

CITY OF HIGHWOOD

Highwood, Illinois

FINANCIAL STATEMENTS

For the Year Ended April 30, 2010

This page has been intentionally left blank.

CITY OF HIGHWOOD

TABLE OF CONTENTS APRIL 30, 2010

	<u>Page(s)</u>
Independent Auditors' Report	1 - 2
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4 - 5
Fund Financial Statements	
Balance Sheet - Governmental Funds	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Net Assets - Proprietary Funds	10
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	11
Statement of Cash Flows - Proprietary Funds	12 - 13
Statement of Fiduciary Net Assets - Fiduciary Funds	14
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	15
Index to Notes to Financial Statements	16
Notes to Financial Statements	17 - 52
Required Supplementary Information	
General Fund	
Schedule of Revenues, Expenses, And Changes in Fund Balance - Budget and Actual - General Fund	53 - 56
<i>Historical Pension Information</i>	
Illinois Municipal Retirement Fund - Schedule of Employer's Contributions and Schedule of Funding Progress	57
Sheriff's Law Enforcement Personnel - Schedule of Employer's Contributions and Schedule of Funding Progress	58
Police Pension Fund - Schedule of Employer's Contributions and Schedule of Funding Progress	59
Firefighters' Pension Fund - Schedule of Employer's Contributions and Schedule of Funding Progress	60
Notes to Required Supplementary Information	61

This page has been intentionally left blank.

CITY OF HIGHWOOD

TABLE OF CONTENTS (cont.) APRIL 30, 2010

Supplementary Information

Governmental Funds

TIF Debt Service	62
Combining Balance Sheet - Nonmajor Governmental Funds	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	64
Schedules of Revenues, Expenditures and Changes in Fund Balances (Deficit) - Budget and Actual	
Motor Fuel Tax	65
E-911	66
Capital Projects	67
TIF Capital Projects	68

Enterprise Funds

Schedule of Revenues, Expenses and Changes in Fund Net Assets - Budget and Actual	
Water & Sewer Fund	69
Garbage Fund	70

Fiduciary Funds

Combining Statement of Fiduciary Net Assets - Pension Trust Funds	71
Combining Statement of Changes in Fiduciary Net Assets - Pension Trust Funds	72
Component Unit - Library	
Statement of Net Assets and Governmental Funds - Combining Balance Sheet	73
Statement of Activities and Governmental Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balances/Net Assets	74
Long-Term Debt Requirements - Note Payable of 2009	75
Long-Term Debt Requirements - IEPA Loan Payable of 2002	76
Long-Term Debt Requirements - Tax Increment Financing Alternative Revenue Capital Appreciation Bonds of 2002	77
Long-Term Debt Requirements - Note Payable of 2007	78
Long-Term Debt Requirements - Note Payable of 2005	79
Long-Term Debt Requirements - Waterworks and Sewerage Alternate Revenue Refunding Bonds of 2004	80
Long-Term Debt Requirements - Tax Increment Financing Alternate Revenue Bonds of 2002	81

Independent Auditors' Report on Compliance	82
--	----

This page has been intentionally left blank.

INDEPENDENT AUDITORS' REPORT

To Honorable Mayor and City Council
City of Highwood
17 Highwood Avenue
Highwood, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Highwood, Illinois, as of and for the year ended April 30, 2010, which collectively comprise City of Highwood's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Highwood's management. Our responsibility is to express opinions on these financial statements based on our audit. We have also audited the adjustments described in Note III.G that were applied to restate the 2009 financial statements. In our opinion such adjustments are appropriate and have been properly applied.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 opinions.

City of Highwood does not maintain detailed records of the historical cost, accumulated depreciation or depreciation expense of its capital assets. Therefore, we were unable to obtain sufficient evidence to form an opinion on the capital assets, accumulated depreciation, and depreciation expense of the City of Highwood.

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

In our opinion, except for the effect of such adjustments, if any, as might have been disclosed with respect to the compensated absences liability payable, capital assets, accumulated depreciation, and depreciation expense had detailed records been available, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Highwood, Illinois as of April 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To Honorable Mayor and City Council
City of Highwood

The required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City of Highwood has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, basic financial statements.

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

Baker Tilly Viechow Krause, LLP
Oak Brook, Illinois
June 27, 2011

CITY OF HIGHWOOD

STATEMENT OF NET ASSETS APRIL 30, 2010

	Governmental Activities	Business-type Activities	Totals	Component Unit
ASSETS				
Cash and investments	\$ 1,354,390	\$ 10,553	\$ 1,364,943	\$ 268,429
Receivables (net)				
Taxes receivable	1,473,886	-	1,473,886	235,000
Intergovernmental	215,923	-	215,923	-
Accounts	102,609	148,158	250,767	-
Other taxes	302,560	-	302,560	-
Prepaid items	5,047	607	5,654	-
Internal balances	22,360	(22,360)	-	-
Restricted assets				
Cash and investments	-	337,040	337,040	-
Capital assets (net of accumulated depreciation)				
Land	678,443	83,196	761,639	-
Other capital assets, net of depreciation	<u>3,391,130</u>	<u>3,614,287</u>	<u>7,005,417</u>	<u>377,544</u>
Total Assets	<u>7,546,348</u>	<u>4,171,481</u>	<u>11,717,829</u>	<u>880,973</u>
LIABILITIES				
Cash deficit	327,697	-	327,697	-
Accounts payable	63,787	2,800	66,587	-
Accrued liabilities and deposits	74,325	9,291	83,616	-
Other accrued liabilities	4,413	5,643	10,056	-
Unearned revenue	1,473,886	-	1,473,886	235,000
Accrued interest payable	18,364	22,699	41,063	-
Due to fiduciary funds	78,090	-	78,090	-
Noncurrent liabilities				
Due within one year	212,331	55,971	268,302	-
Due in more than one year	<u>3,213,714</u>	<u>1,533,606</u>	<u>4,747,320</u>	<u>-</u>
Total Liabilities	<u>5,466,607</u>	<u>1,630,010</u>	<u>7,096,617</u>	<u>235,000</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,301,522	2,148,104	5,449,626	377,544
Restricted for				
Debt service	907,823	-	907,823	-
Public safety	75,339	-	75,339	-
Streets and highways	254,862	-	254,862	-
Unrestricted	<u>(2,459,805)</u>	<u>393,367</u>	<u>(2,066,438)</u>	<u>268,429</u>
TOTAL NET ASSETS	<u>\$ 2,079,741</u>	<u>\$ 2,541,471</u>	<u>\$ 4,621,212</u>	<u>\$ 645,973</u>

