

**CITY OF HIGHWOOD, ILLINOIS**



**ANNUAL  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
APRIL 30, 2009**



**CITY OF HIGHWOOD, ILLINOIS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED APRIL 30, 2009**



**CITY OF HIGHWOOD, ILLINOIS**

**TABLE OF CONTENTS**

---

**PAGE**

**FINANCIAL SECTION**

**INDEPENDENT AUDITORS' REPORT** ..... 1 - 2

**MANAGEMENT'S DISCUSSION AND ANALYSIS** ..... MD&A 1 - 11

**BASIC FINANCIAL STATEMENTS**

Government-Wide Financial Statements

Statement of Net Assets ..... 3 - 4  
Statement of Activities ..... 5 - 6

Fund Financial Statements

Balance Sheet – Governmental Funds ..... 7 - 8  
Reconciliation of Total Governmental Fund Balance to the  
Statement of Net Assets – Governmental Activities ..... 9  
Statement of Revenues, Expenditures and Changes in  
Fund Balances – Governmental Funds ..... 10 - 11  
Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances to the Statement of Activities – Governmental Activities ..... 12  
Statement of Net Assets – Business-Type Activities – Enterprise Fund ..... 13 - 14  
Statement of Revenues, Expenses and Changes in  
Net Assets – Business-Type Activities – Enterprise Fund ..... 15  
Statement of Cash Flows – Business-Type Activities – Enterprise Fund ..... 16  
Statement of Net Assets – Fiduciary Funds ..... 17  
Statement of Changes in Net Assets – Fiduciary Funds ..... 18

Notes to the Financial Statements ..... 19 - 50

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Funding Progress – Illinois Municipal Retirement Fund ..... 51  
Schedule of Employer Contributions – Illinois Municipal Retirement Fund ..... 52  
Schedule of Funding Progress – Sheriff's Law Enforcement Personnel Fund ..... 53  
Schedule of Employer Contributions – Sheriff's Law Enforcement Personnel Fund ..... 54  
Schedule of Funding Progress – Police Pension Fund ..... 55  
Schedule of Employer Contributions – Police Pension Fund ..... 56  
Schedule of Funding Progress – Firefighters' Pension Fund ..... 57  
Schedule of Employer Contributions – Firefighters' Pension Fund ..... 58

**CITY OF HIGHWOOD, ILLINOIS**

**TABLE OF CONTENTS**

**PAGE**

**FINANCIAL SECTION – Continued**

**REQUIRED SUPPLEMENTARY INFORMATION – Continued**

Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual – General Fund..... 59

Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual – Public Library – Special Revenue Fund..... 60

Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual – Motor Fuel Tax – Special Revenue Fund ..... 61

**OTHER SUPPLEMENTARY INFORMATION**

Schedule of Revenues – Budget and Actual – General Fund .....62 - 63

Schedule of Expenditures – Budget and Actual – General Fund.....64 - 66

Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual – Tax Increment Financing – Debt Service Fund..... 67

Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual – Tax Increment Financing – Capital Projects Fund..... 68

Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual – Capital Projects Fund ..... 69

Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual – Emergency 911 – Special Revenue Fund..... 70

Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual  
Waterworks and Sewerage – Enterprise Fund ..... 71

Schedule of Changes in Net Assets – Restricted Debt Service  
Waterworks and Sewerage – Enterprise Fund ..... 72

Schedule of Operating Expenses – Budget and Actual  
Waterworks and Sewerage – Enterprise Fund ..... 73

Schedule of Capital Assets and Depreciation  
Waterworks and Sewerage – Enterprise Fund ..... 74

Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual  
Garbage – Enterprise Fund..... 75

Combining Statement of Net Plan Assets – Pension Trust Funds ..... 76

Combining Statement of Changes in Net Plan Assets – Pension Trust Funds ..... 77

Statement of Changes in Assets and Liabilities – Escrow – Agency Fund..... 78

**CITY OF HIGHWOOD, ILLINOIS**

**TABLE OF CONTENTS**

---

**PAGE**

**SUPPLEMENTAL SECTION**

**Long-Term Debt Requirements**

Note Payable of 2009.....	79
IEPA Loan Payable of 2002.....	80
Waterworks and Sewerage Alternate Revenue Refunding Bonds of 2004.....	81
Tax Increment Financing Alternate Revenue Bonds of 2002.....	82
Tax Increment Financing Alternate Revenue Capital Appreciation Bonds of 2002.....	83



## **FINANCIAL SECTION**

This section includes:

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements and Schedules



## **INDEPENDENT AUDITORS' REPORT**

This section includes the opinion of the City's independent auditing firm.



**INDEPENDENT AUDITORS' REPORT**

September 8, 2009

The Honorable Mayor and City Council  
City of Highwood, Illinois

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Highwood, Illinois as of and for the year ended April 30, 2009, which collectively comprise the City of Highwood's basic financial statements as listed in the table of contents. We also have audited the basic financial statements of the City of Highwood's nonmajor governmental fund presented in the accompanying combining and individual fund financial statements and schedules as of and for the year ended April 30, 2009. These basic financial statements are the responsibility of the City of Highwood, Illinois' management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

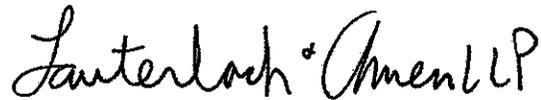
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highwood, Illinois as of April 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund statements and schedules, as well as the information listed as supplemental schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Highwood, Illinois. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.



The Management's Discussion and Analysis and the other required supplementary information listed in the accompanying table of contents are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



LAUTERBACH & AMEN, LLP



**MANAGEMENT'S DISCUSSION AND ANALYSIS**



# CITY OF HIGHWOOD, ILLINOIS

## Management's Discussion and Analysis April 30, 2009

---

The discussion and analysis of the City of Highwood's financial performance provides an overview of the City's financial activities for the fiscal year ended April 30, 2009. Please read it in conjunction with the City's financial statements, which begin on page 3.

### FINANCIAL HIGHLIGHTS

- The City of Highwood's total governmental and business-type net assets increased \$730,338 from \$4,477,216 to \$5,207,554.
- During the year, total governmental and business-type revenues totaled \$8,041,631, which were more than total expenses of \$7,311,293 by \$730,338.
- Revenues for governmental activities totaled \$6,915,819, an increase of 17.4 percent, while expenses totaled \$6,318,767, an increase of 2.7 percent.
- Revenues for business-type activities totaled \$1,125,812, an increase of 12.1 percent, while expenses totaled \$992,526, an increase of 16.5 percent.
- The General Fund reported a surplus of \$81,650 in the current year, increasing the general fund balance to \$558,383.

### 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 3 - 6) provide information about the activities of the City of Highwood as a whole and present a longer-term view of the City's finances. Fund financial statements begin on page 7. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City of Highwood's operation in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

#### Government-Wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the City of Highwood's finances, in a matter similar to a private-sector business. The government wide financial statements can be found on pages 3 - 6 of this report.

The Statement of Net Assets reports information on all of the City's 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 is improving or deteriorating. Consideration of other nonfinancial factors, such as changes in the City's property tax base and the condition of the City's roads, is needed to assess the overall health of the City of Highwood.

# CITY OF HIGHWOOD, ILLINOIS

## Management's Discussion and Analysis April 30, 2009

---

### USING THIS ANNUAL REPORT – Continued

#### Government-Wide Financial Statements – Continued

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 and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City 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 include general government, public safety, public works, and culture and recreation. The business-type activities of the City include waterworks and sewerage operations.

#### 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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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's near-term financing requirements.

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

The City of Highwood maintains seven individual governmental funds. Information is presented separately in the governmental balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the General, Public Library, Motor Fuel Tax, TIF Debt Service, TIF Capital Projects, and Capital Projects Funds, all of which are considered major funds. Data from the one remaining governmental fund, the Emergency 911 Fund, a nonmajor fund, is also presented on the governmental balance sheet governmental statement of revenues, expenditures, and changes in fund balances.

# **CITY OF HIGHWOOD, ILLINOIS**

## **Management's Discussion and Analysis April 30, 2009**

---

### **USING THIS ANNUAL REPORT – Continued**

#### **Fund Financial Statements – Continued**

##### **Governmental Funds – Continued**

The City 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 7 - 12 of this report.

##### **Proprietary Funds**

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

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

The basic proprietary fund financial statements can be found on pages 13 - 16 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 basic fiduciary fund financial statements can be found on pages 17 - 18 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 19 - 50 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's I.M.R.F. and police and firefighters employee pension obligations. Required supplementary information can be found on pages 51 - 61 of this report. Combining and individual fund statements and schedules can be found on pages 62 - 78 of this report.

**CITY OF HIGHWOOD, ILLINOIS**

**Management's Discussion and Analysis  
April 30, 2009**

**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 \$5,207,554 as compared to the prior year when assets exceeded liabilities by \$4,477,216, an increase of 16.3 percent.

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 3,748,465	3,792,138	797,720	924,262	4,546,185	4,716,400
Capital Assets	4,400,529	3,549,352	3,854,477	4,011,471	8,255,006	7,560,823
<b>Total Assets</b>	<b>8,148,994</b>	<b>7,341,490</b>	<b>4,652,197</b>	<b>4,935,733</b>	<b>12,801,191</b>	<b>12,277,223</b>
Long-Term Debt	3,343,274	3,366,954	1,774,153	2,017,471	5,117,427	5,384,425
Other Liabilities	2,157,657	2,103,525	318,553	312,057	2,476,210	2,415,582
<b>Total Liabilities</b>	<b>5,500,931</b>	<b>5,470,479</b>	<b>2,092,706</b>	<b>2,329,528</b>	<b>7,593,637</b>	<b>7,800,007</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Debt	4,400,529	3,549,352	1,865,520	1,779,293	6,266,049	5,328,645
Restricted	617,069	675,510	25,000	393,348	642,069	1,068,858
Unrestricted (Deficit)	(2,369,535)	(2,353,851)	668,971	433,564	(1,700,564)	(1,920,287)
<b>Total Net Assets</b>	<b>2,648,063</b>	<b>1,871,011</b>	<b>2,559,491</b>	<b>2,606,205</b>	<b>5,207,554</b>	<b>4,477,216</b>

By far the largest portion of the City's net assets, \$6,266,049, reflects 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. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$642,069 of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining net assets represent unrestricted net assets, (\$1,700,564) 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, 2009**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued**

	Changes in Net Assets					
	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	2009	2008
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 1,547,653	1,692,149	1,091,899	816,900	2,639,552	2,509,049
Operating Grants/Contrib.	585,997	166,375	-	-	585,997	166,375
Capital Grants/Contrib.	868,117	159,996	-	-	868,117	159,996
General Revenues						
Property Taxes	1,603,117	1,484,723	-	-	1,603,117	1,484,723
Sales Taxes	1,130,477	1,172,163	-	-	1,130,477	1,172,163
Utility Taxes	441,505	405,189	-	-	441,505	405,189
Other Taxes	52,604	47,005	-	-	52,604	47,005
Intergovernmental	600,138	636,616	-	-	600,138	636,616
Other General Revenues	86,211	127,808	33,913	187,142	120,124	314,950
<b>Total Revenues</b>	<b>6,915,819</b>	<b>5,892,024</b>	<b>1,125,812</b>	<b>1,004,042</b>	<b>8,041,631</b>	<b>6,896,066</b>
<b>Expenses</b>						
General Government	798,044	1,116,942	-	-	798,044	1,116,942
Public Safety	3,573,982	2,959,336	-	-	3,573,982	2,959,336
Public Works	1,154,778	1,216,454	-	-	1,154,778	1,216,454
Culture and Recreation	629,430	698,008	-	-	629,430	698,008
Interest on Long-Term Debt	162,533	160,040	-	-	162,533	160,040
Waterworks and Sewerage	-	-	992,526	852,228	992,526	852,228
<b>Total Expenses</b>	<b>6,318,767</b>	<b>6,150,780</b>	<b>992,526</b>	<b>852,228</b>	<b>7,311,293</b>	<b>7,003,008</b>
<b>Change in Net Assets</b>	<b>597,052</b>	<b>(258,756)</b>	<b>133,286</b>	<b>151,814</b>	<b>730,338</b>	<b>(106,942)</b>
<b>Transfers</b>	<b>180,000</b>	<b>-</b>	<b>(180,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>777,052</b>	<b>(258,756)</b>	<b>(46,714)</b>	<b>151,814</b>	<b>730,338</b>	<b>(106,942)</b>
<b>Net Assets-Beginning</b>	<b>1,871,011</b>	<b>2,129,767</b>	<b>2,606,205</b>	<b>2,454,391</b>	<b>4,477,216</b>	<b>4,584,158</b>
<b>Net Assets-Ending</b>	<b>2,648,063</b>	<b>1,871,011</b>	<b>2,559,491</b>	<b>2,606,205</b>	<b>5,207,554</b>	<b>4,477,216</b>

As stated earlier, the net assets of the City of Highwood increased by 16.3 percent (\$4,477,216 in the prior year compared to \$5,207,554 in the current year). The most significant increase occurred in the governmental activities where net assets increased by \$777,052, due in large part to a land donation and grant revenues.

**Governmental Activities**

In the current year, the governmental activities posted a decrease of \$258,756 to net assets. This decrease to net assets is the result of depreciation expense, the issuance of notes payable, and the accretion on the TIF bonds being more than the capital outlay additions to capital assets and the retirement of long-term debt.

