,949
Total Liabilities and Fund Balances	\$ 288,131	104,521	81,769	474,421

CITY OF HIGHWOOD, ILLINOIS

Nonmajor Governmental Funds

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

Year Ended April 30, 2011

	Special Revenue Funds		TIF Capital Projects Fund	Total Nonmajor Government Fund
	Motor Fuel Tax Fund	E-911 Fund		
Revenues				
Other Taxes	\$	46,782		46,782
Intergovernmental	144,984	24,224		169,208
Public Charges for Services	4,428			4,428
Investment Income	872	476	166	1,514
Total Revenues	150,284	71,482	166	221,932
Expenditures				
Current				
General Government			46,672	46,672
Public Safety		56,618		56,618
Public Works	122,853			122,853
Capital Outlay	1,676	5,421	87,859	94,956
Total Expenditures	124,529	62,039	134,531	321,099
Excess (Deficiency) of Revenues over Expenditures	25,755	9,443	(134,365)	(99,167)
Other Financing Sources				
Transfers In			240,000	240,000
Net Change in Fund Balance	25,755	9,443	105,635	140,833
Fund Balance				
May 1	254,862	75,339	(32,085)	298,116
April 30	\$ 280,617	84,782	73,550	438,949

CITY OF HIGHWOOD, ILLINOIS

Motor Fuel Tax

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

Year Ended April 30, 2011

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Intergovernmental			
Motor Fuel Tax	\$ 133,843	144,984	11,141
Miscellaneous Fees and Fines		4,428	4,428
Investment Income	801	872	71
Total Revenues	<u>134,644</u>	<u>150,284</u>	<u>15,640</u>
Expenditures			
Public Works			
Street Improvements	271,400	122,853	(148,547)
Capital Outlay		1,676	1,676
Total Expenditures	<u>271,400</u>	<u>124,529</u>	<u>(146,871)</u>
Net Change in Fund Balance	<u>\$ (136,756)</u>	25,755	<u>162,511</u>
Fund Balance			
May 1		<u>254,862</u>	
April 30		<u>280,617</u>	

CITY OF HIGHWOOD, ILLINOIS

E-911 Fund

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

Year Ended April 30, 2011

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Taxes			
911 Surcharge	\$ 51,000	46,782	(4,218)
Intergovernmental Grants		24,224	24,224
Investment Income	567	476	(91)
Total Revenues	<u>51,567</u>	<u>71,482</u>	<u>19,915</u>
Expenditures			
Public Safety			
Materials and Supplies	19,550	19,853	303
Contractual Services		7,275	7,275
Emergency Communication (911)	34,500	29,490	(5,010)
Miscellaneous	5,750		(5,750)
Capital Outlay Equipment		5,421	5,421
Total Expenditures	<u>59,800</u>	<u>62,039</u>	<u>2,239</u>
Net Change in Fund Balance	<u>\$ (8,233)</u>	9,443	<u>17,676</u>
Fund Balance			
May 1		<u>75,339</u>	
April 30		<u>84,782</u>	

CITY OF HIGHWOOD, ILLINOIS

TIF Capital Projects Fund

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

Year Ended April 30, 2011

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Investment Income	\$ 300	166	(134)
Expenditures			
General Government			
Accounting Fees	288		(288)
Legal Fees		463	463
Special Events Marketing	17,250	46,209	28,959
Capital Outlay	575,000	87,859	(487,141)
Total Expenditures	592,538	134,531	(458,007)
Excess (Deficiency) of Revenues over Expenditures	(592,238)	(134,365)	457,873
Other Financing Sources			
Transfers In		240,000	240,000
Net Change in Fund Balance	<u>\$ (592,238)</u>	105,635	<u>697,873</u>
Fund Balance			
Beginning of Year		<u>(32,085)</u>	
End of Year		<u>73,550</u>	

PROPRIETAY FUNDS

CITY OF HIGHWOOD, ILLINOIS

Waterworks and Sewerage Fund (Major Fund)