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Totals	Component Unit
\$ 293,082	\$ -	\$ 293,082	\$ -
(2,877,666)	-	(2,877,666)	-
(659,897)	-	(659,897)	-
(146,893)	-	(146,893)	-
(138,322)	-	(138,322)	-
<u>(3,529,696)</u>	<u>-</u>	<u>(3,529,696)</u>	<u>-</u>
-	(31,985)	(31,985)	-
-	6,040	6,040	-
-	<u>(25,945)</u>	<u>(25,945)</u>	<u>-</u>
<u>(3,529,696)</u>	<u>(25,945)</u>	<u>(3,555,641)</u>	<u>-</u>
-	-	-	(195,685)
1,463,895	-	1,463,895	204,689
1,054,492	-	1,054,492	-
455,628	-	455,628	-
47,964	-	47,964	-
451,535	-	451,535	-
-	-	-	1,210
12,780	3,566	16,346	366
<u>101,259</u>	<u>13,359</u>	<u>114,618</u>	<u>214</u>
<u>3,587,553</u>	<u>16,925</u>	<u>3,604,478</u>	<u>206,479</u>
<u>9,000</u>	<u>(9,000)</u>	<u>-</u>	<u>-</u>
66,857	(18,020)	48,837	10,794
<u>2,012,884</u>	<u>2,559,491</u>	<u>4,572,375</u>	<u>635,179</u>
<u>\$ 2,079,741</u>	<u>\$ 2,541,471</u>	<u>\$ 4,621,212</u>	<u>\$ 645,973</u>

See accompanying notes to financial statements.

CITY OF HIGHWOOD

BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2010

	General	TIF Debt Service	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and investments	\$ 125,996	\$ 926,187	\$ 302,207	\$ 1,354,390
Receivables				
Property tax	874,605	599,281	-	1,473,886
Other taxes	302,560	-	-	302,560
Intergovernmental	215,923	-	-	215,923
Other receivables	84,147	-	18,462	102,609
Due from other funds	134,321	-	2	134,323
Prepaid items	5,047	-	-	5,047
	<u>1,742,599</u>	<u>1,525,468</u>	<u>320,671</u>	<u>3,588,738</u>
TOTAL ASSETS	\$ 1,742,599	\$ 1,525,468	\$ 320,671	\$ 3,588,738
LIABILITIES AND FUND BALANCES				
Liabilities				
Cash deficit	\$ 327,697	\$ -	\$ -	\$ 327,697
Accounts payable	63,787	-	-	63,787
Accrued payroll	74,325	-	-	74,325
Other current liabilities	4,413	-	-	4,413
Due to other funds	89,412	-	22,551	111,963
Due to fiduciary funds	78,090	-	-	78,090
Deferred revenues	976,294	599,281	-	1,575,575
Total Liabilities	<u>1,614,018</u>	<u>599,281</u>	<u>22,551</u>	<u>2,235,850</u>
Fund Balances				
Reserved				
Reserved for prepaids	5,047	-	-	5,047
Unreserved, reported in:				
General fund	123,534	-	-	123,534
Special revenue funds	-	-	330,201	330,201
Debt service funds	-	926,187	-	926,187
Capital projects funds	-	-	(32,081)	(32,081)
Total Fund Balances	<u>128,581</u>	<u>926,187</u>	<u>298,120</u>	<u>1,352,888</u>
	<u>1,742,599</u>	<u>1,525,468</u>	<u>320,671</u>	<u>3,588,738</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,742,599	\$ 1,525,468	\$ 320,671	\$ 3,588,738

See accompanying notes to financial statements.

CITY OF HIGHWOOD

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS APRIL 30, 2010

Total Fund Balances - Governmental Funds \$ 1,352,888

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note III D. 4,069,573

Some receivables that are not currently available are reported as deferred revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. 101,689

Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.

Bonds and notes payable	(3,186,011)
Compensated absences	(226,004)
Net pension obligation	(14,030)
Accrued interest	<u>(18,364)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 2,079,741

CITY OF HIGHWOOD

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED APRIL 30, 2010

	General	TIF Debt Service	Nonmajor Governmental Funds	Totals
REVENUES				
Property tax	\$ 854,596	\$ 609,299	\$ -	\$ 1,463,895
Other taxes	1,345,787	-	47,964	1,393,751
Intergovernmental	543,088	-	314,971	858,059
Licenses and permits	309,303	-	-	309,303
Fines, forfeitures and penalties	117,258	-	-	117,258
Public charges for services	850,764	-	8,089	858,853
Investment income	2,673	7,933	2,154	12,760
Miscellaneous	18,351	-	27	18,378
Total Revenues	<u>4,041,820</u>	<u>617,232</u>	<u>373,205</u>	<u>5,032,257</u>
EXPENDITURES				
Current				
General government	519,367	-	-	519,367
Public safety	2,854,197	-	46,605	2,900,802
Public works	555,483	-	94,415	649,898
Culture, recreation and education	215,930	-	-	215,930
Capital Outlay	87,190	-	634,972	722,162
Debt Service				
Principal	92,585	70,000	-	162,585
Interest	6,168	111,325	-	117,493
Total Expenditures	<u>4,330,920</u>	<u>181,325</u>	<u>775,992</u>	<u>5,288,237</u>
Excess (deficiency) of revenues over expenditures	<u>(289,100)</u>	<u>435,907</u>	<u>(402,787)</u>	<u>(255,980)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	9,000	-	494,124	503,124
Transfer out	(149,702)	(344,422)	-	(494,124)
Total Other Financing Sources (Uses)	<u>(140,702)</u>	<u>(344,422)</u>	<u>494,124</u>	<u>9,000</u>
Net Change in Fund Balances	(429,802)	91,485	91,337	(246,980)
FUND BALANCES - Beginning of Year (as restated)	<u>558,383</u>	<u>834,702</u>	<u>206,783</u>	<u>1,599,868</u>
FUND BALANCES - END OF YEAR	<u>\$ 128,581</u>	<u>\$ 926,187</u>	<u>\$ 298,120</u>	<u>\$ 1,352,888</u>

See accompanying notes to financial statements.

CITY OF HIGHWOOD

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED APRIL 30, 2010

Net change in fund balances - total governmental funds	\$ (246,980)
--	--------------

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net assets the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements.	722,162
Depreciation is reported in the government-wide financial statements.	(652,838)

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	101,689
---	---------

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Principal repaid	162,585

Some of the bonds issued in the current year are accretion bonds. Accretion of the bonds during the year increases the carrying value of the bonds and will be repaid using future year resources. The current year's accretion is charged to interest expense in the Statement of Activities.	(39,440)
--	----------

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Net pension obligation	1,068
Accrued interest on debt	<u>18,611</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 66,857</u>
--	-------------------------