# CITY OF HIGHWOOD, ILLINOIS

Management's Discussion and Analysis  
April 30, 2009

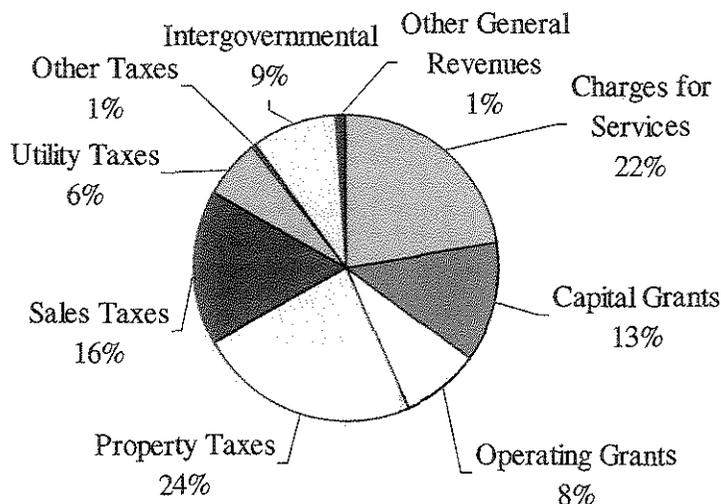
## GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

### Governmental Activities – Continued

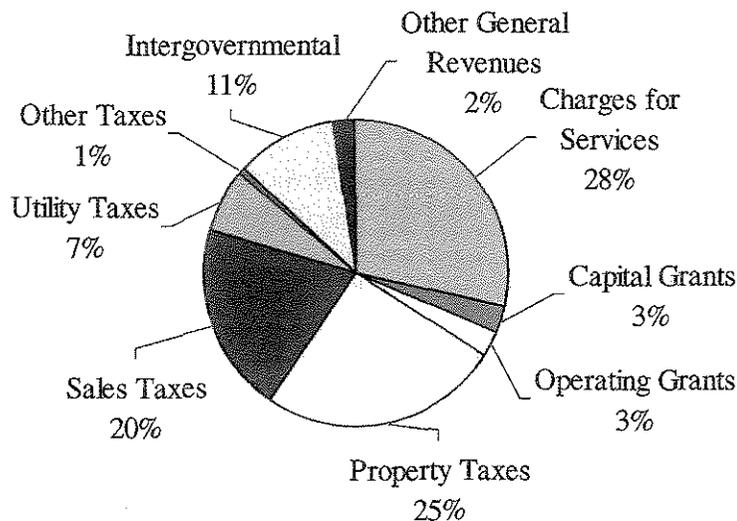
The City's net assets increased in the current year due to the issues outlined in the previous paragraph. Total revenues for the year were \$6,915,819, an increase of 17.4 percent, while total expenses for the year were \$6,318,767, an increase of 2.7 percent.

The following table graphically depicts the major revenue sources of the City of Highwood. It depicts very clearly the reliance of charges for services, property taxes, and sales taxes to fund governmental activities.

**Revenues by Source - Governmental Activities at April 30, 2009**



**Revenues by Source - Governmental Activities at April 30, 2008**



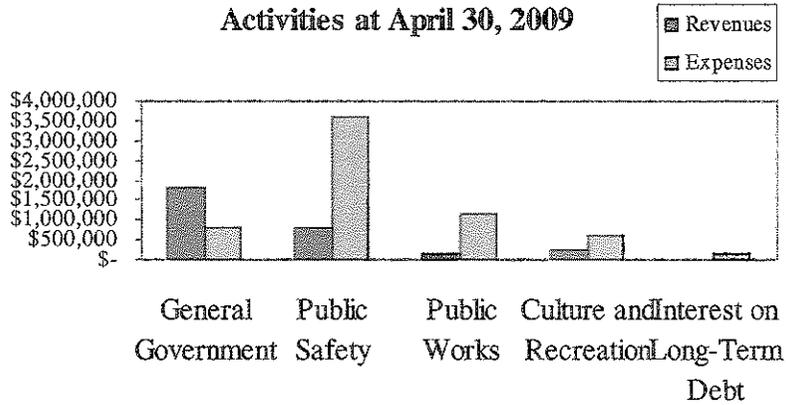
**CITY OF HIGHWOOD, ILLINOIS**

**Management's Discussion and Analysis  
April 30, 2009**

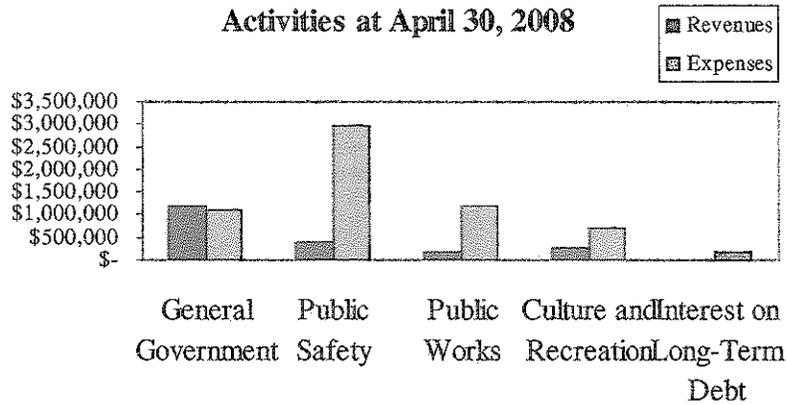
**GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued**

**Governmental Activities – Continued**

**Expenses and Program Revenues - Governmental  
Activities at April 30, 2009**



**Expenses and Program Revenues - Governmental  
Activities at April 30, 2008**



The 'Expenses and Program Revenues' Tables identify those governmental functions where program expenses greatly exceed revenues, and confirms the earlier stated fact that the City relies heavily upon not only charges for services, but also general revenues such as property taxes and sales taxes to fund governmental activities.

# CITY OF HIGHWOOD, ILLINOIS

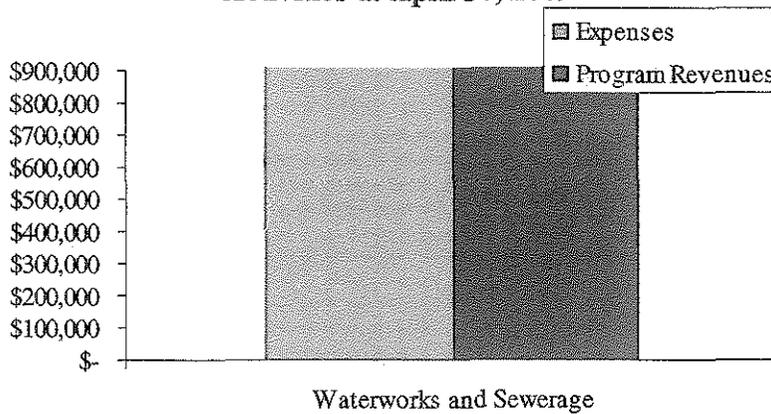
Management's Discussion and Analysis  
April 30, 2009

## GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

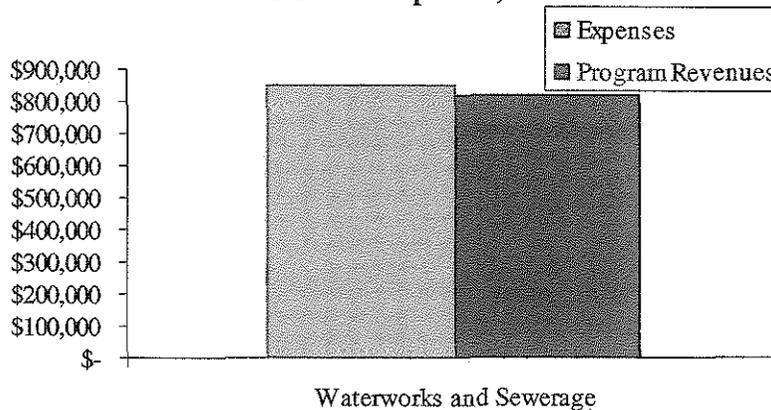
### Business-Type Activities

Revenues for business-type activities totaled \$1,125,812, while total expenses totaled \$992,526, resulting in a slight decrease to business-type net assets of \$46,714, due in large part to the downturn in the economy and the related loss of some interest earnings.

**Expenses and Program Revenues - Business-Type  
Activities at April 30, 2009**



**Expenses and Program Revenues - Business-Type  
Activities at April 30, 2008**



The above graph compares program revenues to expenses for waterworks and sewerage operations. The graph shows that revenues for the waterworks and sewerage operations are just slightly lower than revenues for the year, and although total revenues and total expenses have increased in the current year, the ratio of revenues to expenses has remained virtually unchanged.

# CITY OF HIGHWOOD, ILLINOIS

## Management's Discussion and Analysis April 30, 2009

---

### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

#### 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 \$1,834,767, which is 2.5 percent lower than last year's total of \$1,882,542. The largest decrease in fund balance took place in the Motor Fuel Tax Fund, which reported a decrease to fund balance of \$74,078. This decrease resulted mainly from budgeted improvements during the year.

##### Proprietary Funds

The City'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 Waterworks and Sewerage Fund had a deficit change in net assets of \$88,851, resulting in ending net assets of \$2,517,354. This deficit change in net assets represents a 3.4 percent decrease from prior year net assets of \$2,606,205.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund actual revenues for the current year were \$5,096,804 compared to final budgeted revenues of \$4,445,050, which was \$651,754 over budget. This resulted primarily from grant monies received during the year which resulted in actual intergovernmental revenues of \$1,186,135, which were budgeted at \$534,000.

The General Fund actual expenditures were lower than budgeted expenditures for the current year. Actual expenditures totaled \$5,018,680, while budgeted expenditures totaled \$6,013,339. Expenditures for the general government and public safety function were significantly lower than budgeted.

# CITY OF HIGHWOOD, ILLINOIS

## Management's Discussion and Analysis April 30, 2009

---

---

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

The City's investment in capital assets for its governmental and business type activities as of April 30, 2009 was \$8,255,006 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment, park facilities, library materials and improvements, and waterworks and sewerage system improvements.

	Capital Assets - Net of Depreciation					
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 678,443	118,694	83,196	83,196	761,639	201,890
Buildings and Improvements	1,545,364	1,509,612	406,026	433,531	1,951,390	1,943,143
Machinery, Equipment and Vehicles	343,986	756,409	2,215	4,430	346,201	760,839
Waterworks and Sewerage Infrastructure	-	-	3,363,040	3,490,314	3,363,040	3,490,314
	1,832,736	1,164,637	-	-	1,832,736	1,164,637
<b>Total</b>	<b>4,400,529</b>	<b>3,549,352</b>	<b>3,854,477</b>	<b>4,011,471</b>	<b>8,255,006</b>	<b>7,560,823</b>

This year's major additions included:

Land Donation	\$ 559,749
Building and Improvements	123,529
Equipment	48,685
Infrastructure	808,273
	<u>1,540,236</u>

Additional information on the City's capital assets can be found in note 3 on pages 34 - 35 of this report.

# CITY OF HIGHWOOD, ILLINOIS

## Management's Discussion and Analysis April 30, 2009

---

---

### CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

#### Debt Administration

At year-end, the City of Highwood had total outstanding debt of \$5,115,920 as compared to \$5,364,684 the previous year, a decrease of \$248,764. The following is a comparative statement of outstanding debt:

	Notes Payable, Alternate Revenue Bonds and IEPA Loans					
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Note Payable	\$ 182,193	219,653	-	-	182,193	219,653
Alternate Revenue Bonds	2,330,000	2,330,000	1,160,000	1,350,000	3,490,000	3,680,000
TIF Capital Appreciation Bonds	796,963	802,506	-	-	796,963	802,506
IEPA Loan	-	-	828,957	882,178	828,957	882,178
Total	3,126,963	3,132,506	1,988,957	2,232,178	5,115,920	5,364,684

Additional information on the City of Highwood's long-term debt can be found in Note 3 on pages 36 - 41 of this report.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2010 budget, including tax rates, and fees that will be charged for its various activities. One of those factors is the economy. The City is faced with a similar economic environment as many of the other local municipalities are faced with, including inflation and unemployment rates.

#### REQUESTS FOR INFORMATION

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



## **BASIC FINANCIAL STATEMENTS**

The basic financial Statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements
  - Governmental Funds
  - Proprietary Funds
  - Fiduciary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.



**CITY OF HIGHWOOD, ILLINOIS**

**Statement of Net Assets  
April 30, 2009**

**See Following Page**

**CITY OF HIGHWOOD, ILLINOIS**

**Statement of Net Assets  
April 30, 2009**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Investments	\$ 1,474,045	62,551	1,536,596
Receivables - Net of Allowances	2,311,194	150,377	2,461,571
Internal Balances	(52,414)	52,414	-
Prepays	15,640	1,914	17,554
Restricted Cash and Investments	-	530,464	530,464
Total Current Assets	3,748,465	797,720	4,546,185
Noncurrent Assets			
Capital Assets			
Nondepreciable	678,443	83,196	761,639
Depreciable	11,679,516	6,061,735	17,741,251
	12,357,959	6,144,931	18,502,890
Accumulated Depreciation	(7,957,430)	(2,290,454)	(10,247,884)
Total Noncurrent Assets	4,400,529	3,854,477	8,255,006
Total Assets	8,148,994	4,652,197	12,801,191

The notes to the financial statements are an integral part of this statement.

	Governmental Activities	Business- Type Activities	Total
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	170,996	32,792	203,788
Accrued Payroll	73,651	7,945	81,596
Interest Payable	36,975	25,795	62,770
Unearned Revenues	1,669,051	-	1,669,051
Current Portion of Long-Term Debt	206,984	252,021	459,005
<b>Total Current Liabilities</b>	<b>2,157,657</b>	<b>318,553</b>	<b>2,476,210</b>
<b>Noncurrent Liabilities</b>			
Compensated Absences	180,819	29,774	210,593
Net Pension Obligation	15,098	-	15,098
IEPA Loans Payable	-	774,379	774,379
Note Payable	90,414	-	90,414
Alternate Revenue Bonds	2,310,000	970,000	3,280,000
TIF Alternate Revenue Capital Appreciation Bonds	746,943	-	746,943
<b>Total Noncurrent Liabilities</b>	<b>3,343,274</b>	<b>1,774,153</b>	<b>5,117,427</b>
<b>Total Liabilities</b>	<b>5,500,931</b>	<b>2,092,706</b>	<b>7,593,637</b>
<b>NET ASSETS</b>			
Invested in Capital Assets - Net of Related Debt	4,400,529	1,865,520	6,266,049
Restricted - Special Revenues	541,919	-	541,919
Restricted - Debt Service	75,150	25,000	100,150
Unrestricted	(2,369,535)	668,971	(1,700,564)
<b>Total Net Assets</b>	<b>2,648,063</b>	<b>2,559,491</b>	<b>5,207,554</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF HIGHWOOD, ILLINOIS**

**Statement of Activities  
Year Ended April 30, 2009**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
<b>Governmental Activities</b>				
General Government	\$ 798,044	1,088,328	-	732,749
Public Safety	3,573,982	213,238	585,997	8,704
Public Works	1,154,778	-	-	126,664
Culture and Recreation	629,430	246,087	-	-
Interest on Long-Term Debt	162,533	-	-	-
<b>Total Governmental Activities</b>	<b>6,318,767</b>	<b>1,547,653</b>	<b>585,997</b>	<b>868,117</b>
<b>Business-Type Activities</b>				
Waterworks and Sewerage	992,526	1,091,899	-	-
	<b>7,311,293</b>	<b>2,639,552</b>	<b>585,997</b>	<b>868,117</b>

General Revenues  
 Taxes  
   Property Taxes  
   Sales Taxes  
   Utility Taxes  
   911 Surcharge Taxes  
 Intergovernmental  
   Income Taxes  
   Other Taxes  
 Interest Income  
 Miscellaneous  
 Transfers - Interfund Activity

Change in Net Assets  
 Net Assets - Beginning  
 Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Net Expense/Revenue		
Governmental Activities	Business-Type Activities	Total
1,023,033	-	1,023,033
(2,766,043)	-	(2,766,043)
(1,028,114)	-	(1,028,114)
(383,343)	-	(383,343)
(162,533)	-	(162,533)
(3,317,000)	-	(3,317,000)
-	99,373	99,373
(3,317,000)	99,373	(3,217,627)
1,603,117	-	1,603,117
1,130,477	-	1,130,477
441,505	-	441,505
52,604	-	52,604
504,704	-	504,704
95,434	-	95,434
31,661	9,132	40,793
54,550	24,781	79,331
180,000	(180,000)	-
4,094,052	(146,087)	3,947,965
777,052	(46,714)	730,338
1,871,011	2,606,205	4,477,216
2,648,063	2,559,491	5,207,554

The notes to the financial statements are an integral part of this statement.