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

Year Ended April 30, 2011

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues			
Charges for Services	\$ 1,042,000	1,009,006	(32,994)
Operating Expenses			
Personnel	321,261	229,533	(91,728)
Contractual Services	232,616	155,686	(76,930)
Materials and Supplies	38,239	39,991	1,752
Total Operating Expenses	592,116	425,210	(166,906)
Operating Income	449,884	583,796	133,912
Nonoperating Revenues (Expenses)			
Interest Income	2,550	2,334	(216)
Miscellaneous Income		3,092	3,092
Miscellaneous Expense	(4,600)	(5,669)	(1,069)
Principal Payments	(322,286)	(260,971)	61,315
Interest Expense	(30,699)	(42,692)	(11,993)
Fiscal Agent Fees	(460)		460
Total Nonoperating Revenues (Expenses)	(355,495)	(303,906)	51,589
Income Before Transfers	94,389	279,890	185,501
Transfers Out	(276,000)		276,000
Changes in Net Assets - Budgetary Basis	\$ (181,611)	279,890	461,501
Reconciliation of Budget Basis Change in Net Assets to GAAP Basis Change in Net Assets			
Change in Net Assets - Budgetary Basis	\$ (181,611)	279,890	461,501
Plus: Principal Payments	322,286	260,971	(61,315)
Change in Net Assets - GAAP Basis	\$ 140,675	540,861	400,186
Net Assets			
May 1		2,502,034	
April 30		3,042,895	

CITY OF HIGHWOOD, ILLINOIS

Garbage Fund

Schedule of Revenues, Expenses, and Changes in Net Assets -
Budget and Actual

Year Ended April 30, 2011

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues			
Charges for Services			
Refuse and Garbage Collection	\$ 242,000	241,754	(246)
Operating Expenses			
Personnel	37,159	26,698	(10,461)
Contractual Services	217,845	175,041	(42,804)
Materials and Supplies	9,775	3,800	(5,975)
Total Operating Expenses	<u>264,779</u>	<u>205,539</u>	<u>(59,240)</u>
Operating Income (Loss)	<u>(22,779)</u>	36,215	58,994
Nonoperating Revenues (Expense)			
Interest Income	140	346	206
Miscellaneous Expense	(575)	(3,900)	(3,325)
Total Nonoperating Revenues (Expenses)	<u>(435)</u>	<u>(3,554)</u>	<u>(3,119)</u>
Changes in Net Assets	<u>\$ (23,214)</u>	32,661	<u>55,875</u>
Net Assets			
May 1		<u>39,437</u>	
April 30		<u><u>72,098</u></u>	

FIDUCIARY FUNDS

CITY OF HIGHWOOD, ILLINOIS

Fiduciary Funds

Combining Statement of Fiduciary Net Assets - Pension Trust Funds

April 30, 2011

	Police Pension Fund	Firefighters' Pension Fund	Total
Assets			
Cash and Cash Equivalents	\$ 52,320	110,799	163,119
Investments			
U.S. Treasuries	603,869	633,061	1,236,930
U.S. Agencies	960,108	1,027,224	1,987,332
Mutual Funds	215,152	235,314	450,466
Municipal Bonds	211,393	181,826	393,219
Receivables, Net of Allowance for Uncollectibles			
Accrued Interest	20,614	18,712	39,326
Due from Municipality	33	7	40
Total Assets	2,063,489	2,206,943	4,270,432
Liabilities			
Accounts Payable	2,055	1,483	3,538
Net Assets			
Held in Trust for Pension Benefits	\$ 2,061,434	2,205,460	4,266,894