CITY OF HIGHWOOD

STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 APRIL 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Waterworks and Sewerage</u>	<u>Nonmajor Enterprise Fund - Garbage</u>	<u>Totals</u>
ASSETS			
Current Assets			
Cash and investments	\$ -	\$ 10,553	\$ 10,553
Receivables			
Other receivables	144,178	3,980	148,158
Due from other funds	449,247	79,747	528,994
Prepaid items	607	-	607
Restricted Assets			
Cash and investments	<u>337,040</u>	<u>-</u>	<u>337,040</u>
Total Current Assets	<u>931,072</u>	<u>94,280</u>	<u>1,025,352</u>
Noncurrent Assets			
Capital Assets			
Property and equipment	6,144,931	-	6,144,931
Less: Accumulated depreciation	<u>(2,447,448)</u>	<u>-</u>	<u>(2,447,448)</u>
Total Noncurrent Assets	<u>3,697,483</u>	<u>-</u>	<u>3,697,483</u>
Total Assets	<u>4,628,555</u>	<u>94,280</u>	<u>4,722,835</u>
LIABILITIES			
Current Liabilities			
Accounts payable	2,800	-	2,800
Accrued payroll	9,291	-	9,291
Other current liabilities	5,643	-	5,643
Due to other funds	496,511	54,843	551,354
Interest payable	<u>22,699</u>	<u>-</u>	<u>22,699</u>
Total Current Liabilities	<u>536,944</u>	<u>54,843</u>	<u>591,787</u>
Noncurrent Liabilities			
Long-Term Debt			
Due within one year	55,971	-	55,971
Due in more than one year	<u>1,533,606</u>	<u>-</u>	<u>1,533,606</u>
Total Noncurrent Liabilities	<u>1,589,577</u>	<u>-</u>	<u>1,589,577</u>
Total Liabilities	<u>2,126,521</u>	<u>54,843</u>	<u>2,181,364</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,148,104	-	2,148,104
Unrestricted	<u>353,930</u>	<u>39,437</u>	<u>393,367</u>
TOTAL NET ASSETS	<u>\$ 2,502,034</u>	<u>\$ 39,437</u>	<u>\$ 2,541,471</u>

See accompanying notes to financial statements.

CITY OF HIGHWOOD

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUND FOR THE YEAR ENDED APRIL 30, 2010

	Business-type Activities - Enterprise Funds		
	Waterworks and Sewerage	Nonmajor Enterprise Fund - Garbage	Totals
OPERATING REVENUES			
Public charges for services	\$ 755,874	\$ 247,062	\$ 1,002,936
Total Operating Revenues	<u>755,874</u>	<u>247,062</u>	<u>1,002,936</u>
OPERATING EXPENSES			
Personnel	353,893	-	353,893
Contractual services	169,308	232,597	401,905
Materials and supplies	27,267	8,425	35,692
Depreciation	156,994	-	156,994
Total Operating Expenses	<u>707,462</u>	<u>241,022</u>	<u>948,484</u>
Operating Income (Loss)	<u>48,412</u>	<u>6,040</u>	<u>54,452</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	3,356	210	3,566
Miscellaneous revenue	5,302	50	5,352
Miscellaneous expense	(2,966)	-	(2,966)
Interest expense	(69,025)	-	(69,025)
Paying agent fees	(399)	-	(399)
Total Nonoperating Revenues (Expenses)	<u>(63,732)</u>	<u>260</u>	<u>(63,472)</u>
Income (Loss) Before Transfers	<u>(15,320)</u>	<u>6,300</u>	<u>(9,020)</u>
TRANSFERS			
Transfer out	-	(9,000)	(9,000)
Total Transfers	<u>-</u>	<u>(9,000)</u>	<u>(9,000)</u>
Change in Net Assets	<u>(15,320)</u>	<u>(2,700)</u>	<u>(18,020)</u>
NET ASSETS - Beginning of Year	<u>2,517,354</u>	<u>42,137</u>	<u>2,559,491</u>
NET ASSETS - END OF YEAR	<u>\$ 2,502,034</u>	<u>\$ 39,437</u>	<u>\$ 2,541,471</u>

See accompanying notes to financial statements.

CITY OF HIGHWOOD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Waterworks and Sewerage</u>	<u>Nonmajor Enterprise Fund -</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 762,074	\$ 243,082	\$ 1,005,156
Paid to suppliers for goods and services	(202,468)	(258,171)	(460,639)
Paid to employees for services	(349,566)	-	(349,566)
Net Cash Flows From Operating Activities	<u>210,040</u>	<u>(15,089)</u>	<u>194,951</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	3,356	210	3,566
Other income	<u>5,302</u>	<u>50</u>	<u>5,352</u>
Net Cash Flows From Investing Activities	<u>8,658</u>	<u>260</u>	<u>8,918</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Due to/from	49,678	25,096	74,774
Operating transfers (out)	-	(9,000)	(9,000)
Net Cash Flows From Noncapital Financing Activities	<u>49,678</u>	<u>16,096</u>	<u>65,774</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	(439,578)	-	(439,578)
Interest paid	(72,121)	-	(72,121)
Other	(3,366)	-	(3,366)
Net Cash Flows From Capital and Related Financing Activities	<u>(515,065)</u>	<u>-</u>	<u>(515,065)</u>
Net Change in Cash and Cash Equivalents	(246,689)	1,267	(245,422)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>583,729</u>	<u>9,286</u>	<u>593,015</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 337,040</u>	<u>\$ 10,553</u>	<u>\$ 347,593</u>

See accompanying notes to financial statements.

CITY OF HIGHWOOD

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED APRIL 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Waterworks and Sewerage</u>	<u>Nonmajor Enterprise Fund -</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 48,412	\$ 6,040	\$ 54,452
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities			
Depreciation	156,994	-	156,994
Changes in assets and liabilities			
Decrease (increase) in accounts receivable	6,199	(3,980)	2,219
Decrease in prepaid expenses	1,307	-	1,307
Decrease in accounts payable	(12,843)	(17,149)	(29,992)
Increase in accrued salaries	1,346	-	1,346
Increase in other current liabilities	5,643	-	5,643
Increase in compensated absences	<u>2,982</u>	<u>-</u>	<u>2,982</u>
 NET CASH FLOWS FROM OPERATING ACTIVITIES	 <u>\$ 210,040</u>	 <u>\$ (15,089)</u>	 <u>\$ 194,951</u>
 NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
None			

See accompanying notes to financial statements.

CITY OF HIGHWOOD

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS APRIL 30, 2010

	<u>Pension Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 73,150	\$ 19,145
Investments		
U.S. treasuries	957,199	-
U.S. agencies	1,964,256	-
Mutual funds	402,516	-
Municipal bonds	397,433	-
Receivables - (net)		
Accrued interest	38,003	-
Accounts	-	13,718
Due from municipality	<u>12,135</u>	<u>65,955</u>
Total Assets	<u>3,844,692</u>	<u>98,818</u>
LIABILITIES		
Accounts payable	\$ 6,713	\$ -
Deposits	-	23,818
Due to other organizations	<u>-</u>	<u>75,000</u>
Total Liabilities	<u>6,713</u>	<u>98,818</u>
NET ASSETS		
Heid in trust for pension benefits (a schedule of funding progress is presented in the required supplementary information)	<u>\$ 3,837,979</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF HIGHWOOD

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS FOR THE YEAR ENDED APRIL 30, 2010

	<u>Pension Trusts</u>
ADDITIONS	
Contributions	
Employer	\$ 308,630
Plan members	<u>114,148</u>
Total Contributions	<u>422,778</u>
Investment income	
Investment income	140,434
Gains / losses on investments	153,421
Investment expense	<u>(14,582)</u>
Total Investment Income	<u>279,273</u>
Total Additions	<u>702,051</u>
DEDUCTIONS	
Benefits	117,624
Administration	64,723
Refunds of contributions	<u>8,469</u>
Total Deductions	<u>190,816</u>
Change in Net Assets	511,235
NET ASSETS - Beginning of Year	<u>3,326,744</u>
NET ASSETS - END OF YEAR	<u><u>\$ 3,837,979</u></u>

See accompanying notes to financial statements.