**CITY OF HIGHWOOD, ILLINOIS**

**Balance Sheet - Governmental Funds  
April 30, 2009**

	General	Public Library
<b>ASSETS</b>		
Cash and Investments	\$ 51,209	234,899
Receivables - Net of Allowances		
Property Taxes	853,727	204,522
Accounts	225,715	-
Due from Other Funds	50,247	-
Due from Other Governments	387,235	-
Prepays	15,640	-
	<u>1,583,773</u>	<u>439,421</u>
Total Assets		
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities</b>		
Accounts Payable	86,007	-
Accrued Payroll	73,651	-
Due to Other Funds	12,005	-
Unearned/Deferred Revenues	853,727	204,522
Total Liabilities	<u>1,025,390</u>	<u>204,522</u>
<b>Fund Balances</b>		
Reserved - Prepays	15,640	-
Reserved - Special Revenues	-	234,899
Reserved - Debt Service	-	-
Unreserved	542,743	-
Total Fund Balances	<u>558,383</u>	<u>234,899</u>
Total Liabilities and Fund Balances	<u>1,583,773</u>	<u>439,421</u>

The notes to the financial statements are an integral part of this statement.

Motor Fuel Tax	TIF Debt Service	TIF Capital Projects	Capital Projects	Nonmajor Emergency 911	Total
197,647	834,702	90,845	10	64,733	1,474,045
-	610,802	-	-	-	1,669,051
(11,444)	-	-	-	7,181	221,452
-	-	-	-	-	50,247
-	-	-	-	-	387,235
-	-	-	-	-	15,640
<u>186,203</u>	<u>1,445,504</u>	<u>90,845</u>	<u>10</u>	<u>71,914</u>	<u>3,817,670</u>
9,825	-	16,068	16,049	-	127,949
-	-	-	-	-	73,651
-	-	16,049	84,198	-	112,252
-	610,802	-	-	-	1,669,051
<u>9,825</u>	<u>610,802</u>	<u>32,117</u>	<u>100,247</u>	<u>-</u>	<u>1,982,903</u>
-	-	-	-	-	15,640
176,378	-	58,728	-	71,914	541,919
-	112,125	-	-	-	112,125
-	722,577	-	(100,237)	-	1,165,083
<u>176,378</u>	<u>834,702</u>	<u>58,728</u>	<u>(100,237)</u>	<u>71,914</u>	<u>1,834,767</u>
<u>186,203</u>	<u>1,445,504</u>	<u>90,845</u>	<u>10</u>	<u>71,914</u>	<u>3,817,670</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HIGHWOOD, ILLINOIS**

**Reconciliation of Total Governmental Fund Balance to the  
Statement of Net Assets - Governmental Activities**

**April 30, 2009**

---

**Total Governmental Fund Balances** **\$ 1,834,767**

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. 4,400,529

Long-term liabilities are not due and payable in the current  
period and therefore are not reported in the funds.

Compensated Absences Payable	(226,024)
Net Pension Obligation Payable	(15,098)
Note Payable	(182,193)
Alternate Revenue Bonds Payable	(2,330,000)
TIF Alternate Revenue Capital Appreciation Bonds Payable	(796,943)
Accrued Interest Payable	<u>(36,975)</u>

**Net Assets of Governmental Activities** **2,648,063**

The notes to the financial statements are an integral part of this statement.

**CITY OF HIGHWOOD, ILLINOIS**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
Year Ended April 30, 2009**

---

---

**See Following Page**

**CITY OF HIGHWOOD, ILLINOIS**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
Year Ended April 30, 2009**

	General	Public Library
<b>Revenues</b>		
Taxes	\$ 2,368,384	259,535
Licenses and Permits	399,607	-
Intergovernmental	1,186,135	-
Charges for Services	941,429	8,147
Fines and Forfeits	154,700	-
Interest Income	8,536	2,552
Miscellaneous	38,013	15,040
Total Revenues	<u>5,096,804</u>	<u>285,274</u>
<b>Expenditures</b>		
Current		
General Government	703,496	-
Public Safety	3,316,997	-
Public Works	696,693	-
Culture and Recreation	204,378	246,572
Capital Outlay	-	-
Debt Service		
Principal Retirement	86,145	-
Interest and Fiscal Charges	10,971	-
Total Expenditures	<u>5,018,680</u>	<u>246,572</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>78,124</u>	<u>38,702</u>
<b>Other Financing Sources</b>		
Debt Issuance	48,685	-
Transfers In	46,049	-
Transfers Out	(91,208)	-
	<u>3,526</u>	<u>-</u>
Net Change in Fund Balances	81,650	38,702
Fund Balances - Beginning	<u>476,733</u>	<u>196,197</u>
Fund Balances - Ending	<u><u>558,383</u></u>	<u><u>234,899</u></u>

The notes to the financial statements are an integral part of this statement.

Motor Fuel Tax	TIF Debt Service	TIF Capital Projects	Capital Projects	Nonmajor Emergency 911	Total
-	547,180	-	-	52,604	3,227,703
-	-	-	-	-	399,607
126,664	-	-	173,000	8,704	1,494,503
-	-	-	43,770	-	993,346
-	-	-	-	-	154,700
3,423	15,338	784	213	815	31,661
-	-	-	1,497	-	54,550
130,087	562,518	784	218,480	62,123	6,356,070
-	-	-	-	-	703,496
-	-	-	-	36,719	3,353,716
204,165	-	-	-	-	900,858
-	-	-	-	-	450,950
-	-	34,344	934,925	-	969,269
-	45,000	-	-	-	131,145
-	112,125	-	-	-	123,096
204,165	157,125	34,344	934,925	36,719	6,632,530
(74,078)	405,393	(33,560)	(716,445)	25,404	(276,460)
-	-	-	-	-	48,685
-	-	375,000	616,208	-	1,037,257
-	(375,000)	(391,049)	-	-	(857,257)
-	(375,000)	(16,049)	616,208	-	228,685
(74,078)	30,393	(49,609)	(100,237)	25,404	(47,775)
250,456	804,309	108,337	-	46,510	1,882,542
176,378	834,702	58,728	(100,237)	71,914	1,834,767

The notes to the financial statements are an integral part of this statement.

**CITY OF HIGHWOOD, ILLINOIS**

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

**Year Ended April 30, 2009**

---

---

**Net Change in Fund Balances - Total Governmental Funds** \$ (47,775)

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
Statement of Activities the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Capital Outlays	980,487
Donated Land	559,749
Depreciation Expense	(689,059)

The net effect of various miscellaneous transactions involving capital assets  
is to decrease net assets.

Disposals - Cost	(250,000)
Disposals - Accumulated Depreciation	250,000

The issuance of long-term debt provides current financial resources to  
governmental funds, while the repayment of the principal on long-term  
debt consumes the current financial resources of the governmental funds.

Retirement of Compensated Absences Payable	(52,792)
Increase in Net Pension Obligation Payable	(16,581)
Retirement of Note Payable	86,145
Issuance of Note Payable	(48,685)
Retirement of TIF Capital Appreciation Bonds Payable	45,000
Additions to TIF Capital Appreciation Bonds Payable	(39,437)

**Changes in Net Assets of Governmental Activities** 777,052

The notes to the financial statements are an integral part of this statement.

**CITY OF HIGHWOOD, ILLINOIS**

**Statement of Net Assets - Business-Type Activities - Enterprise Fund  
April 30, 2009**

---

**See Following Page**

**CITY OF HIGHWOOD, ILLINOIS**

**Statement of Net Assets - Business-Type Activities - Enterprise Fund  
April 30, 2009**

	Waterworks and Sewerage	Nonmajor Enterprise Garbage	Totals
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Investments	\$ 53,265	9,286	62,551
Receivables - Net of Allowances Accounts	150,377	-	150,377
Due from Other Funds	2,414	50,000	52,414
Prepays	1,914	-	1,914
Total Current Assets	<u>207,970</u>	<u>59,286</u>	<u>267,256</u>
<b>Restricted Assets</b>			
Cash and Investments	<u>530,464</u>	-	<u>530,464</u>
<b>Capital Assets</b>			
Nondepreciable	83,196	-	83,196
Depreciable	6,061,735	-	6,061,735
	<u>6,144,931</u>	-	<u>6,144,931</u>
Accumulated Depreciation	<u>(2,290,454)</u>	-	<u>(2,290,454)</u>
Total Capital Assets	<u>3,854,477</u>	-	<u>3,854,477</u>
Total Assets	<u>4,592,911</u>	<u>59,286</u>	<u>4,652,197</u>

The notes to the financial statements are an integral part of this statement.

	Waterworks and Sewerage	Garbage	Totals
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	15,643	17,149	32,792
Accrued Payroll	7,945	-	7,945
Compensated Absences Payable	7,443	-	7,443
IEPA Loan Payable	18,193	-	18,193
Total Current Liabilities	<u>49,224</u>	<u>17,149</u>	<u>66,373</u>
<b>Restricted Liabilities</b>			
Accrued Interest Payable	25,795	-	25,795
IEPA Loan Payable	36,385	-	36,385
Alternate Revenue Bonds Payable	190,000	-	190,000
Total Restricted Liabilities	<u>252,180</u>	<u>-</u>	<u>252,180</u>
<b>Noncurrent Liabilities</b>			
Compensated Absences Payable	29,774	-	29,774
IEPA Loan Payable	774,379	-	774,379
Alternate Revenue Bonds Payable	970,000	-	970,000
Total Noncurrent Liabilities	<u>1,774,153</u>	<u>-</u>	<u>1,774,153</u>
Total Liabilities	<u>2,075,557</u>	<u>17,149</u>	<u>2,092,706</u>
<b>NET ASSETS</b>			
<b>Invested in Capital Assets - Net of Related Debt</b>			
	1,865,520	-	1,865,520
<b>Restricted - Debt Service</b>			
	25,000	-	25,000
<b>Unrestricted</b>			
	626,834	42,137	668,971
Total Net Assets	<u>2,517,354</u>	<u>42,137</u>	<u>2,559,491</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HIGHWOOD, ILLINOIS**

**Statement of Revenues, Expenses and Changes in  
Net Assets - Business-Type Activities - Enterprise Fund  
Year Ended April 30, 2009**

	Waterworks and Sewerage	Nonmajor Enterprise Garbage	Totals
Operating Revenues			
Charges for Services	\$ 836,996	254,903	1,091,899
Operating Expenses			
Operations	589,951	183,216	773,167
Depreciation	156,994	-	156,994
Total Operating Expenses	746,945	183,216	930,161
Operating Income	90,051	71,687	161,738
Nonoperating Revenues (Expenses)			
Other Income	24,781	-	24,781
Interest Income	8,682	450	9,132
Other Expense	(2,807)	-	(2,807)
Interest Expense	(59,558)	-	(59,558)
	(28,902)	450	(28,452)
Income Before Transfers	61,149	72,137	133,286
Transfers Out	(150,000)	(30,000)	(180,000)
Change in Net Assets	(88,851)	42,137	(46,714)
Net Assets - Beginning	2,606,205	-	2,606,205
Net Assets - Ending	2,517,354	42,137	2,559,491

The notes to the financial statements are an integral part of this statement.

CITY OF HIGHWOOD, ILLINOIS

Statement of Cash Flows - Business-Type Activities - Enterprise Fund  
Year Ended April 30, 2009

	Business-Type Activity - Enterprise Funds		
	Waterworks and Sewerage	Nonmajor Enterprise Garbage	Totals
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 861,919	204,903	1,066,822
Payments to Employees	(339,399)	-	(339,399)
Payments to Suppliers	(255,442)	(166,067)	(421,509)
	<u>267,078</u>	<u>38,836</u>	<u>305,914</u>
Cash Flows from Noncapital Operating transfers (out)	<u>(150,000)</u>	<u>(30,000)</u>	<u>(180,000)</u>
Cash Flows from Capital and Related Financing Activities			
Interest on Capital Debt	(59,558)	-	(59,558)
Principal on Capital Debt	(243,221)	-	(243,221)
	<u>(302,779)</u>	<u>-</u>	<u>(302,779)</u>
Cash Flows from Investing Activities			
Interest Received	<u>8,682</u>	<u>450</u>	<u>9,132</u>
Net Change in Cash and Cash Equivalents	(177,019)	9,286	(167,733)
Cash and Cash Equivalents - Beginning	<u>760,748</u>	<u>-</u>	<u>760,748</u>
Cash and Cash Equivalents - Ending	<u>583,729</u>	<u>9,286</u>	<u>593,015</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	<u>90,051</u>	<u>71,687</u>	<u>161,738</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization Expense	156,994	-	156,994
Other Income	24,781	-	24,781
Other Expense	(2,807)	-	(2,807)
(Increase) Decrease in Current Assets	2,949	(50,000)	(47,051)
Increase (Decrease) in Current Liabilities	(4,890)	17,149	12,259
Net Cash Provided by Operating Activities	<u>267,078</u>	<u>38,836</u>	<u>305,914</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HIGHWOOD, ILLINOIS

Statement of Net Assets - Fiduciary Funds  
April 30, 2009

---

---

	Pension Trust	Agency Fund
<b>Assets</b>		
Cash and Cash Equivalents	\$ 120,615	27,961
Investments		
U.S. Government and Agency Obligations	2,474,998	-
State and Local Obligations	369,952	-
Insurance Contracts	77,441	-
Mutual Funds	245,137	-
Receivables		
Accrued Interest	35,154	-
Accounts	8,653	1,200
Due from Other Funds	-	9,591
<b>Total Assets</b>	<u>3,331,950</u>	<u>38,752</u>
<b>Liabilities</b>		
Accounts Payable	5,206	-
Due to Bondholders	-	38,752
<b>Total Liabilities</b>	<u>5,206</u>	<u>38,752</u>
<b>Net Assets</b>		
Held in Trust for Pension Benefits (A schedule of funding progress is presented following the notes to the financial statements.)	<u>3,326,744</u>	<u>38,752</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HIGHWOOD, ILLINOIS**

**Statement of Changes in Net Assets - Fiduciary Funds  
Year Ended April 30, 2009**

	<u>Pension Trust</u>
<b>Additions</b>	
Contributions - Employer	\$ 281,776
Contributions - Plan Members	<u>106,734</u>
Total Contributions	<u>388,510</u>
<b>Investment Income</b>	
Interest Income	136,810
Net Change in Fair Value	<u>(71,671)</u>
	65,139
Less Investment Expenses	<u>(12,359)</u>
Net Investment Income	<u>52,780</u>
Total Additions	<u>441,290</u>
<b>Deductions</b>	
Administration	112,072
Benefits and Refunds	<u>160,471</u>
Total Deductions	<u>272,543</u>
<b>Change in Net Assets</b>	168,747
<b>Net Plan Assets Held in Trust for Pension Benefits</b>	
Beginning	<u>3,157,997</u>
Ending	<u><u>3,326,744</u></u>

The notes to the financial statements are an integral part of this statement.