CITY OF HIGHWOOD, ILLINOIS

Fiduciary Funds

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

Year Ended April 30, 2011

	Police Pension Fund	Firefighters' Pension Fund	Total
Additions			
Contributions			
Employer	\$ 166,553	143,632	310,185
Plan Members	53,938	44,834	98,772
Total Contributions	<u>220,491</u>	<u>188,466</u>	<u>408,957</u>
Investment Income			
Investment Income	69,052	76,650	145,702
Gains/Losses on Investments	60,507	53,366	113,873
Less Investment Expenses	(8,071)	(8,649)	(16,720)
Net Investment Income	<u>121,488</u>	<u>121,367</u>	<u>242,855</u>
Total Additions	<u>341,979</u>	<u>309,833</u>	<u>651,812</u>
Deductions			
Benefits	99,319	19,835	119,154
Administration	28,874	26,557	55,431
Refunds of Contributions	13,418	34,894	48,312
Total Deductions	<u>141,611</u>	<u>81,286</u>	<u>222,897</u>
Change in Net Assts	200,368	228,547	428,915
Net Assets			
May 1	<u>1,861,066</u>	<u>1,976,913</u>	<u>3,837,979</u>
April 30	<u>\$ 2,061,434</u>	<u>2,205,460</u>	<u>4,266,894</u>

COMPONENT UNIT

CITY OF HIGHWOOD, ILLINOIS

Component Unit - Library

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

April 30, 2011

	General	<u>Adjustments</u> Capital-Related Items*	Statement of Net Assets
Assets			
Cash and Cash Equivalents	\$ 274,088		274,088
Receivables			
Property Taxes	218,604		218,604
Undeposited Funds	205		205
Capital Assets		377,544	377,544
Total Assets	\$ 492,897	377,544	870,441
Liabilities			
Deferred Revenues	\$ 218,604		218,604
Due to Primary Government	1,045		1,045
Total Liabilities	219,649	-	219,649
Fund Balances/Net Assets			
Invested in Capital Assets		377,544	377,544
Unrestricted	273,248		273,248
Total Fund Balances/Net Assets	273,248	377,544	650,792
Total Liabilities and Fund Balances/ Net Assets	\$ 492,897	377,544	870,441

* Capital activities have not been accounted for in fiscal 2011

CITY OF HIGHWOOD, ILLINOIS

Component Unit - Library

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

Year Ended April 30, 2011

	General	<u>Adjustments</u> Capital-Related Items*	Statement of Activities
Revenues			
Property Taxes	\$ 235,302		235,302
Intergovernmental	7,532		7,532
Charges for Services	12,873		12,873
Fines	2,480		2,480
Investment Income	377		377
Miscellaneous	11,007		11,007
Total Revenues	<u>269,571</u>	-	<u>269,571</u>
Expenditures			
Civic and Cultural	253,247		253,247
Capital Outlay	11,505		11,505
Total Expenditures	<u>264,752</u>	-	<u>264,752</u>
Net Change in Fund Balances/Net Assets	4,819	-	4,819
Fund Balances/Net Assets			
May 1	<u>268,429</u>	377,544	<u>645,973</u>
April 30	<u>\$ 273,248</u>	377,544	<u>650,792</u>

* Capital activities have not been accounted for in fiscal 2011

SUPPLEMENTAL DATA

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

General Obligation Build America
Bonds of 2010A

April 30, 2011

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

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Gross Interest	Net Interest *	Total
2012	\$	35,518	23,086	23,086
2013		33,560	21,814	21,814
2014		33,560	21,814	21,814
2015	140,000	33,560	21,814	161,814
2016	140,000	29,052	18,883	158,883
2017	150,000	24,544	15,954	165,954
2018	150,000	17,464	11,352	161,352
2019	155,000	10,384	6,750	161,750
2020	65,000	3,068	1,994	66,994
	<u>\$ 800,000</u>	<u>220,710</u>	<u>143,461</u>	<u>943,461</u>