This page has been intentionally left blank.

CITY OF HIGHWOOD

INDEX TO NOTES TO FINANCIAL STATEMENTS

April 30, 2010

NOTE	Page
I Summary of Significant Accounting Policies	17
A. Reporting Entity	17
B. Government-Wide and Fund Financial Statements	19
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	21
D. Assets, Liabilities, and Net Assets or Equity	23
1. Deposits and Investments	23
2. Receivables	25
3. Prepaid Items	26
4. Restricted Assets	26
5. Capital Assets	26
6. Compensated Absences	27
7. Long-Term Obligations	27
8. Claims and Judgments	28
9. Equity Classifications	28
II Stewardship, Compliance, and Accountability	29
A. Budgetary Information	29
B. Deficit Balances	29
Limitations on the City's Tax Levy	29
III Detailed Notes on All Funds	29
A. Deposits and Investments	29
B. Receivables	33
C. Restricted Assets	33
D. Capital Assets	34
E. Interfund Receivables/Payables and Transfers	36
F. Long-Term Obligations	37
G. Restatement of Net Assets	40
H. Component Unit	41
IV Other Information	43
A. Employees' Retirement System	43
B. Risk Management	50
C. Commitments and Contingencies	51
Other Postemployment Benefits	51
D. Subsequent Events	51
E. Tax Increment Financing District	52
F. Effect of New Accounting Standards on Current-Period Financial Statements	52

See accompanying notes to financial statements.

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

This report includes all of the funds of the City of Highwood. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable for the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the primary government.

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)

Blended Component Units

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

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

Discretely Presented Component Unit

Highwood Public Library

The government-wide financial statements include the Highwood Public Library (Library) as a component unit. The Library is a legally separate organization. The board of the Library is appointed by the Mayor with the approval of the City Council. The Library's budget and tax levy is subject to approval by the City Council. See Note III.H. As a component unit, the Library's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended April 30, 2010. The Library does not issue separate financial statements.

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

- c. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise fund:

Waterworks and Sewerage - accounts for operations of the water and sewer system

The City reports the following non-major governmental and enterprise funds:

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

Motor Fuel Tax Fund
E-911 Fund

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

TIF Capital Projects Fund
Capital Projects Fund

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

Garbage Fund

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

In addition, the City reports the following fund types:

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

Police Pension Fund
Firefighters' Pension Fund

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

Escrow Fund

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

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

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

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

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of income taxes. Income taxes received after 60 days will be considered as available as the state being greater than 60 days behind on payments for income taxes to local governments is considered to be a highly unusual circumstance. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The City reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and sewer are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Illinois Statutes authorize the City to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Investment Pool.

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

The City has adopted an investment policy. That policy follows the state statute for allowable investments.

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Interest Rate Risk

The City's investment policy states that public funds shall be invested in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds. More specifically, the Treasurer shall attempt to match the City's investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer will not directly invest in securities maturing more than 2 years from the date of purchase. Reserve fund may be invested in securities exceeding 2 years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds. The City's investment in the Illinois Funds has an average investment maturity of less than one year. The police pension's investment policy states that a maximum of 40% of the bond portfolio may have maturities of 15 years or more. The firefighters' pension investment policy states that investments shall be undertaken in a manner that seeks to ensure the preservation of capital. Secondly, the investment portfolio shall remain sufficiently liquid to enable the pension fund to pay all necessary benefits and meet all operating requirements which might be reasonably anticipated. Lastly, assets shall be invested to achieve attractive real rates of return. The duration of the investment must coincide with the cash flow requirements of the Fund to meet short-term and long-term needs.

Credit Risk

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

Concentration of Credit Risk

The City's investment policy states that the investment portfolio shall be diversified based on the type of funds invested and the cash flow needs of those funds. The police pensions' investment policy states that the following asset allocation ranges should be followed:

	Minimum	Target	Maximum
Equities (separate account)	10%	10%	10%
Fixed Income	65%	88.5%	89%
Cash	1.0%	1.5%	25.0%

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

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

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Custodial Credit Risk - Deposits

The City's and police pension's investment policy states that funds on deposit (checking accounts, certificates of deposit, etc.) in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement and held at an independent, third party institution in the name of municipality.

Custodial Credit Risk - Investments

The City's investment policy states that securities will be held by an independent third party custodian designated by the Treasurer and evidenced by safekeeping receipts and a written custodial agreement. The police pension's investment policy states that all investments are to be clearly held and accounted for to indicate ownership by the board. Custody at a national brokerage firm is allowed if the account is insured by the Security Investor Protection Corp. (SIPC). Additional amounts of insurance will be necessary to cover the total value of the pension fund. The Firefighter's pension investment policy requires that investments of the Fund shall be held in a custodial trust account for the benefit of the Fund at a commercial bank located in the state of Illinois. Safekeeping account receipts will be held by the City.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

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

See Note III. A. for further information.

2. Receivables

Property taxes for levy year 2009 attaches as an enforceable lien on January 1, 2009, on property values assessed as of the same date. Taxes are levied by December following the lien date (by passage of a Tax Levy Ordinance). The 2010 tax levy, which attached as an enforceable lien on the property as of January 1, 2010, has not been recorded as a receivable and deferral as of April 30, 2010, as the tax has not yet been levied by the City and will not be levied until December 2010, and therefore, the levy is not measurable at April 30, 2010.

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

2. Receivables (cont.)

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

The county collects such taxes and remits them periodically. The 2009 property tax levy is recognized as a receivable and deferral in fiscal 2010, net the allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues. At April 30, 2010, the property taxes receivable and deferred tax revenue consisted of the estimated amount collectible from the 2009 levy.

Due to strong real estate tax collections in past, the City does not record an allowance for uncollectible accounts.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

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

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$10,000 for general capital assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

Fund Financial Statements

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

6. Compensated Absences

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

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at April 30, 2010, are determined on the basis of current salary rates and include salary related payments.

7. Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

8. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. The liability for claims and judgments is only reported in governmental funds if it has matured. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. Refer to Note IV. C. on commitments and contingencies.