# CITY OF HIGHWOOD, ILLINOIS

## Notes to the Financial Statements April 30, 2009

---

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The government-wide financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB Pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant of the City's accounting policies established in GAAP and used by the City are described below.

#### REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government:	City of Highwood
Blended Component Units:	Police Pension Employees Retirement System Firefighters' Pension Employees Retirement System

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units that have a significant operational or financial relationship with the City.

*Blended Component Units* - Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the Component unit provided services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

#### Blended Component Units

##### Police Pension Employees Retirement System

The City's police employees participate in the Police Pension Employees Retirement System (PPERS). 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 elected pension beneficiary and two elected police employees constitute the pension board.

# CITY OF HIGHWOOD, ILLINOIS

## Notes to the Financial Statements April 30, 2009

---

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### REPORTING ENTITY – Continued

##### Blended Component Units – Continued

##### Police Pension Employees Retirement System – Continued

The participants are required to contribute a percentage of salary as established by state statute and the City is obligated to fund all remaining 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 is legally separate from the City, the PPERS is reported as if it were part of the primary City because its sole purpose is to provide retirement benefits for the City's police employees. The PPERS is reported as a pension trust fund.

##### Firefighters' Pension Employees Retirement System

The City's sworn firefighters participate in the Firefighters' Pension Employees Retirement System (FPERS). FPERS functions for the benefit of those employees and is governed by a five-member pension board, with two members appointed by the City Mayor, two elected from active participants of the Fund, and one elected from the retired members of the Fund. The City and 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 is legally separate from the City, the FPERS is reported as if it were part of the primary City because its sole purpose is to provide retirement benefits for the City's firefighters. The FPERS is reported as a pension trust fund.

### BASIS OF PRESENTATION

#### Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire safety, highway and street maintenance and reconstruction, building code enforcement, public improvements, economic development, planning and zoning, and general administrative services are classified as governmental activities. The City's waterworks and sewerage services are classified as business-type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are: (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The City's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

# CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements  
April 30, 2009

---

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

### BASIS OF PRESENTATION – Continued

#### Government-Wide Statements – Continued

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (general government, public safety, highways and streets, etc). The functions are supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges for services, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include 1) changes to customers or applicants who purchase, use or discretely 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.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales and use taxes, certain intergovernmental revenues, permits and charges for services, etc).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

#### Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City electively added funds, as major funds, which either have debt outstanding or a specific community focus. The nonmajor funds are combined in a column in the fund financial statements. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

# CITY OF HIGHWOOD, ILLINOIS

## Notes to the Financial Statements

April 30, 2009

---

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### BASIS OF PRESENTATION – Continued

##### Fund Financial Statements – Continued

The various funds are reported by generic classification within the financial statements. The following fund types are used by the City:

##### Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

**General fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major fund.

**Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City maintains three special revenue funds; the Public Library and Motor Fuel Tax funds are major funds, the Emergency 911 Fund is a nonmajor fund.

**Debt service funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. The TIF Debt Service Fund is treated as a major fund and is used to account for the payment of interest and principal on the tax increment financing debt.

**Capital projects funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The City maintains two major capital projects funds, the TIF Capital Projects Fund and the Capital Projects Fund. The TIF Capital Projects Fund accounts for revenues and expenditures relative to improvements within the tax increment financing district. The Capital Projects Fund accounts for all activities associated with the construction of roadways and other infrastructure improvement projects.

##### Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

**Enterprise funds** are required to account for operations for which a fee is charged to external users for goods or services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

# CITY OF HIGHWOOD, ILLINOIS

## Notes to the Financial Statements April 30, 2009

---

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### BASIS OF PRESENTATION – Continued

#### Fund Financial Statements – Continued

#### Proprietary Funds – Continued

The Waterworks and Sewerage Fund, a major fund, accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, repair, financing and billing and collection.

The Garbage Fund, a nonmajor fund, accounts for all revenues and expenses necessary to provide the residents of the City with refuse service.

#### Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

**Pension trust funds** are used to account for assets held in a trustee capacity for pension benefit payments. The Police Pension Fund accounts for the accumulation of resources to pay pension costs. Resources are contributed by police force members at rates fixed by state statutes and by the City through an annual property tax levy. The Firefighters' Pension Fund accounts for the accumulation of resources to pay pension costs. Resources are contributed by fire personnel members at rates fixed by state statutes and by the City through an annual property tax levy.

**Agency funds** are used to account for assets held by the City in a purely custodial capacity. The Escrow Fund is used to account for developer deposits, which shall be used to pay for all expenses incurred by the City staff time and outside consultants that occur as a result of the proposed development.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension trust and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

# CITY OF HIGHWOOD, ILLINOIS

## Notes to the Financial Statements

April 30, 2009

---

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

##### Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate.

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

All proprietary and pension trust funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary and pension trust fund equity is classified as net assets.

##### Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using 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.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. The City recognizes property taxes when they become both measurable and available in accordance with GASB Codification Section P70. A sixty day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recognized when due.

# CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements  
April 30, 2009

---

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

### MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

#### Basis of Accounting – Continued

In applying the susceptible to accrual concept under the modified accrual basis, those revenues susceptible to accrual are property taxes, sales and use taxes, licenses, interest revenue, and charges for services. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

All proprietary and pension trust funds utilize 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.

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 City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise 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.

### ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

#### Cash and Investments

Cash and cash equivalents on the Statement of Net Assets are considered to be cash on hand, demand deposits, cash with fiscal agent. For the purpose of the proprietary funds "Statement of Cash Flows", cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and all highly liquid investments with an original maturity of three months or less.

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

#### Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivables balances for governmental activities include property taxes, sales and use taxes, franchise taxes, and grants. Business-type activities report utility charges as their major receivables.

#### Prepays

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaids.

**CITY OF HIGHWOOD, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2009**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued**

**Interfund Receivables, Payables and Activity**

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$10,000 to \$250,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Land Improvements	15 - 20 Years
Building and Improvements	10 - 50 Years
Equipment and Vehicles	5 - 10 Years
Machinery and Equipment	4 - 20 Years
Infrastructure	20 - 50 Years

# CITY OF HIGHWOOD, ILLINOIS

## Notes to the Financial Statements April 30, 2009

---

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued

##### Compensated Absences

The City accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulation rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave that is estimated to be taken as “terminal leave” prior to retirement. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

##### Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### Unearned/Deferred Revenue

Governmental funds report unearned/deferred revenue in connection with receivables for revenues that are not considered to be available 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.

##### Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

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 of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

# **CITY OF HIGHWOOD, ILLINOIS**

## **Notes to the Financial Statements April 30, 2009**

---

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

#### **ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continued**

##### **Fund Equity – Continued**

Restricted net assets—Consists of net assets with constraints placed on the 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 legislations.

Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **BUDGETARY INFORMATION**

The City adopted its annual appropriation ordinance on July 18, 2008 in accordance with Chapter 65 Section 5/8-2-9 of the Illinois Compiled Statutes 1992 (ILCS). The budget covers the fiscal year ending April 30, 2009. During any fiscal year, the City Council may adopt a supplemental appropriation ordinance in an amount not in excess of the aggregate of any additional revenue available to the City or estimated to be received by the City subsequent to the adoption of the annual appropriation ordinance for that fiscal year. Such supplemental appropriation ordinance shall only affect revenue that was not available for appropriation when that annual appropriation ordinance was adopted.

Prior to the adoption of the annual appropriation ordinance, the City Council, at least ten days prior to such adoption, shall make this proposed appropriation ordinance conveniently available to public inspection and shall hold at least one public hearing thereon. Notice of this hearing shall be given publication in one or more newspapers published locally, at least 10 days prior to the time of the public hearing. Subsequently to the public hearing and 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.

# **CITY OF HIGHWOOD, ILLINOIS**

## **Notes to the Financial Statements April 30, 2009**

---

### **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued**

#### **DEFICIT FUND EQUITY**

The Capital Projects fund had a deficit fund equity for the fiscal year of \$100,237.

### **NOTE 3 – DETAIL NOTES ON ALL FUNDS**

#### **DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds except the pension trust funds. Each fund type's portion of this pool is displayed on the financial statements 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.

Permitted Deposits and Investments - Statutes authorize the City to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, Illinois Funds, and the Illinois Metropolitan Investment Fund. Pension funds may also invest in certain non-U.S. obligations, mortgages, veteran's loans, life insurance company contracts, money market mutual funds and common and preferred stocks. The Illinois Funds and the Illinois Metropolitan Investment Fund are external investment pools regulated by state statutes; the pools value participant's shares on a fair value basis.

Illinois Funds is an investment pool managed by the Illinois Public Treasurer's Office which allows governments within the State to pool their funds for investment purposes. Although not registered with the SEC, Illinois Funds does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at the share price, the price for which the investment could be sold.

# CITY OF HIGHWOOD, ILLINOIS

## Notes to the Financial Statements

April 30, 2009

---

### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

#### DEPOSITS AND INVESTMENTS – Continued

##### Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

###### City

*Deposits.* At year-end, the carrying amount of the City's deposits for governmental and business-type activities totaled \$1,705,445 and the bank balances totaled \$2,127,150. Additionally, the City has \$361,615 invested in the Illinois Funds.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy states that public funds shall be invested in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the 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.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Besides investing in instruments authorized under State Statute, the City's investment policy does not further limit investment instrument choices. At year-end, the City's investment in the Illinois Funds is rated AAAM by Standard & Poor's.

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy states that funds on deposit (checking accounts, certificates of deposit, etc.) in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement and held at an independent, third party institution in the name of the municipality. At year-end, \$208,790 of the bank balance of the deposits was not covered by federal depository or equivalent insurance. For an investment, this 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 investment or collateral securities that are in the possession of an outside party. The City's investment policy states that securities will be held by an independent third party custodian designated by the Treasurer and evidenced by safekeeping receipts and a written custodial agreement. At year-end, the City's investment in the Illinois Funds is noncategorizable.

*Concentration of Credit Risk.* This is the risk of loss attributable to the magnitude of the City's investment in a single issuer. The City's investment policy states that the investment portfolio shall be diversified based on the type of funds invested and the cash flow needs of those funds. At year-end, the City's investment in the Illinois Funds of \$361,615 represents more than 5 percent of the total cash and investments portfolio.

**CITY OF HIGHWOOD, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2009**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**DEPOSITS AND INVESTMENTS – Continued**

**Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued**

**Police Pension Fund**

*Deposits.* At year-end, the carrying amount of the Police Pension Fund’s deposits totaled \$33,958 and the bank balances totaled \$36,468.

*Investments.* At year-end, the Fund has the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasury Notes	\$ 81,399	-	52,383	29,016	-
U.S. Treasury Bonds	64,172	-	-	64,172	-
U.S. Treasury Strips	73,467	-	38,975	-	34,492
Federal Home Loan Bank	645,707	50,207	201,221	315,153	79,126
Federal National Mortgage Association	103,223	66,358	10,774	26,091	-
Federal Farm Credit Banks	231,144	-	126,895	104,249	-
Government National Mortgage Association	3,387	-	-	-	3,387
State and Local Obligations	198,620	-	49,723	107,858	41,039
	<u>1,401,119</u>	<u>116,565</u>	<u>479,971</u>	<u>646,539</u>	<u>158,044</u>

*Interest Rate Risk.* The Fund’s investment policy states that a maximum of 40% of the bond portfolio may have maturities of 15 years or more. The Fund’s investments at year-end are in compliance with the 40% guideline.

*Credit Risk.* Other than attempting to invest in securities implicitly guaranteed by the United States Government and investment instruments authorized by State Statute, the Fund’s investment policy does not further limit investment instrument choices. The Fund’s investment in the U.S. Government Treasuries and Agencies are all triple A rated by Standard & Poor’s at year-end.

*Custodial Credit Risk.* The Fund’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. At year-end, the entire amount of the bank balance of the deposits was covered by federal depository or equivalent insurance, and the balance of the government securities were not covered by federal depository or equivalent insurance.

**CITY OF HIGHWOOD, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2009**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**DEPOSITS AND INVESTMENTS – Continued**

**Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued**

**Police Pension Fund – Continued**

*Concentration Risk.* Additionally at year-end, the Fund has \$77,441 invested in insurance contracts and \$65,404 invested in mutual funds. The Fund’s investment policy states that the following asset allocation ranges should be followed:

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
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. At year-end, the Fund is in compliance with the above guidelines. At year-end, the Fund has over 5 percent of net plan assets available for retirement benefits (other than U.S. Government guaranteed obligations) invested in insurance contracts of \$77,441 and over 5 percent invested in a single issuer of HLI Director Annuity, \$77,441.