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

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

General Obligation Recovery Zone
Economic Development Bonds of 2010B

April 30, 2011

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

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Gross Interest	Net Interest *	Total
2012	\$	202,063	111,135	111,135
2013		190,926	105,009	105,009
2014		190,926	105,009	105,009
2015		190,926	105,009	105,009
2016		190,926	105,009	105,009
2017		190,926	105,009	105,009
2018		190,926	105,009	105,009
2019		190,926	105,009	105,009
2020	95,000	190,926	105,009	200,009
2021	165,000	185,587	102,073	267,073
2022	170,000	176,314	96,973	266,973
2023	175,000	166,760	91,718	266,718
2024	180,000	156,925	86,309	266,309
2025	190,000	146,809	80,745	270,745
2026	195,000	136,131	74,872	269,872
2027	200,000	125,172	68,845	268,845
2028	210,000	111,492	61,321	271,321
2029	215,000	97,128	53,420	268,420
2030	225,000	82,422	45,332	270,332
2031	230,000	67,032	36,868	266,868
2032	240,000	51,300	28,215	268,215
2033	250,000	34,884	19,186	269,186
2034	260,000	17,784	9,781	269,781
	<u>\$ 3,000,000</u>	<u>3,285,211</u>	<u>1,806,865</u>	<u>4,806,865</u>

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

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Note Payable of 2009

April 30, 2011

Date of Issue	July 1, 2009
Date of Maturity	June 30, 2013
Authorized Issue	\$ 48,685
Interest Rates	4.625%
Interest Dates	Monthly
Principal Maturity Date	Monthly
Payable at	General Electric

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 10,097	828	10,925
2013	10,574	350	10,924
2014	1,811	11	1,822
	<u>\$ 22,482</u>	<u>1,189</u>	<u>23,671</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Waterworks and Sewerage Alternate Revenue
Refunding Bonds of 2004

April 30, 2011

Date of Issue	April 1, 2004
Date of Maturity	May 1, 2014
Authorized Issue	\$ 1,860,000
Denomination of Bonds	\$ 5,000
Interest Rates	1.30% to 3.70%
Interest Dates	May 1 and November 1
Principal Maturity Date	May 1
Payable at	Cole Taylor Bank

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 210,000	16,618	226,618
2013	220,000	9,140	229,140
2014	140,000	2,590	142,590
	<u>\$ 570,000</u>	<u>28,348</u>	<u>598,348</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

IEPA Loan Payable of 2002

April 30, 2011

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

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 57,399	17,850	75,249
2013	58,863	16,386	75,249
2014	60,364	14,885	75,249
2015	61,904	13,345	75,249
2016	63,484	11,765	75,249
2017	65,103	10,146	75,249
2018	66,764	8,485	75,249
2019	68,467	6,782	75,249
2020	70,214	5,035	75,249
2021	72,005	3,244	75,249
2022	73,841	1,407	75,248
	<u>\$ 718,408</u>	<u>109,330</u>	<u>827,738</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Tax Increment Financing Alternate
Revenue Bonds of 2002

April 30, 2011

Date of Issue	August 1, 2002
Date of Maturity	January 1, 2022
Authorized Issue	\$ 2,330,000
Interest Rates	3.70% to 5.10%
Interest Dates	January 1 and July 1
Principal Maturity Date	January 1
Payable at	Cole Taylor Bank

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 60,000	107,496	167,496
2013	85,000	104,626	189,626
2014	110,000	100,643	210,643
2015	135,000	95,458	230,458
2016	165,000	88,884	253,884
2017	195,000	80,776	275,776
2018	230,000	70,590	300,590
2019	265,000	58,215	323,215
2020	300,000	44,090	344,090
2021	340,000	27,920	367,920
2022	385,000	9,615	394,615
	<u>\$ 2,270,000</u>	<u>788,313</u>	<u>3,058,313</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Tax Increment Financing Alternate Revenue
Capital Appreciation Bonds of 2002

April 30, 2011

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

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Beginning Principal Balance	Accretion	Principal Payment	Total
2012	\$ 765,472	38,165	70,000	733,637
2013	733,637	36,774	75,000	695,411
2014	695,411	34,922	85,000	645,333
2015	645,333	32,373	95,000	582,706
2016	582,700	29,189	100,000	511,889
2017	511,895	25,560	105,000	432,455
2018	432,455	21,300	115,000	338,755
2019	338,755	16,267	120,000	235,022
2020	235,022	10,598	125,000	120,620
2021	120,620	4,380	125,000	
		<u>249,528</u>	<u>1,015,000</u>	<u>4,295,828</u>