9. Equity Classifications

Government-Wide Statements

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

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definitions of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

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

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Budget amounts are as originally adopted by the Board of Trustees. All annual appropriations lapse at fiscal year end.

Prior to April 30, the Finance Director submits to the City Council a proposed operating budget for the fiscal year commencing May 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to July 31, the budget is legally enacted through passage of an ordinance. Formal budgetary integration is employed as a management control device during the year of the general fund and special revenue funds.

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

B. DEFICIT BALANCES

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

As of April 30, 2010, the following individual funds held a deficit balance:

<u>Fund</u>	<u>Amount</u>
TIF Capital Projects	\$ 32,085

The fund deficits are caused by expenditures exceeding revenues, the deficits are anticipated to be funded with future contributions, general tax revenues, or long-term borrowing.

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and balance sheet as cash and investments. In addition, investments are separately held by several of the City's funds. The deposits and investments of the pension trust funds are held separately from those of other funds.

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

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

	Carrying Value	Statement Balances
Deposits	\$ 1,374,248	\$ 1,826,288
Illinois Funds	18,583	125,122
Investments	3,794,554	3,794,554
Petty cash	600	600
Total Deposits and Investments	\$ 5,187,985	\$ 5,746,564

Reconciliation to financial statements

Per statement of net assets		
Unrestricted cash and investments	\$ 1,037,246	
Restricted cash and investments	337,040	
Per statement of net assets- fiduciary funds		
Cash	73,150	
US Government and agency obligations	2,921,455	
Mutual funds	402,516	
Municipal bonds	397,433	
Agency Fund	19,145	
Total Deposits and Investments	\$ 5,187,985	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited amounts for noninterest bearing accounts.

Custodial Credit Risk

Deposits

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

As of April 30, 2010, \$1,576,288 of the City's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,576,288
Total	\$ 1,576,288

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Investments

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

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At April 30, 2010, the investment portfolio was concentrated as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
Police Pension:		
FFCB	Agency	\$300,461
FHLB	Agency	\$595,242
Firefighter Pension:		
FFCB	Agency	\$275,201
FHLMC	Agency	\$262,201
FHLB	Agency	\$310,787
FNMA	Agency	\$130,565

Interest Rate Risk

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

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk (cont.)

As of April 30, 2010, the City's investments in the Illinois Funds were due within one year. The Pension funds investments were as follows:

Police Pension

Investment Type	Fair Value	Maturity (In Years)			
		Less than one year	One to five years	Six to ten years	Over ten years
US Treasuries	\$ 419,052	\$ -	\$ 201,713	\$ 217,339	\$ -
US agencies	985,599	52,104	431,112	445,515	56,868
Commercial paper	-	-	-	-	-
Municipal bonds	213,215	-	116,492	51,856	44,867
Totals	<u>\$ 1,617,866</u>	<u>\$ 52,104</u>	<u>\$ 749,317</u>	<u>\$ 714,710</u>	<u>\$ 101,735</u>

Firefighters' Pension

Investment Type	Fair Value	Maturity (In Years)			
		Less than one year	One to five years	Six to ten years	Over ten years
US Treasuries	\$ 538,147	\$ 77,695	\$ 280,965	\$ 179,487	\$ -
US agencies	978,657	49,044	445,970	402,655	80,988
Municipal bonds	184,218	-	126,741	37,438	20,039
Totals	<u>\$ 1,701,022</u>	<u>\$ 126,739</u>	<u>\$ 853,676</u>	<u>\$ 619,580</u>	<u>\$ 101,027</u>

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

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES

	<u>General Fund</u>	<u>TIF Debt Service Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Totals</u>
Receivables				
Property taxes	\$ 874,605	\$ 599,281	\$ -	\$ 1,473,886
Sales tax	235,226	-	-	235,226
Utility tax	15,931	-	-	15,931
Telecom	34,257	-	-	34,257
Use tax	17,146	-	-	17,146
Income	214,829	-	-	214,829
Replacement	1,094	-	-	1,094
Motor fuel tax	-	-	12,431	12,431
Accounts	<u>84,147</u>	<u>-</u>	<u>6,031</u>	<u>90,178</u>
Total	<u>\$ 1,477,235</u>	<u>\$ 599,281</u>	<u>\$ 18,462</u>	<u>\$ 2,094,978</u>

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

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Totals</u>
Property taxes receivable for subsequent year	\$ -	\$ 1,473,886	\$ 1,473,886
Telecom tax	12,033	-	12,033
Sales tax	83,888	-	83,888
Local use tax	<u>5,768</u>	<u>-</u>	<u>5,768</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 101,689</u>	<u>\$ 1,473,886</u>	<u>\$ 1,575,575</u>

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

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

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

C. RESTRICTED ASSETS (cont.)

Following is a list of restricted assets at April 30, 2010:

	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Assets
Bond reserve account	<u>\$ 337,040</u>	<u>\$ 337,040</u>	
Total Restricted Assets	<u>\$ 337,040</u>	<u>\$ 337,040</u>	<u>\$ -</u>

D. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2010, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	<u>\$ 678,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 678,443</u>
Total Capital Assets Not Being Depreciated	<u>678,443</u>	<u>-</u>	<u>-</u>	<u>678,443</u>
Capital assets being depreciated				
Buildings and Improvements	2,812,435	-	-	2,812,435
Equipment and Vehicles	4,371,216	71,083	-	4,442,299
Infrastructure	<u>3,512,739</u>	<u>651,079</u>	-	<u>4,163,818</u>
Total Capital Assets Being Depreciated	<u>10,696,390</u>	<u>722,162</u>	-	<u>11,418,552</u>
Total Capital Assets	<u>11,374,833</u>	<u>722,162</u>	-	<u>12,096,995</u>
Less: Accumulated depreciation for				
Buildings and Improvements	(1,667,351)	(65,041)	-	(1,732,392)
Equipment and Vehicles	(4,027,230)	(415,069)	-	(4,442,299)
Infrastructure	<u>(1,680,003)</u>	<u>(172,728)</u>	-	<u>(1,852,731)</u>
Total Accumulated Depreciation	<u>(7,374,584)</u>	<u>(652,838)</u>	-	<u>(8,027,422)</u>
Net Capital Assets Being Depreciated	<u>3,321,806</u>	<u>69,324</u>	-	<u>3,391,130</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 4,000,249</u>	<u>\$ 69,324</u>	<u>\$ -</u>	<u>\$ 4,069,573</u>

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General Government	\$ 42,059
Public Safety	222,661
Public Works	229,678
Culture and Recreation	<u>158,440</u>
Total Governmental Activities Depreciation Expense	<u>\$ 652,838</u>