**Firefighters’ Pension Fund**

*Deposits.* At year-end, the carrying amount of the Firefighters’ Pension Fund’s deposits totaled \$86,657 and the bank balances totaled \$86,657.

*Investments.* At year-end, the Fund has the following investments and maturities:

Investment Type	Fair Value	<u>Investment Maturities (in Years)</u>			
		Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasury Notes	\$ 313,944	-	199,991	113,953	-
Federal Home Loan Mortgage Corporation	215,046	-	215,046	-	-
Federal Home Loan Bank	357,070	20,820	54,247	282,003	-
Federal National Mortgage Association	133,020	-	77,259	55,761	-
Federal Farm Credit Banks	253,419	-	82,088	97,517	73,814
Municipal Bonds	171,332	-	51,236	101,856	18,240
	<u>1,443,831</u>	<u>20,820</u>	<u>679,867</u>	<u>651,090</u>	<u>92,054</u>

# CITY OF HIGHWOOD, ILLINOIS

## Notes to the Financial Statements April 30, 2009

---

### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

#### DEPOSITS AND INVESTMENTS – Continued

#### Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

#### Firefighters' Pension Fund – Continued

*Interest Rate Risk.* The Fund's 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.* Other than attempting to invest in securities implicitly guaranteed by the United States Government and investment instruments authorized by State Statute, the Fund's investment policy does not further limit investment instrument choices. The Fund's investment in the U.S. Government Treasuries and Agencies are all triple A rated by Standard & Poor's at year-end, and the Fund's investment in the Illinois Fund is rated AAAM by Standard & Poor's.

*Custodial Credit Risk.* The Fund's investment policy does not limit custodial credit risk for deposits, but does require 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.

*Concentration Risk.* Additionally at year-end, the Fund has \$179,733 invested in mutual funds. The Fund's investment policy states that no more than 40 percent of the assets shall be concentrated in a single instrument or class of instruments other than U.S. Treasury Obligations. Furthermore, investments in separate accounts of a life insurance company authorized and licensed to do business in the State of Illinois, comprised of common or preferred stocks, bonds or money market instruments shall not exceed ten percent of the aggregate book value of all investments owned by the Fund. Similarly, investments in separate accounts of a life insurance company authorized and licensed to do business in the State of Illinois, comprised of real estate or loans upon real estate secured by first or second mortgages shall not exceed ten percent of the aggregate book value of all investment owned by the Fund. At year-end, the Fund has over 5 percent of net plan assets available for retirement benefits (other than U.S. Government guaranteed obligations) invested in mutual funds of \$179,733.

#### PROPERTY TAXES

Property taxes for 2008 attach as an enforceable lien on January 1, 2008, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by Lake County and are payable in two installments, on or about May 1, 2009, and September 1, 2009. The County collects such taxes and remits them periodically.

**CITY OF HIGHWOOD, ILLINOIS**

**Notes to the Financial Statements**

**April 30, 2009**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**CAPITAL ASSETS**

**Governmental Activities**

Governmental capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets- Not Being Depreciated				
Land	\$ 118,694	559,749	-	678,443
Other Capital Assets				
Buildings and Improvements	3,672,032	123,529	-	3,795,561
Equipment and Vehicles	4,322,531	48,685	-	4,371,216
Infrastructure	2,954,466	808,273	250,000	3,512,739
	<u>10,949,029</u>	<u>980,487</u>	<u>250,000</u>	<u>11,679,516</u>
Less Accumulated Depreciation				
Buildings and Improvements	2,162,420	87,777	-	2,250,197
Equipment and Vehicles	3,566,122	461,108	-	4,027,230
Infrastructure	1,789,829	140,174	250,000	1,680,003
	<u>7,518,371</u>	<u>689,059</u>	<u>250,000</u>	<u>7,957,430</u>
Total Other Capital Assets	<u>3,430,658</u>	<u>291,428</u>	-	<u>3,722,086</u>
Total Capital Assets	<u>3,549,352</u>	<u>851,177</u>	-	<u>4,400,529</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 41,756
Public Safety	214,903
Public Works	253,920
Culture and Recreation	178,480
	<u>689,059</u>

**CITY OF HIGHWOOD, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2009**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**CAPITAL ASSETS – Continued**

**Business-Type Activities**

Business-type capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets - Not Being Depreciated				
Land	\$ 83,196	-	-	83,196
Other Capital Assets				
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				
Buildings and Improvements	612,453	27,505	-	639,958
Machinery and Equipment	227,300	2,215	-	229,515
Waterworks and Sewerage System	1,293,707	127,274	-	1,420,981
	<u>2,133,460</u>	<u>156,994</u>	-	<u>2,290,454</u>
Total Other Capital Assets	<u>3,928,275</u>	<u>(156,994)</u>	-	<u>3,771,281</u>
Total Capital Assets	<u>4,011,471</u>	<u>(156,994)</u>	-	<u>3,854,477</u>

Depreciation expense of \$156,994 was charged to the waterworks and sewerage function.

**INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances are advances in anticipation of receipts. The composition of interfund balances as of the date of this report is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	TIF - Capital Projects	\$ 16,049
General Fund	Capital Projects	34,198
Waterworks and Sewerage	General Fund	2,414
Nonmajor - Enterprise Fund	Capital Projects	50,000
Escrow Fund	General Fund	9,591
		<u>112,252</u>

**CITY OF HIGHWOOD, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2009**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**Interfund Transfers**

Interfund transfers for the year consisted of the following:

Transfer Out	Transfer In	Amount
Garbage	General	\$ 30,000
TIF - Capital Projects	General	16,049
TIF - Debt Service	TIF - Capital Projects	375,000
TIF - Capital Projects	Capital Projects	375,000
General	Capital Projects	91,208
Waterworks and Sewerage	Capital Projects	<u>150,000</u>
		<u><u>1,037,257</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**LONG-TERM DEBT**

**Notes Payable**

Notes payable are issued to acquire capital assets. Notes payable currently outstanding are as follows:

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
Note Payable of 2005, due in monthly installments of \$5,610, including interest at 4.25%, through November 16, 2010.	General	\$ 164,416	-	61,517	102,899
Note Payable of 2007, due in bi-annual installments of \$10,256, including interest at 6.35%, through March 5, 2011.	General	55,237	-	17,274	37,963

**CITY OF HIGHWOOD, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2009**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**LONG-TERM DEBT – Continued**

**Notes Payable - Continued**

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
Note Payable of 2009, due in monthly installments of \$910, including interest at 4.625%, through June 30, 2013.	General	\$ -	48,685	7,354	41,331
		219,653	48,685	86,145	182,193

**IEPA Loans Payable**

The City has entered into loan agreements with the IEPA to provide low interest financing for waterworks and sewerage improvements. IEPA loans currently outstanding are as follows:

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
Illinois Environmental Protection Agency (IEPA) Loan Payable of 2002, due in annual installments of \$75,249, including interest at various rates through December 30, 2021.	Waterworks and Sewerage	\$ 882,178	-	53,221	828,957

**CITY OF HIGHWOOD, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2009**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**LONG-TERM DEBT – Continued**

**Alternate Revenue Bonds**

The City has issued alternate revenue bonds where the City has pledged alternate revenue sources for the payment of bond principal and interest. Alternate revenue bonds are direct obligations and pledge the full faith and credit of the City. Alternate revenue bonds currently outstanding are as follows:

Issue	Fund Debt Retired By	Beginning Balances	Issuances	Retirements	Ending Balances
Waterworks and Sewerage Alternate Revenue Refunding Bonds of 2004, due in annual installments of \$140,000 to \$220,000, including interest at 1.30% to 3.70% through May 1, 2014.	Waterworks and Sewerage	\$ 1,350,000	-	190,000	1,160,000
Tax Increment Financing Alternate Revenue Bonds of 2002, due in annual installments of \$20,000 to \$385,000, plus interest at 3.70% to 5.10% through January 1, 2022.	TIF Debt Service	2,330,000	-	-	2,330,000
Tax Increment Alternate Revenue Capital Appreciation Bonds of 2002, due in annual installments of \$20,000 to \$125,000, including accretion at 4.00% to 5.40% through January 1, 2021.	TIF Debt Service	\$ 802,506	39,457	45,000	796,963
		<u>4,482,506</u>	<u>39,457</u>	<u>235,000</u>	<u>4,286,963</u>

**CITY OF HIGHWOOD, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2009**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**LONG-TERM DEBT – Continued**

**Long-Term Liability Activity**

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
<b>Governmental Activities</b>					
Compensated Absences	\$ 173,232	105,584	52,792	226,024	45,205
Net Pension Obligation	-	15,098	-	15,098	-
Notes Payable	219,653	48,685	86,145	182,193	91,779
Alternate Revenue Bonds	2,330,000	-	-	2,330,000	20,000
TIF Alternate Revenue Capital Appreciation Bonds	802,506	39,457	45,000	796,963	50,000
	<u>3,525,391</u>	<u>208,824</u>	<u>183,937</u>	<u>3,550,278</u>	<u>206,984</u>
<b>Business-Type Activities</b>					
Compensated Absences	35,643	3,148	1,574	37,217	7,443
IEPA Loan	882,178	-	53,221	828,957	54,578
Alternate Revenue Bonds	1,350,000	-	190,000	1,160,000	190,000
	<u>2,267,821</u>	<u>3,148</u>	<u>244,795</u>	<u>2,026,174</u>	<u>252,021</u>

The General Fund makes payments on the notes payable and the net pension obligation. Payments on the alternate revenue bonds are made by the TIF Debt Service Fund and Waterworks and Sewerage Fund. The Waterworks and Sewerage Fund also makes payments on the IEPA Loan. For the governmental activities, compensated absences are generally liquidated by the general fund.

**CITY OF HIGHWOOD, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2009**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**LONG-TERM DEBT – Continued**

**Debt Service Requirements to Maturity**

The annual debt service requirements to maturity, including principal and interest, are as follows:

Fiscal Year Ending April 30	Governmental Activities						Business-Type Activities			
	Note Payable		Alternate Revenue Bonds		TIF Alternate Revenue Capital Appreciation Bonds		Alternate Revenue Source Bonds		IEPA Loan	
	Principal	Interest	Principal	Interest	Principal*	Interest	Principal	Interest	Principal	Interest
2009	\$ -	-	-	-	-	-	190,000	37,580	-	-
2010	91,779	6,974	20,000	110,925	50,000	-	195,000	32,545	54,578	20,671
2011	67,932	2,771	40,000	110,185	60,000	-	205,000	26,695	55,971	19,278
2012	10,097	828	60,000	108,665	70,000	-	210,000	20,135	57,399	17,850
2013	10,574	350	85,000	106,325	75,000	-	220,000	13,100	58,863	16,386
2014	1,811	11	110,000	102,925	85,000	-	140,000	5,180	60,364	14,885
2015	-	-	135,000	98,360	95,000	-	-	-	61,904	13,345
2016	-	-	165,000	92,555	100,000	-	-	-	63,484	11,765
2017	-	-	195,000	85,212	105,000	-	-	-	65,103	10,146
2018	-	-	230,000	76,340	115,000	-	-	-	66,764	8,485
2019	-	-	265,000	64,840	120,000	-	-	-	68,467	6,782
2020	-	-	300,000	51,590	125,000	-	-	-	70,214	5,035
2021	-	-	340,000	36,590	125,000	-	-	-	72,005	3,244
2022	-	-	385,000	19,250	-	-	-	-	73,841	1,407
<b>Total</b>	<b>182,193</b>	<b>10,934</b>	<b>2,330,000</b>	<b>1,063,762</b>	<b>1,125,000</b>	<b>-</b>	<b>1,160,000</b>	<b>97,655</b>	<b>828,957</b>	<b>149,279</b>

\*Principal retirements only are shown for the TIF Alternate Revenue Capital Appreciation Bonds. For the full repayment schedule on the TIF Alternate Revenue Capital Appreciation Bonds, see the debt repayment schedule in the supplemental section of this report.

**CITY OF HIGHWOOD, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2009**

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**LONG-TERM DEBT – Continued**

**Legal Debt Margin**

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

Assessed Valuation - 2008	<u>\$ 154,941,340</u>
Legal Debt Limit - 8.625% of Assessed Value	13,363,691
Amount of Debt Applicable to Limit	
Alternate Revenue Source Bonds	<u>3,490,000</u>
Legal Debt Margin	<u>9,873,691</u>

**Alternate Revenue Bond Ordinance Disclosures**

**Waterworks and Sewerage Fund**

The revenue bond ordinance requires that all monies held in the Waterworks and Sewerage Fund be segregated and restricted in separate special reserve accounts, in the priority indicated by the order of the following:

Accounts	Amounts	Nature of Authorized Expenditures
Operations and Maintenance	Sufficient Amount to Pay Reasonable Expenses	Expense of Operating, Maintaining and Repairing the System
Bond and Interest	Amount Sufficient to Pay a Portion of the Current Bond and Interest	Paying Principal and Interest on the Bonds
Bond Reserve	Amount Sufficient to Cover the Maximum Annual Debt Service	Paying Principal and Interest on the Bonds if there is an Insufficiency in Bond and Interest.
Depreciation	Such Reasonable Amount as the Corporate Authorities Shall Determine	Paying Principal and Interest on the Bonds if there is Insufficient Money in the Bond and Interest Account or Bond Reserve Account; Cost of Extraordinary Repairs and Replacements to the System

**CITY OF HIGHWOOD, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2009**

---

**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**FUND BALANCE – RESERVED FOR SPECIAL REVENUES**

The following is a schedule of fund balance reservations for special or restricted revenues as of the date of this report:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Public Library	\$ 196,197	285,274	246,572	234,899
Motor Fuel Tax	250,456	130,087	204,165	176,378
TIF Capital Projects	108,337	375,784	425,393	58,728
Emergency 911	46,510	62,123	36,719	71,914
	<u>601,500</u>	<u>853,268</u>	<u>912,849</u>	<u>541,919</u>

**NOTE 4 – OTHER INFORMATION**

**RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to the City’s 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.

**Illinois Municipal League Risk Management Association (IMLRMA)**

The City participates in the Illinois Municipal League Risk Management Association (IMLRMA). IMLRMA is an organization of municipalities and special districts in Illinois which have formed an association under the Illinois Intergovernmental Cooperations 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.

# **CITY OF HIGHWOOD, ILLINOIS**

## **Notes to the Financial Statements April 30, 2009**

---

### **NOTE 4 – OTHER INFORMATION – Continued**

#### **RISK MANAGEMENT – Continued**

##### **Illinois Municipal League Risk Management Association (IMLRMA) – Continued**

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.

#### **POST-EMPLOYMENT BENEFITS**

The City provides COBRA health benefits to all prior employees as required by federal law. All prior employees pay 100 percent of the premium.

#### **CONTINGENT LIABILITIES**

##### **Litigation**

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

##### **Grants**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

# CITY OF HIGHWOOD, ILLINOIS

## Notes to the Financial Statements

April 30, 2009

---

### NOTE 4 – OTHER INFORMATION – Continued

#### EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS

The City contributes to four defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system; the Sheriff's Law Enforcement Personnel Plan (SLEP), which is administered by IMRF, the Police Pension Plan which is a single-employer pension plan; and, the Firefighters' Pension Plan, which is also a single-employer pension plan. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523. The benefits, benefit levels, employee contributions, and employer contributions are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly.

#### Plan Descriptions, Provisions and Funding Policies

##### Illinois Municipal Retirement System

All employees (other than those covered by the Police and Firefighters' Pension plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of their final rate (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Employees participating in the plan are required to contribute 4.50 percent of their annual covered salary to IMRF. The employees' contribution rate is established by state statute. The City is required to contribute the remaining amount necessary to fund the IMRF plan as specified by statute. The employer rate for calendar year 2008 was 6.57 percent.

##### Sheriff's Law Enforcement Personnel

Sheriff's Law Enforcement Personnel (SLEP), having accumulated at least 30 years of SLEP service and terminating IMRF participation on or after January 1, 1988, may elect to retire at or after age 50 with no early retirement discount penalty. SLEP members meeting these two qualifications are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.50% of their final rate of earnings for each year of credited service up to 20 years, 2.00% of their final earning rate for the next 10 years of credited service, and 1.00% for each year thereafter. For these SLEP members retiring with less than 20 years of SLEP service, the regular IMRF pension formula applies. SLEP also provides death and disability benefits.

These benefit provisions and all other requirements are established by State statutes. SLEP members are required to contribute 7.50% of their annual salary to SLEP. The City is required to contribute the remaining amounts necessary to fund the IMRF as specified by statute. The employer contribution rate for the calendar year 2008 was 12.60 percent.

**CITY OF HIGHWOOD, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2009**

---

**NOTE 4 – OTHER INFORMATION – Continued**

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued**

**Plan Descriptions, Provisions and Funding Policies – Continued**

**Police Pension Plan**

The Police Pension Plan is a single-employer defined benefit pension plan that 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 State Statutes and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

At fiscal year end the Police Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	6
Current Employees Vested and Nonvested	<u>12</u>
	<u>18</u>

The following is a summary of the Police Pension Plan as provided for in Illinois State Statutes.

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater.

The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan, including administrative costs, 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.

**CITY OF HIGHWOOD, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2009**

---

**NOTE 4 – OTHER INFORMATION – Continued**

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued**

**Plan Descriptions, Provisions and Funding Policies – Continued**

**Firefighters’ Pension Plan**

The Firefighters’ Pension Plan is a single-employer defined pension plan that covers all sworn fire personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

At fiscal year end the Firefighters’ Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but not yet Receiving Them	3
Current Employees Vested and Nonvested	<u>9</u>
	<u>12</u>

The following is a summary of the Firefighters’ Pension Plan as provided for in Illinois State Statutes.

The Firefighters’ Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank at the date of retirement. The pension shall be increased by 1/12 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 benefit. The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Covered employees are required to contribute 9.455% of their base salary to the Firefighters’ Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan, including administrative costs, 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.

**CITY OF HIGHWOOD, ILLINOIS**

**Notes to the Financial Statements**  
**April 30, 2009**

---

**NOTE 4 – OTHER INFORMATION –Continued**

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued**

**Summary of Significant Accounting Policies and Plan Asset Matters**

**Basis of Accounting**

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Method Used to Value Investments**

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

**Significant Investments**

There are no investments in any one organization that represent 5 percent or more of net assets available for benefits for either the Police or Firefighters' Pension Plans. Information for IMRF is not available.

**Related Party Transactions**

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

**Annual Pension Cost and Net Pension Obligation**

There was no net pension obligation for the IMRF Plan at year-end. The amount of the pension liability for the Police and Firefighters' Pension plans is as follows:

	Police Pension	Firefighters' Pension	Totals
Annual Required Contribution	\$ 181,015	100,041	281,056
Interest on ARC	405	679	1,084
Adjustment to the ARC	5,503	10,714	16,217
Annual Pension Cost	186,923	111,434	298,357
Actual Contribution	180,933	100,843	281,776
Increase in the NPO	5,990	10,591	16,581
NPO Beginning of Year as Restated	-	(1,483)	(1,483)
NPO End of Year	5,990	9,108	15,098

**CITY OF HIGHWOOD, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2009**

**NOTE 4 – OTHER INFORMATION – Continued**

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued**

**Annual Pension Cost and Net Pension Obligation – Continued**

The City’s annual pension cost for the current year and related information for each plan is as follows:

	Illinois Municipal Retirement	Sheriff's Law Enforcement Personnel	Police Pension	Firefighters' Pension
<b>Contribution Rates</b>				
Employer	6.57%	12.60%	26.92%	20.396%
Employee	4.50%	7.50%	9.91%	9.455%
<b>Annual Pension Cost</b>	\$50,549	\$4,507	\$186,923	\$111,434
<b>Contributions Made</b>	\$50,549	\$4,507	\$180,933	\$100,843
<b>Actuarial Valuation Date</b>	12/31/2008	12/31/2008	4/30/2009	4/30/2009
<b>Actuarial Cost Method</b>	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
<b>Amortization Method</b>	Level % of Projected Payroll Closed Basis			
<b>Remaining Amortization Period</b>	5 years	24 years	25 Years	24 Years
<b>Asset Valuation Method</b>	5-Year Smoothed Market	5-Year Smoothed Market	Market	Market
<b>Actuarial Assumptions</b>				
Investment Rate of Return	7.50% Compounded Annually	7.50% Compounded Annually	7.00% Compounded Annually	7.00% Compounded Annually
Projected Salary Increases	.4 to 11.6%	.4 to 11.6%	5.50%	5.50%
Inflation Rate Included	4.00%	4.00%	3.00%	3.00%
Cost-of-Living Adjustments	3.00%	3.00%	3.00%	3.00%

**CITY OF HIGHWOOD, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2009**

**NOTE 4 – OTHER INFORMATION – Continued**

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued**

**Trend Information**

Employer annual pension cost (APC), actual contributions and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the APC and the contributions actually made.

	Year	Illinois Municipal Retirement	Sheriff's Law Enforcement Personnel	Police Pension	Firefighters' Pension
Annual Pension Cost (APC)	2007	\$ 45,441	\$ -	\$ 143,289	\$ 132,896
	2008	49,902	-	142,681	89,611
	2009	50,549	4,507	186,923	111,434
Actual Contributions	2007	45,441	-	142,681	123,805
	2008	49,902	-	136,902	78,433
	2009	50,549	4,507	180,933	100,843
Percentage of APC Contributed	2007	100.00%	100.00%	99.58%	93.16%
	2008	100.00%	100.00%	N/A	N/A
	2009	100.00%	100.00%	0.00%	0.00%
Net Pension Obligation	2007	-	-	1,317,846	120,252
	2008	-	-	-	(1,483)
	2009	-	-	5,990	9,108

**CITY OF HIGHWOOD, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2009**

**NOTE 4 – OTHER INFORMATION – Continued**

**EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued**

**Funded Status and Funding Progress**

The City’s funded status for the current year and related information for each plan is as follows:

	Illinois Municipal Retirement	Sheriff's Law Enforcement Personnel	Police Pension	Firefighters' Pension
Actuarial Valuation Date	12/31/08	12/31/08	4/30/2008	4/30/2008
Percent Funded	100.00%	100.00%	58.1%	67.6%
Accuarial Accrued Liability for Benefits	\$2,094,211	(\$11,961)	\$2,751,955	\$2,361,523
Actuarial Value of Assets	\$1,744,188	\$19,313	\$1,598,682	\$1,728,065
Over (Under) Funded Actuarial Accrued Liability (UAAL)	(\$350,023)	\$31,274	(\$1,153,273)	(\$633,458)
Covered Payroll (Annual Payroll of Active Employees Covered by the Plan)	\$769,389	\$35,767	\$672,107	\$494,424
Ratio of UAAL to Covered Payroll	45.49%	87.44%	171.59%	128.12%

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.



## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- **Schedule of Funding Progress**
  - Illinois Municipal Retirement Fund
  - Sheriff's Law Enforcement Personnel Fund
  - Police Pension Fund
  - Firefighters' Pension Fund
  
- **Employer Contributions**
  - Illinois Municipal Retirement Fund
  - Sheriff's Law Enforcement Personnel Fund
  - Police Pension Fund
  - Firefighters' Pension Fund
  
- **Budgetary Comparison Schedules**
  - General Fund
  - Public Library – Special Revenue Fund
  - Motor Fuel Tax – Special Revenue Fund

### Notes to the Required Supplementary Information

**Budgetary Information** – Budgets are adopted on a basis consistent with generally accepted accounting principles.



**CITY OF HIGHWOOD, ILLINOIS**

**Illinois Municipal Retirement Fund**

**Required Supplementary Information**

**Schedule of Funding Progress**

**April 30, 2009**

Actuarial Valuation Date Dec. 31	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2003	\$ 1,533,898	\$ 1,392,861	110.13%	\$ (141,037)	\$ 653,979	(21.57%)
2004	1,593,625	1,514,465	105.23%	(79,160)	558,217	(14.18%)
2005	1,641,347	1,579,387	103.92%	(61,960)	620,621	(9.98%)
2006	1,865,326	1,802,207	103.50%	(63,119)	685,389	(9.21%)
2007	2,098,077	2,015,687	104.09%	(82,390)	731,709	(11.26%)
2008	1,744,188	2,094,211	83.29%	350,023	769,389	45.49%

**CITY OF HIGHWOOD, ILLINOIS**

**Illinois Municipal Retirement Fund**

**Required Supplementary Information  
Schedule of Employer Contributions  
April 30, 2009**

---

---

<b>Calendar Year</b>	<b>Employer Contributions</b>	<b>Annual Required Contribution</b>	<b>Percent Contributed</b>
2003	\$ 16,415	\$ 16,415	100.00%
2004	38,573	38,573	100.00%
2005	23,584	23,584	100.00%
2006	45,441	45,441	100.00%
2007	49,902	49,902	100.00%
2008	50,549	50,549	100.00%

**CITY OF HIGHWOOD, ILLINOIS**

**Sheriff's Law Enforcement Personnel Fund**

**Required Supplementary Information**

**Schedule of Funding Progress**

**April 30, 2009**

Actuarial Valuation Date Dec 31	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2003	\$ *	\$ *	*	\$ *	\$ *	*
2004	37,679	30,743	122.56%	(6,936)	57,445	(12.07%)
2005	48,988	18,027	271.75%	(30,961)	44,940	(68.89%)
2006	13,160	-	0%	(13,160)	-	0%
2007	14,376	-	0%	(14,376)	-	0%
2008	19,313	(11,961)	(161.47%)	(31,274)	35,767	(87.44%)

\* Information not available.

**CITY OF HIGHWOOD, ILLINOIS**

**Sheriff's Law Enforcement Personnel Fund**

**Required Supplementary Information**

**Schedule of Employer Contributions**

**April 30, 2009**

---

---

<b>Calendar Year</b>	<b>Employer Contributions</b>	<b>Annual Required Contribution</b>	<b>Percent Contributed</b>
2003	\$ *	\$ *	*
2004	7,738	7,738	100.00%
2005	6,058	6,058	100.00%
2006	-	-	0%
2007	-	-	0%
2008	4,507	4,507	100%

\* Information not available.

**CITY OF HIGHWOOD, ILLINOIS**

**Police Pension Fund**

**Required Supplementary Information  
Schedule of Funding Progress  
April 30, 2009**

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Liability as a Percentage of Covered Payroll (4) ÷ (5)
April 30						
2004	\$ 1,050,140	\$ 2,217,254	47.36%	\$ 1,167,114	\$ 503,160	231.96%
2005	1,141,360	2,459,206	46.41%	1,317,846	522,208	252.36%
2006	1,173,505	2,522,388	46.52%	1,348,883	461,881	292.04%
2007	1,395,043	2,831,872	49.26%	1,436,829	560,455	256.37%
2008	1,504,144	2,698,517	55.74%	1,194,373	631,291	189.20%
2009	1,598,682	2,751,955	58.09%	1,153,273	672,107	171.59%

**CITY OF HIGHWOOD, ILLINOIS**

**Police Pension Fund**

**Required Supplementary Information  
Schedule of Employer Contributions  
April 30, 2009**

---

---

<b>Fiscal Year Ended</b>	<b>Employer Contributions</b>	<b>Annual Required Contribution</b>	<b>Percent Contributed</b>
2004	\$ 118,465	\$ 118,706	99.80%
2005	119,082	120,562	98.77%
2006	132,670	132,233	100.33%
2007	142,681	142,681	100.00%
2008	136,902	181,015	75.63%
2009	180,933	181,015	99.95%

**CITY OF HIGHWOOD, ILLINOIS**

**Firefighters' Pension Fund**

**Required Supplementary Information**

**Schedule of Funding Progress**

**April 30, 2009**

Actuarial Valuation Date April 30	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2004	\$ 1,112,211	\$ 1,263,909	88.00%	\$ 151,698	\$ 305,832	49.60%
2005	1,251,868	1,372,120	91.24%	120,252	389,849	30.85%
2006	1,375,906	2,083,172	66.05%	707,266	450,403	157.03%
2007	1,584,019	1,977,168	80.12%	393,149	368,998	106.55%
2008	1,653,853	2,098,150	78.82%	444,297	428,628	103.66%
2009	1,728,065	2,361,523	73.18%	633,458	494,424	128.12%

**CITY OF HIGHWOOD, ILLINOIS**

**Firefighters' Pension Fund**

**Required Supplementary Information  
Schedule of Employer Contributions  
April 30, 2009**

---

---

<b>Fiscal Year Ended</b>	<b>Employer Contributions</b>	<b>Annual Required Contribution</b>	<b>Percent Contributed</b>
2004	\$ 88,582	\$ 88,989	99.54%
2005	83,926	84,560	99.25%
2006	73,706	73,057	100.89%
2007	91,129	89,646	101.65%
2008	78,433	100,041	78.40%
2009	100,843	100,041	100.80%