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 83,196	\$ -	\$ -	\$ 83,196
Total Capital Assets Not Being Depreciated	<u>83,196</u>	<u>-</u>	<u>-</u>	<u>83,196</u>
Capital assets being depreciated				
Buildings and Improvements	1,045,984	-	-	1,045,984
Machinery and Equipment	231,730	-	-	231,730
Waterworks and Sewerage System	<u>4,784,021</u>	<u>-</u>	<u>-</u>	<u>4,784,021</u>
Total Capital Assets Being Depreciated	<u>6,061,735</u>	<u>-</u>	<u>-</u>	<u>6,061,735</u>
Total Capital Assets	<u>6,144,931</u>	<u>-</u>	<u>-</u>	<u>6,144,931</u>
Less: Accumulated depreciation for				
Buildings and Improvements	(639,958)	(27,505)	-	(667,463)
Machinery and Equipment	(229,515)	(2,215)	-	(231,730)
Waterworks and Sewerage System	<u>(1,420,981)</u>	<u>(127,274)</u>	<u>-</u>	<u>(1,548,255)</u>
Total Accumulated Depreciation	<u>(2,290,454)</u>	<u>(156,994)</u>	<u>-</u>	<u>(2,447,448)</u>
Net Capital Assets Being Depreciated	<u>3,771,281</u>	<u>(156,994)</u>	<u>-</u>	<u>3,614,287</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 3,854,477</u>	<u>\$ (156,994)</u>	<u>\$ -</u>	<u>\$ 3,697,483</u>

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities

Depreciation expense was charged to functions as follows:

Business-type Activities

Sewer	<u>\$ 156,994</u>
Total Business-type Activities Depreciation Expense	<u><u>\$ 156,994</u></u>

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
Non-major governmental funds	General	\$ 201,703
General	Water & Sewer	57,264
Non-major enterprise funds	General	77,500
Water & Sewer	General	11,910
Water & Sewer	Non-major governmental funds	337
General	Non-major governmental funds	22,214
General	Non-major enterprise funds	<u>54,843</u>
Total - Fund Financial Statements		<u>425,771</u>
Less: Government-wide eliminations		<u>(403,411)</u>
Total Internal Balances - Government-Wide Statement of Net Assets		<u><u>\$ 22,360</u></u>

All amounts are due within one year.

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

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

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
			To finance various programs in accordance with budgetary amortizations.
General	Garbage	\$ 9,000	
TIF Capital Projects	TIF Debt Service	344,422	
Capital Projects	General	<u>149,702</u>	
Total		<u>\$ 503,124</u>	

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

For the statement of activities, interfund transfers within the governmental activities or business-type activities are netted and eliminated.

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended April 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and Notes Payable					
Alternative revenue bonds	\$ 3,126,963	\$ 39,440	\$ 70,000	\$ 3,096,403	\$ 100,000
Notes payable	182,193	-	92,585	89,608	67,126
Sub-totals	<u>3,309,156</u>	<u>39,440</u>	<u>162,585</u>	<u>3,186,011</u>	<u>167,126</u>
Other Liabilities					
Vested compensated absences	226,004	-	-	226,004	45,205
Net pension obligation	15,098	-	1,068	14,030	-
Total Other Liabilities	<u>241,102</u>	<u>-</u>	<u>1,068</u>	<u>240,034</u>	<u>45,205</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 3,550,258</u>	<u>\$ 39,440</u>	<u>\$ 163,653</u>	<u>\$ 3,426,045</u>	<u>\$ 212,331</u>

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-type Activities					
Bonds and Notes Payable					
Alternative revenue bonds	\$ 1,160,000	\$ -	\$ 385,000	\$ 775,000	\$ -
IEPA Loan	<u>828,957</u>	<u>-</u>	<u>54,578</u>	<u>774,379</u>	<u>55,971</u>
Sub-totals	<u>1,988,957</u>	<u>-</u>	<u>439,578</u>	<u>1,549,379</u>	<u>55,971</u>
Other Liabilities					
Vested compensated absences	<u>37,217</u>	<u>2,981</u>	<u>-</u>	<u>40,198</u>	<u>-</u>
Total Other Liabilities	<u>37,217</u>	<u>2,981</u>	<u>-</u>	<u>40,198</u>	<u>-</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 2,026,174</u>	<u>\$ 2,981</u>	<u>\$ 439,578</u>	<u>\$ 1,589,577</u>	<u>\$ 55,971</u>

The General Fund makes payments on the Net Pension Obligation. For the governmental activities, the compensated absences are generally liquidated by the general fund. The City is subject to the Illinois Municipal Code, which limits the amount of certain indebtedness to 8.625% of the most recent available equalized assessed valuation of the City. As of April 30, 2010, the statutory debt limit for the City was \$13,236,988, providing a debt margin of \$10,151,988.

Alternative Revenue Debt

Governmental Activities Alternative Revenue Debt

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

Alternative revenue debt payable at April 30, 2010, consists of the following:

<u>Governmental Activities Alternative Revenue Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 04/30/10</u>
Series 2002	2002	1/1/2022	3.70%- 5.10%	\$ 2,330,000	\$ 2,310,000
Series 2002 CAB	2002	1/1/2021	4.00%- 5.40%	624,267	<u>786,403</u>
Total Governmental Activities - Alternative Revenue Debt					<u>\$ 3,096,403</u>

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Alternative Revenue Debt (cont.)

Business-type Activities Alternative Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 04/30/10
Series 2004	2004	5/1/2014	1.30%- 3.70%	\$ 1,860,000	<u>\$ 775,000</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities Alternative Revenue Debt		Business-type Activities Alternative Revenue Debt	
	Principal	Interest	Principal	Interest
2011	\$ 100,000	\$ 110,185	\$ 205,000	\$ 26,695
2012	130,000	108,665	210,000	2,135
2013	160,000	106,325	220,000	13,100
2014	195,000	102,925	140,000	5,180
2015	230,000	98,360	-	-
2016-2020	1,720,000	370,537	-	-
2021-2025	850,000	55,840	-	-
Totals	<u>\$ 3,385,000</u>	<u>\$ 952,837</u>	<u>\$ 775,000</u>	<u>\$ 47,110</u>

Other Bonds or Notes or Loans Payable

The General Fund makes payments on the notes payable. The Waterworks and Sewerage Fund makes payments on the IEPA Loan.

Other Bonds or Notes or Loans Payable at April 30, 2010, consist of the following:

Governmental Activities Other Bonds or Notes or Loans Payable	Date of Issue	Final Maturity	Interest Rates	Balance 04/30/10
Note Payable of 2005	2005	11/16/2010	4.25%	\$ 37,910
Note Payable of 2007	2007	3/5/2011	6.35%	19,574
Note Payable of 2009	2009	6/30/2013	4.625%	<u>32,124</u>
Total Governmental Activities Other Bonds or Notes or Loans Payable				<u>\$ 89,608</u>

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Business-type Activities						
Other Bonds or Notes or Loans Payable	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 04/30/10	
Illinois Environmental Protection Agency (IEPA) Loan Payable of 2002	2002	12/30/2021	Various	\$ 1,170,000	\$	<u>774,379</u>
Total Business-type Activities Other Bonds or Notes or Loans Payable					\$	<u><u>774,379</u></u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities Other Bonds or Notes or Loans Payable		Business-type Activities Other Bonds or Notes or Loans Payable	
	Principal	Interest	Principal	Interest
	2011	\$ 67,126	\$ 2,771	\$ 55,971
2012	10,097	828	57,399	17,850
2013	10,574	350	58,863	16,386
2014	1,811	11	60,364	14,885
2015	-	-	61,904	13,345
2016-2020	-	-	334,032	42,213
2021-2025	-	-	145,846	4,651
Totals	<u>\$ 89,608</u>	<u>\$ 3,960</u>	<u>\$ 774,379</u>	<u>\$ 128,608</u>

G. RESTATEMENT OF NET ASSETS

Net assets have been restated due to proper classification of the Highwood Library as a discretely presented component unit. The Highwood Library was presented as part of the City's Governmental Funds in the prior year.

Governmental Activities Net Assets - April 30, 2009 (as reported)	\$ 2,648,063
Add: Removal of Public Library Capital Assets - accumulated depreciation	582,846
Less: Removal of Public Library Fund	(234,899)
Removal of Public Library Capital Assets - cost	<u>(983,126)</u>
Net Assets - May 1, 2009 (as restated)	<u>\$ 2,012,884</u>

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

G. RESTATEMENT OF FUND BALANCES/NET ASSETS (cont.)

Component Unit Net Assets - April 30, 2009 (as reported)	\$	-
Add: Highwood Library - PY Fund Balance		234,899
Removal of Public Library Capital Assets - cost		983,126
Less: Removal of Public Library Capital Assets - accumulated depreciation		<u>(582,846)</u>
Net Assets - May 1, 2009 (as restated)	\$	<u>635,179</u>
Governmental Funds Fund Balance - April 30, 2009 (as reported)	\$	1,834,767
Less: Removal of Public Library Fund		<u>(234,899)</u>
Governmental Funds Fund Balance - May 1, 2009 (as restated)	\$	<u>1,599,868</u>

Comparative total columns of the previous year have not been restated to reflect these changes.

H. COMPONENT UNIT

HIGHWOOD PUBLIC LIBRARY

This report contains the Highwood Public Library (Library), which is included as a component unit. Financial information is presented as a discrete column in the statement of net assets and statement of activities.

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

a. Basis of Accounting/Masurement Focus

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

b. Deposits and Investments

	<u>Carrying Value</u>	<u>Statement Balances</u>	<u>Associated Risks</u>
Deposits	\$ <u>268,429</u>	\$ <u>293,656</u>	

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. COMPONENT UNIT (cont.)

HIGHWOOD PUBLIC LIBRARY (cont.)

b. Deposits and Investments (cont.)

Custodial Credit Risk

Deposits

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

As of April 30, 2010 \$20,690 of the Library's total bank balances were exposed to custodial credit risk.

Investments

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

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

Interest Rate Risk

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

As of April 30, 2010 the Library's investments in the Illinois Funds were all due within one year.

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

c. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance	Useful Lives (Years)
Buildings and improvements	\$ 983,126	\$ -	\$ -	\$ 983,126	50
Less: Accumulated depreciation	(582,846)	(22,736)	-	(605,582)	
Totals	\$ 400,280	\$ (22,736)	\$ -	\$ 377,544	

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Plan Descriptions

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

Illinois Municipal Retirement Fund

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after 8 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% of their final rate (average of the highest 48 consecutive months's earnings during the last 10 years) of earnings for each year thereafter. IMRF provides credited service up to 15 years and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by Illinois Compiled Statutes. Participating members are required to contribute 4.5% of their annual salary to IMRF. The City is required to contribute the remaining amounts necessary to fund the coverage of its own employees in IMRF, as specified by statute. For calendar year 2009, the City's required contribution rate was 6.41%.

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 Illinois Compiled Statutes. Participating members are required to contribute 7.5% of their annual salary to SLEP. The City is required to contribute the remaining amounts necessary to fund the coverage of its own employees in IMRF, as specified by statute. For calendar year 2009, the City's required contribution rate was 12.58%.

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Police Pension

Police sworn personnel are covered by the Police Pension Plan, which is a defined benefit single-employer pension plan. Although this is a single employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes (Chapter 40 ILCS 5/3) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

At April 30, 2010, the Police Pension membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	6
Current employees:	
Vested	2
Non vested	8
	<hr/>
Total	<u>16</u>

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

The police pension fund provides retirement benefits as well as death and disability benefits. Participants 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 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 retirement benefit. The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and paid upon reaching at least the age 55, 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 plans as actuarially determined by an enrolled actuary. Effective July 1, 1993 the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded by the year 2033. For the year ended April 30, 2010, the City's contribution was 183.70% of covered payroll.

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Firefighters' Pension

Fire sworn personnel are covered by the Firefighters' Pension Plan, which is a defined benefit single-employer pension plan. Although this is a single employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes (Chapter 40 ILCS 5/3) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

At April 30, 2010, 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	4
Non vested	<u>4</u>
Total	<u><u>11</u></u>

The following is a summary of the Firefighters' Pension Fund as provided for in Illinois Compiled Statutes.

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Participants attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one twelfth of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service to a maximum of 75% of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and paid upon reaching at least the age 55, by 3% of the original pension and 3% compounded annually thereafter.

Participants contribute a fixed percentage of their base salary to the plans. At April 30, 2010, the contribution percentage was 9.455%. If a participant leaves covered employment with less than 20 years of service, accumulated participant contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plans as actuarially determined by an enrolled actuary. Effective July 1, 1993 the City's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is fully funded by the year 2033. For the year ended April 30, 2010, the City's contribution was 123.20% of covered payroll.

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Summary of Significant Accounting Policies

Police and Firefighters' Pension Plans

Basis of Accounting. The financial statements of the pension fund are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments Plan investments are reported at fair value. Short-term investments are reported at cost, which approximated fair value. Investments that do not have an established market are reported at estimated fair values.