**CITY OF HIGHWOOD, ILLINOIS**

**General Fund**

**Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Year Ended April 30, 2009**

	Budget		Actual
	Original	Final	
<b>Revenues</b>			
Taxes	\$ 2,355,342	2,355,342	2,368,384
Licenses and Permits	454,500	454,500	399,607
Intergovernmental	534,000	534,000	1,186,135
Charges for Services	752,250	752,250	941,429
Fines and Forfeits	287,858	287,858	154,700
Interest Income	20,100	20,100	8,536
Miscellaneous	41,000	41,000	38,013
<b>Total Revenues</b>	<u>4,445,050</u>	<u>4,445,050</u>	<u>5,096,804</u>
<b>Expenditures</b>			
General Government	1,191,375	1,191,375	703,496
Public Safety	3,168,992	3,768,992	3,316,997
Public Works	794,859	794,859	696,693
Culture and Recreation	258,113	258,113	204,378
Debt Service			
Principal Retirement	-	-	86,145
Interest and Fiscal Charges	-	-	10,971
<b>Total Expenditures</b>	<u>5,413,339</u>	<u>6,013,339</u>	<u>5,018,680</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(968,289)</u>	<u>(1,568,289)</u>	<u>78,124</u>
<b>Other Financing Sources (Uses)</b>			
Debt Issuance	-	-	48,685
Transfers In	-	-	46,049
Transfer Out	-	-	(91,208)
	<u>-</u>	<u>-</u>	<u>3,526</u>
<b>Net Change in Fund Balance</b>	<u>(968,289)</u>	<u>(1,568,289)</u>	<u>81,650</u>
<b>Fund Balance - Beginning</b>			<u>476,733</u>
<b>Fund Balance - Ending</b>			<u><u>558,383</u></u>

**CITY OF HIGHWOOD, ILLINOIS**

**Public Library - Special Revenue Fund**

**Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Year Ended April 30, 2009**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ 259,608	259,608	259,535
Charges for Services			
Fees and Fines	-	-	8,147
Interest Income	-	-	2,552
Miscellaneous	-	-	15,040
Total Revenues	<u>259,608</u>	<u>259,608</u>	<u>285,274</u>
Expenditures			
Culture and Recreation			
Salaries	180,565	180,565	138,015
Materials and Supplies	79,063	79,063	52,722
Contractual Services	19,250	19,250	12,946
Contingencies	35,000	35,000	33,685
Capital Outlay	-	-	9,204
Total Expenditures	<u>313,878</u>	<u>313,878</u>	<u>246,572</u>
Net Change in Fund Balance	<u>(54,270)</u>	<u>(54,270)</u>	38,702
Fund Balance - Beginning			<u>196,197</u>
Fund Balance - Ending			<u><u>234,899</u></u>

**CITY OF HIGHWOOD, ILLINOIS**

**Motor Fuel Tax - Special Revenue Fund**

**Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Year Ended April 30, 2009**

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental			
Motor Fuel Tax Allotments	\$ 142,000	142,000	126,664
Interest Income	12,837	12,837	3,423
Total Revenues	<u>154,837</u>	<u>154,837</u>	<u>130,087</u>
Expenditures			
Public Works			
Street Improvements	<u>384,255</u>	<u>384,255</u>	<u>204,165</u>
Net Change in Fund Balance	<u>(229,418)</u>	<u>(229,418)</u>	(74,078)
Fund Balance - Beginning			<u>250,456</u>
Fund Balance - Ending			<u><u>176,378</u></u>



## **OTHER SUPPLEMENTARY INFORMATION**

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Budgetary Comparison Schedules – General Fund
- Budgetary Comparison Schedule – TIF – Debt Service Fund
- Budgetary Comparison Schedule – TIF – Capital Projects Fund
- Budgetary Comparison Schedule – Capital Projects Fund
- Budgetary Comparison Schedule – Emergency 911 – Special Revenue Fund
- Budgetary Comparison Schedules – Enterprise Funds
  - Waterworks and Sewerage Fund
  - Garbage Fund
- Combining Statements – Pension Trust Funds
  - Police Pension Fund
  - Firefighters' Pension Fund
- Statement of Changes in Assets and Liabilities – Agency Fund
  - Escrow Fund

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

---

## **GENERAL FUND**

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

---

## **SPECIAL REVENUE FUNDS**

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than fiduciary funds or capital projects funds) that are legally restricted to expenditure for specified purposes.

### **Motor Fuel Tax Fund**

The Motor Fuel Tax Fund is used to account for funds received from the State of Illinois Motor Fuel Tax to be used for operating and maintaining local streets and roads.

### **Public Library Fund**

The Library Fund is used to account for the operations of the City's Library.

### **Emergency 911 Fund**

The Emergency 911 Fund is used to account for surcharge revenue received for the E-911 system. Expenditures are used for the maintenance and upgrading of the E-911 system.

---

## **DEBT SERVICE FUND**

### **Tax Increment Financing Debt Service Fund**

The Tax Increment Financing Debt Service Fund is used to account for the Tax Increment Finance (TIF) district of Highwood. Incremental property taxes are collected and used to fund debt associated with the TIF district development.

---

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

---

## **CAPITAL PROJECTS FUNDS**

### **Tax Increment Financing Capital Projects Fund**

The TIF Capital Project Fund is used to account for all activities associated with improvements within the Tax Increment Financing District.

### **Capital Projects Fund**

The Capital Project Fund is used to account for all activities associated with the construction of roadways and other infrastructure improvement projects.

---

## **ENTERPRISE FUNDS**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where it has been decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose. The City's enterprise fund is a major fund.

### **Waterworks and Sewerage Fund**

The Waterworks and Sewerage Fund is used to account for the provision of potable water and wastewater treatment services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations and maintenance, financing and related debt service, billing and collection.

### **Garbage Fund**

The Garbage Fund is used to account for all revenues and expenses necessary to provide the residents of the City with refuse service.

---

# COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

---

## TRUST AND AGENCY FUNDS

### PENSION TRUST FUNDS

#### **Police Pension Fund**

The Police Pension Fund is used to account for the accumulation of resources to be used for retirement annuity payments to employees on the police force at appropriate amounts and times in the future. Resources are contributed by employees at rates fixed by law and by the Village at amounts determined by an annual actuarial study.

#### **Firefighters' Pension Fund**

The Firefighters' Pension Fund is used to account for the accumulation of resources to be used for retirement annuity payments to employees on the fire department at appropriate amounts and times in the future. Resources are contributed by employees at rates fixed by law and by the Village at amounts determined by an annual actuarial study.

### AGENCY FUND

#### **Escrow Fund**

The Escrow Fund is used to account for developer deposits, which shall be used to pay for all expenses incurred by the City including City staff time and outside consultants that occur as a result of the proposed development.

---

**CITY OF HIGHWOOD, ILLINOIS**

**General Fund**

**Schedule of Revenues - Budget and Actual  
Year Ended April 30, 2009**

	Budget		Actual
	Original	Final	
<b>Taxes</b>			
Property Tax	\$ 790,392	790,392	796,402
Sales Tax	1,125,000	1,125,000	512,776
Sales Tax - Home Rule	-	-	617,701
Municipal Utility Tax	439,950	439,950	441,505
	<u>2,355,342</u>	<u>2,355,342</u>	<u>2,368,384</u>
<b>Licenses and Permits</b>			
Licenses	454,500	454,500	278,759
Permits	-	-	120,848
	<u>454,500</u>	<u>454,500</u>	<u>399,607</u>
<b>Intergovernmental</b>			
Income Tax	450,000	450,000	504,704
Replacement Tax	84,000	84,000	9,521
2% Foreign Fire Insurance	-	-	5,068
Use Tax	-	-	80,845
Grants	-	-	585,997
	<u>534,000</u>	<u>534,000</u>	<u>1,186,135</u>
<b>Charges for Services</b>			
Ambulance Fees	280,250	280,250	45,878
Alarm Calls and Systems	-	-	12,660
Property Rental	297,000	297,000	249,540
Park Recreation Fees	-	-	237,940
Seized Autos	-	-	44,500
Parking Fees	125,000	125,000	153,497
Transfer Fees	-	-	5,205
2H Agreement	-	-	12,818
Refunds and Reimbursements	50,000	50,000	61,048
Cable Franchise Fees	-	-	44,319
Re-Zoning and Planning Fees	-	-	74,024
	<u>752,250</u>	<u>752,250</u>	<u>941,429</u>

CITY OF HIGHWOOD, ILLINOIS

General Fund

Schedule of Revenues - Budget and Actual - Continued  
Year Ended April 30, 2009

---

---

	Budget		Actual
	Original	Final	
Fines and Forfeits			
Police Fines	\$ 287,858	287,858	84,012
Circuit Court Fines	-	-	70,688
	<u>287,858</u>	<u>287,858</u>	<u>154,700</u>
Interest			
Interest Income	<u>20,100</u>	<u>20,100</u>	<u>8,536</u>
Miscellaneous	<u>41,000</u>	<u>41,000</u>	<u>38,013</u>
Total Revenues	<u>4,445,050</u>	<u>4,445,050</u>	<u>5,096,804</u>

**CITY OF HIGHWOOD, ILLINOIS**

**General Fund**

**Schedule of Expenditures - Budget and Actual  
Year Ended April 30, 2009**

	Budget		Actual
	Original	Final	
<b>General Government</b>			
<b>Administration and Legal</b>			
Personnel	\$ 563,347	563,347	252,831
Materials and Supplies	24,404	24,404	51,759
Equipment	5,500	5,500	6,693
Contractual Services	246,180	246,180	271,273
Miscellaneous	26,875	26,875	7,290
Contingencies	125,000	125,000	-
	<u>991,306</u>	<u>991,306</u>	<u>589,846</u>
<b>Building, Zoning and Health Department</b>			
Personnel	70,094	70,094	79,415
Materials and Supplies	6,655	6,655	10,514
Contractual Services	72,770	72,770	23,691
Miscellaneous	550	550	30
Contingencies	50,000	50,000	-
	<u>200,069</u>	<u>200,069</u>	<u>113,650</u>
<b>Total General Government</b>	<u>1,191,375</u>	<u>1,191,375</u>	<u>703,496</u>
<b>Public Safety</b>			
<b>Police Department</b>			
Personnel	1,223,646	1,223,646	1,116,780
Police Pension Contributions	199,117	199,117	180,933
Materials and Supplies	80,690	80,690	49,837
Equipment	3,300	3,300	2,318
Contractual Services	225,060	225,060	159,710
RED Center Pass-through Grant	-	600,000	578,397
Contingencies	20,000	20,000	-
Capital Outlay	30,800	30,800	-
	<u>1,782,613</u>	<u>2,382,613</u>	<u>2,087,975</u>

CITY OF HIGHWOOD, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued  
 Year Ended April 30, 2009

	Budget		Actual
	Original	Final	
<b>Public Safety - Continued</b>			
<b>Fire Department</b>			
Personnel	\$ 1,003,586	1,003,586	959,432
Fire Pension Contributions	110,045	110,045	100,843
Materials and Supplies	64,263	64,263	39,880
Equipment	16,500	16,500	8,542
Contractual Services	142,285	142,285	120,325
Contingencies	20,000	20,000	-
Capital Outlay	29,700	29,700	-
	<u>1,386,379</u>	<u>1,386,379</u>	<u>1,229,022</u>
<b>Total Public Safety</b>	<u>3,168,992</u>	<u>3,768,992</u>	<u>3,316,997</u>
<b>Public Works</b>			
<b>Highways and Streets</b>			
Personnel	311,254	311,254	271,870
Materials and Supplies	106,255	106,255	69,103
Equipment	22,000	22,000	26,337
Contractual Services	239,650	239,650	212,884
Street Light Maintenance	58,300	58,300	67,814
Contingencies	20,000	20,000	-
Capital Outlay	37,400	37,400	48,685
	<u>794,859</u>	<u>794,859</u>	<u>696,693</u>
<b>Total Public Works</b>	<u>794,859</u>	<u>794,859</u>	<u>696,693</u>
<b>Culture and Recreation</b>			
<b>Parks and Recreation</b>			
Personnel	85,543	85,543	65,197
Materials and Supplies	41,030	41,030	27,245
Equipment	2,200	2,200	914
Contractual Services	104,940	104,940	102,251
Miscellaneous	4,400	4,400	8,771
Contingencies	20,000	20,000	-
	<u>258,113</u>	<u>258,113</u>	<u>204,378</u>
<b>Total Culture and Recreation</b>	<u>258,113</u>	<u>258,113</u>	<u>204,378</u>

**CITY OF HIGHWOOD, ILLINOIS**

**General Fund**

**Schedule of Expenditures - Budget and Actual - Continued  
Year Ended April 30, 2009**

---

---

	Budget		Actual
	Original	Final	
Debt Service			
Principal Retirement	\$ -	-	86,145
Interest and Fiscal Charges	-	-	10,971
Total Debt Service	-	-	97,116
Total Expenditures	5,413,339	6,013,339	5,018,680

---

---

**CITY OF HIGHWOOD, ILLINOIS**

**Tax Increment Financing - Debt Service Fund**

**Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Year Ended April 30, 2009**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property Tax	\$ 500,000	500,000	547,180
Interest Income	15,000	15,000	15,338
Total Revenues	<u>515,000</u>	<u>515,000</u>	<u>562,518</u>
Expenditures			
Debt Service			
Principal Retirement	69,500	69,500	45,000
Interest and Fiscal Charges	122,019	122,019	112,125
Total Expenditures	<u>191,519</u>	<u>191,519</u>	<u>157,125</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	323,481	323,481	405,393
Other Financing (Uses)			
Transfers Out	<u>(412,500)</u>	<u>(412,500)</u>	<u>(375,000)</u>
Net Change in Fund Balance	<u>(89,019)</u>	<u>(89,019)</u>	30,393
Fund Balance - Beginning			<u>804,309</u>
Fund Balance - Ending			<u>834,702</u>

**CITY OF HIGHWOOD, ILLINOIS**

**Tax Increment Financing - Capital Projects Fund**

**Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Year Ended April 30, 2009**

	Budget		Actual
	Original	Final	
Revenues			
Interest Income	\$ -	-	784
Expenditures			
Capital Outlay			
Accounting Fees	-	-	220
Legal	-	-	2,595
Planning/Engineering Contracts	-	-	24,588
Contingency	20,000	20,000	-
Capital Outlay	412,500	412,500	6,941
Total Expenditures	432,500	432,500	34,344
Excess (Deficiency) of Revenues Over (Under) Expenditures	(432,500)	(432,500)	(33,560)
Other Financing Sources (Uses)			
Transfers In	-	-	375,000
Transfers Out	-	-	(391,049)
	-	-	(16,049)
Net Change in Fund Balance	(432,500)	(432,500)	(49,609)
Fund Balance - Beginning			108,337
Fund Balance - Ending			58,728

**CITY OF HIGHWOOD, ILLINOIS**

**Capital Projects Fund**

**Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Year Ended April 30, 2009**

	Budget		Actual
	Original	Final	
<b>Revenues</b>			
Charge for Services			
Impact Fees	\$ 73,000	73,000	43,770
Intergovernmental			
Grants	263,000	263,000	173,000
Interest	-	-	213
Miscellaneous	-	-	1,497
<b>Total Revenues</b>	<b>336,000</b>	<b>336,000</b>	<b>218,480</b>
<b>Expenditures</b>			
Capital Outlay			
Green Bay Road	990,000	990,000	808,273
Western Avenue	11,000	11,000	2,975
Salt Dome	-	-	123,528
Contingency	100,000	100,000	-
Miscellaneous	-	-	149
<b>Total Expenditures</b>	<b>1,101,000</b>	<b>1,101,000</b>	<b>934,925</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(765,000)	(765,000)	(716,445)
Other Financing Sources			
Transfers In	-	-	616,208
Net Change in Fund Balance	<u>(765,000)</u>	<u>(765,000)</u>	(100,237)
Fund Balance - Beginning			-
Fund Balance - Ending			<u>(100,237)</u>

**CITY OF HIGHWOOD, ILLINOIS**

**Emergency 911 - Special Revenue Fund**

**Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Year Ended April 30, 2009**

	Budget		Actual
	Original	Final	
<b>Revenues</b>			
<b>Taxes</b>			
911 Surcharge	\$ 44,000	44,000	52,604
<b>Intergovernmental</b>			
Grants	-	-	8,704
<b>Interest Income</b>	1,578	1,578	815
<b>Total Revenues</b>	<u>45,578</u>	<u>45,578</u>	<u>62,123</u>
<b>Expenditures</b>			
<b>Public Safety</b>			
Materials and Supplies	16,650	16,650	12,546
Contractual Services	-	-	13,750
Equipment	-	-	7,187
Contingency	5,000	80,000	-
Miscellaneous	-	-	3,236
<b>Total Expenditures</b>	<u>21,650</u>	<u>96,650</u>	<u>36,719</u>
<b>Net Change in Fund Balance</b>	<u>23,928</u>	<u>(51,072)</u>	25,404
<b>Fund Balance - Beginning</b>			<u>46,510</u>
<b>Fund Balance - Ending</b>			<u><u>71,914</u></u>

**CITY OF HIGHWOOD, ILLINOIS**

**Waterworks and Sewerage - Enterprise Fund**

**Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual  
Year Ended April 30, 2009**

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services	\$ 959,500	959,500	836,996
Operating Expenses			
Operations	814,796	814,796	589,951
Depreciation	-	-	156,994
Total Operating Expenses	814,796	814,796	746,945
Operating Income	144,704	144,704	90,051
Nonoperating Revenues (Expenses)			
Other Income	2,500	2,500	24,781
Interest Income	5,000	5,000	8,682
Other Expense	(1,100)	(1,100)	(2,807)
Interest Expense	-	-	(59,558)
	6,400	6,400	(28,902)
Income Before Transfers	151,104	151,104	61,149
Transfers Out	(374,000)	(374,000)	(150,000)
Change in Net Assets	(222,896)	(222,896)	(88,851)
Net Assets - Beginning			2,606,205
Net Assets - Ending			2,517,354

**CITY OF HIGHWOOD, ILLINOIS**

**Waterworks and Sewerage - Enterprise Fund**

**Schedule of Changes in Net Assets - Restricted Debt Service  
Year Ended April 30, 2009**

	<u>Operations and Maintenance</u>	<u>Bond and Interest</u>	<u>Bond Reserve</u>	<u>Depreciation</u>	<u>Totals</u>
<b>Increases</b>					
Intrafund Transfers In	\$ -	302,379	-	-	302,379
<b>Decreases</b>					
Bond Principal	-	243,221	-	-	243,221
Bond Interest	-	59,158	-	-	59,158
	-	302,379	-	-	302,379
<b>Net Increase (Decrease)</b>	-	-	-	-	-
<b>Account Balances</b>					
Beginning	60,000	-	308,348	25,000	393,348
Ending	60,000	-	308,348	25,000	393,348

**CITY OF HIGHWOOD, ILLINOIS**

**Waterworks and Sewerage - Enterprise Fund**

**Schedule of Operating Expenses - Budget and Actual  
Year Ended April 30, 2009**

	Budget		Actual
	Original	Final	
Operations			
Personnel	\$ 351,246	351,246	339,399
Materials and Supplies	128,370	128,370	106,933
Contractual Services	221,320	221,320	142,055
Contingencies	100,000	100,000	-
Capital Outlay	13,860	13,860	1,564
Total Operations	814,796	814,796	589,951
Debt Service			
Principal Retirement	291,775	291,775	243,221
Interest Expense	41,338	41,338	59,558
	333,113	333,113	302,779
Less Nonoperating Items			
Debt Service	(333,113)	(333,113)	(302,779)
Total Debt Service	-	-	-
Depreciation	-	-	156,994
Total Operating Expenses	814,796	814,796	746,945

**CITY OF HIGHWOOD, ILLINOIS**

**Waterworks and Sewerage - Enterprise Fund**

**Schedule of Capital Assets and Depreciation  
Year Ended April 30, 2009**

	Capital Assets			Ending Balances
	Beginning Balances	Increases	Decreases	
Land	\$ 83,196	-	-	83,196
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
<b>Total Capital Assets</b>	<b>6,144,931</b>	<b>-</b>	<b>-</b>	<b>6,144,931</b>

	Accumulated Depreciation			Ending Balances
	Beginning Balances	Increases	Decreases	
Buildings and Improvements	612,453	27,505	-	639,958
Machinery and Equipment	227,300	2,215	-	229,515
Waterworks and Sewerage System	1,293,707	127,274	-	1,420,981
<b>Total Accumulated Depreciation</b>	<b>2,133,460</b>	<b>156,994</b>	<b>-</b>	<b>2,290,454</b>
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<b>4,011,471</b>			<b>3,854,477</b>

**CITY OF HIGHWOOD, ILLINOIS**

**Garbage - Enterprise Fund**

**Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual  
Year Ended April 30, 2009**

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services	\$ 232,600	232,600	254,903
Operating Expenses			
Operations			
Materials and Supplies	1,650	1,650	10,722
Contractual Services	198,000	198,000	172,494
Contingencies	10,000	10,000	-
Total Operating Expenses	209,650	209,650	183,216
Operating Income	22,950	22,950	71,687
Nonoperating Revenues			
Interest Income	-	-	450
Income Before Transfers	22,950	22,950	72,137
Transfers Out	(55,000)	(55,000)	(30,000)
Change in Net Assets	(32,050)	(32,050)	42,137
Net Assets - Beginning			-
Net Assets - Ending			42,137

**CITY OF HIGHWOOD, ILLINOIS**

**Pension Trust Funds**

**Combining Statement of Net Plan Assets  
April 30, 2009**

	Police Pension	Firefighters' Pension	Totals
<b>Assets</b>			
Cash and Cash Equivalents	\$ 33,958	86,657	120,615
Investments			
U.S. Government and Agency Obligations	1,202,499	1,272,499	2,474,998
State and Local Obligations	198,620	171,332	369,952
Insurance Contracts	77,441	-	77,441
Mutual Funds	65,404	179,733	245,137
Receivables			
Accrued Interest	18,935	16,219	35,154
Accounts	5,079	3,574	8,653
<b>Total Assets</b>	<b>1,601,936</b>	<b>1,730,014</b>	<b>3,331,950</b>
<b>Liabilities</b>			
Accounts Payable	3,256	1,950	5,206
<b>Net Assets</b>			
Held in Trust for Pension Benefits (A schedule of funding progress is presented following the notes to the financial statements.)	1,598,680	1,728,064	3,326,744

**CITY OF HIGHWOOD, ILLINOIS**

**Pension Trust Funds**

**Combining Statement of Changes in Net Plan Assets  
Year Ended April 30, 2009**

	Police Pension	Firefighters' Pension	Totals
<b>Additions</b>			
Contributions - Employer	\$ 180,933	100,843	281,776
Contributions - Plan Members	63,819	42,915	106,734
<b>Total Contributions</b>	<b>244,752</b>	<b>143,758</b>	<b>388,510</b>
<b>Investment Income</b>			
Interest Income	52,132	84,678	136,810
Net Change in Fair Value	(24,630)	(47,041)	(71,671)
	27,502	37,637	65,139
Less Investment Expenses	(6,348)	(6,011)	(12,359)
<b>Net Investment Income</b>	<b>21,154</b>	<b>31,626</b>	<b>52,780</b>
<b>Total Additions</b>	<b>265,906</b>	<b>175,384</b>	<b>441,290</b>
<b>Deductions</b>			
Administration	49,678	62,394	112,072
Benefits and Refunds	121,693	38,778	160,471
<b>Total Deductions</b>	<b>171,371</b>	<b>101,172</b>	<b>272,543</b>
<b>Change in Net Assets</b>	<b>94,535</b>	<b>74,212</b>	<b>168,747</b>
<b>Net Plan Assets Held in Trust for Pension Benefits</b>			
Beginning	1,504,145	1,653,852	3,157,997
Ending	1,598,680	1,728,064	3,326,744

**CITY OF HIGHWOOD, ILLINOIS**

**Escrow - Agency Fund**

**Statement of Changes in Assets and Liabilities  
Year Ended April 30, 2009**

<b>Escrow Fund</b>	<b>Beginning Balances</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balances</b>
<b>ASSETS</b>				
Cash and Investments	\$ -	27,961	-	27,961
Receivables - Taxes	-	1,200	-	1,200
Due from Other Funds	-	9,591	-	9,591
<b>Total Assets</b>	<b>-</b>	<b>38,752</b>	<b>-</b>	<b>38,752</b>
<b>LIABILITIES</b>				
Due to Bondholders	-	38,752	-	38,752
<b>Total Liabilities</b>	<b>-</b>	<b>38,752</b>	<b>-</b>	<b>38,752</b>



**SUPPLEMENTAL SECTION**



**CITY OF HIGHWOOD, ILLINOIS**

**Long-Term Debt Requirements**

**Note Payable of 2009**

**April 30, 2009**

---



---

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

**CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

Fiscal Year	Requirements		Totals
	Principal	Interest	
2010	\$ 9,207	1,718	10,925
2011	9,642	1,283	10,925
2012	10,097	828	10,925
2013	10,574	350	10,924
2014	1,811	11	1,822
	<u>41,331</u>	<u>4,190</u>	<u>45,521</u>

**CITY OF HIGHWOOD, ILLINOIS**

**Long-Term Debt Requirements**

**IEPA Loan Payable of 2002  
April 30, 2009**

---



---

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 30
Payable at	Illinois Environmental Protection Agency

**CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

Fiscal Year	Requirements		Totals
	Principal	Interest	
2010	\$ 54,578	20,671	75,249
2011	55,971	19,278	75,249
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
	<b>828,957</b>	<b>149,279</b>	<b>978,236</b>

---



---

**CITY OF HIGHWOOD, ILLINOIS**

**Long-Term Debt Requirements**

**Waterworks and Sewerage Alternate Revenue Refunding Bonds of 2004  
April 30, 2009**

---



---

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

**CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

Tax Levy Year	Requirements			Interest Due on			
	Principal	Interest	Totals	May 1	Amount	Nov. 1	Amount
2009	\$ 190,000	35,063	225,063	2009	18,790	2009	16,273
2010	195,000	29,621	224,621	2010	16,273	2010	13,348
2011	205,000	23,416	228,416	2011	13,348	2011	10,068
2012	210,000	16,618	226,618	2012	10,068	2012	6,550
2013	220,000	9,140	229,140	2013	6,550	2013	2,590
2014	140,000	2,590	142,590	2014	2,590		-
	<u>1,160,000</u>	<u>116,448</u>	<u>1,276,448</u>		<u>67,619</u>		<u>48,829</u>

**CITY OF HIGHWOOD, ILLINOIS**

**Long-Term Debt Requirements**

**Tax Increment Financing Alternate Revenue Bonds of 2002**

**April 30, 2009**

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

**CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

Tax Levy Year	Requirements			Interest Due on			
	Principal	Interest	Totals	Jan. 1	Amount	Jul. 1	Amount
2009	\$ -	110,926	110,926	2009	55,463	2009	55,463
2010	20,000	110,556	130,556	2010	55,463	2010	55,093
2011	40,000	109,426	149,426	2011	55,093	2011	54,333
2012	60,000	107,496	167,496	2012	54,333	2012	53,163
2013	85,000	104,626	189,626	2013	53,163	2013	51,463
2014	110,000	100,643	210,643	2014	51,463	2014	49,180
2015	135,000	95,458	230,458	2015	49,180	2015	46,278
2016	165,000	88,884	253,884	2016	46,278	2016	42,606
2017	195,000	80,776	275,776	2017	42,606	2017	38,170
2018	230,000	70,590	300,590	2018	38,170	2018	32,420
2019	265,000	58,215	323,215	2019	32,420	2019	25,795
2020	300,000	44,090	344,090	2020	25,795	2020	18,295
2021	340,000	27,920	367,920	2021	18,295	2021	9,625
2022	385,000	9,615	394,615	2022	9,615	2022	-
	<u>2,330,000</u>	<u>1,119,221</u>	<u>3,449,221</u>		<u>587,337</u>		<u>531,884</u>

**CITY OF HIGHWOOD, ILLINOIS**

**Long-Term Debt Requirements**

**Tax Increment Financing Alternate Revenue Capital Appreciation Bonds of 2002  
April 30, 2009**

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

**CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS**

Fiscal Year	Beginning Principal Balance	Accretion	Principal Payment	Ending Principal Balance
2009	\$ 802,506	39,457	45,000	796,963
2010	796,963	39,440	50,000	786,403
2011	786,403	39,069	60,000	765,472
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	582,706	29,189	100,000	511,895
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	-
		367,494	1,170,000	