Annual Pension Cost

The City annual required contribution 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
	December 31, 2009	December 31, 2009	April 30, 2010	April 30, 2010
Actuarial valuation date				
Contribution rates:				
Employer	6.41%	12.58%	33.59%	20.40%
Employee	4.50%	7.50%	9.91%	9.46%
Annual required contribution	\$52,694	\$9,321	\$189,846	\$117,406
Contributions made	\$52,694	\$9,321	\$190,733	\$117,897
Actuarial cost method	Entry-age normal 5 year smoothed	Entry-age normal 5 year smoothed	Entry-age normal	Entry-age normal
Asset valuation method	market	market	Market	Market
Amortization method	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Amortization period	23 years, closed	24 years	24 years	24 years
Actuarial assumptions:				
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 10%	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

NOTES TO FINANCIAL STATEMENTS

April 30, 2010

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Net Pension Obligation Obligation

The following is the net pension obligation obligation calculation from the April 30, 2010 actuarial report:

Net Pension Obligation Obligation:	Police Pension	Firefighters' Pension
Annual required contribution	\$ 189,846	\$ 117,406
Interest on net pension obligation	419	638
Adjustment to annual required contribution	(296)	(451)
Annual pension cost	189,969	117,593
Contributions made	(190,733)	(117,897)
Change in net pension obligation	(764)	(304)
Net pension obligation obligation, beginning of year	5,990	9,108
Net pension obligation obligation, end of year	<u>\$ 5,226</u>	<u>\$ 8,804</u>

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

	Fiscal Year	Illinois Municipal Retirement	SLEP	Police Pension	Firefighters' Pension
Annual pension contribution (APC)	2009	\$ 52,694	\$ 9,321	\$ 189,969	\$ 117,593
	2008	50,549	4,507	181,144	100,256
	2007	49,902	-	142,681	89,611
Contributions made	2009	\$ 52,694	\$ 9,321	\$ 190,733	\$ 117,897
	2008	50,549	4,507	180,933	100,843
	2007	49,902	-	136,902	78,433
Percentage of APC contributed	2009	100%	100%	100.4%	100.3%
	2008	100%	100%	99.9%	100.6%
	2007	100%	100%	95.9%	87.5%
Net pension obligation	2009	\$ -	\$ -	\$ 5,779	\$ 8,804
	2008	-	-	5,990	9,108
	2007	-	-	5,226	9,695

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS
April 30, 2010

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Funded Status and Funding Progress

The Village's actuarial value of plan assets for the current year and related information is as follows:

	Illinois Municipal Retirement	SLEP	Police Pension	Firefighters' Pension
Actuarial Valuation Date	December 31, 2009	December 31, 2009	April 30, 2010	April 30, 2010
Actuarial Valuation of Assets (a)	\$ 1,886,488	\$ 35,273	\$ 1,861,066	\$ 1,976,913
Actuarial Accrued Liability (AAL) - Entry Age (b)	\$ 2,147,187	\$ 2,544	\$ 2,904,501	\$ 2,522,861
Unfunded AAL (UAAL) (b - a)	\$ 260,699	\$ (32,729)	\$ 1,043,435	\$ 545,948
Funded Ratio (a/b)	1 %	1,387 %	64 %	78 %
Covered Payroll (c)	822,056	74,092	567,861	428,628
UAAL as a percentage of Covered Payroll ((b-a)/c)	32 %	- %	184 %	104 %

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

PENSION SEGMENT INFORMATION

Fiduciary Net Assets

	Pension Trust		Total
	Police Pension	Firefighters' Pension	
Assets			
Cash and cash equivalents	\$ 25,098	\$ 48,052	\$ 73,150
Investments			
U.S. treasuries	419,052	538,147	957,199
U.S. agencies	985,599	978,657	1,964,256
Mutual funds	194,949	207,567	402,516
Municipal Bonds	213,215	184,218	397,433
Due from other funds	7,302	4,833	12,135
Receivables - (net allowances for uncollectibles)			
Accrued interest	20,070	17,933	38,003
Total assets	1,865,285	1,979,407	3,844,692
Liabilities			
Accounts payable	\$ 4,219	\$ 2,494	\$ 6,713
Total liabilities	4,219	2,494	6,713
Net assets			
Unrestricted net assets	\$ 1,861,066	\$ 1,976,913	\$ 3,837,979

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Changes in Plan Net Assets

	Pension Trust		Total
	Police Pension	Firefighters' Pension	
Additions			
Contributions			
Employer	\$ 190,733	\$ 117,897	\$ 308,630
Plan members	65,839	48,309	114,148
Total contributions	<u>256,572</u>	<u>166,206</u>	<u>422,778</u>
Investment Income			
Interest	68,336	72,098	140,434
Gains / losses on investments	75,491	77,930	153,421
Total Investment income	143,827	150,028	293,855
Less investment income	6,943	7,639	14,582
Net investment income	136,884	142,389	279,273
Total additions	<u>393,456</u>	<u>308,595</u>	<u>702,051</u>
Deductions			
Benefits	\$ 98,064	\$ 19,560	\$ 117,624
Administration	33,006	31,717	64,723
Refunds of contributions	-	8,469	8,469
Total deductions	<u>131,070</u>	<u>59,746</u>	<u>190,816</u>
Net change in net assets	262,386	248,849	511,235
Net Assets - Beginning of year	<u>1,598,680</u>	<u>1,728,064</u>	<u>3,326,744</u>
Net Asset - End of year	<u>\$ 1,861,066</u>	<u>\$ 1,976,913</u>	<u>\$ 3,837,979</u>

B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. These risks are provided for through participation in the Illinois Municipal League Risk Management Association and private insurance coverage. The City has purchased insurance from private insurance companies, covered risks included medical, dental, life and other. Premiums have been displayed as expenditures/expenses in appropriate funds. There were no significant changes in insurance coverages from the prior year and settlements did not exceed insurance coverage in any of the past three fiscal years.

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE IV - OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Public Entity Risk Pool

IMLRA

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

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

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

C. COMMITMENTS AND CONTINGENCIES

The City has a line of credit with Lake Forest Bank and Trust Company in the amount of \$500,000. The maturity date is July 1, 2011. The interest rate is 3%. No amounts have been drawn on the line of credit as of April 30, 2010.

D. SUBSEQUENT EVENTS

Subsequent to year end, the City drew on the line of credit with Lake Forest Bank and Trust Company in the amount of \$500,000 to pay the costs of necessary corporate expenditures.

On November 04, 2010 the City issued General Obligation Bonds in the amount of \$3,800,000 with an interest rate range of 4.25% to 5.05%. This amount will be used to pay for public works projects and to pay for certain costs of issuance and capitalized interest on the Bonds.

CITY OF HIGHWOOD

NOTES TO FINANCIAL STATEMENTS April 30, 2010

NOTE IV - OTHER INFORMATION (cont.)

E. TAX INCREMENT FINANCING DISTRICT

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

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

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

F. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Application of these standards may restate portions of these financial statements.

This page has been intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIGHWOOD

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FOR THE YEAR ENDED APRIL 30, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
TAXES			
Property tax	\$ 1,058,249	\$ 854,596	\$ (203,653)
Sales tax	550,000	443,417	(106,583)
Sales tax - Home rule	620,000	527,187	(92,813)
Utility taxes	<u>420,000</u>	<u>375,183</u>	<u>(44,817)</u>
Total Taxes	<u>2,648,249</u>	<u>2,200,383</u>	<u>(447,866)</u>
LICENSES AND PERMITS			
Licenses	335,000	248,760	(86,240)
Permits	<u>74,900</u>	<u>60,543</u>	<u>(14,357)</u>
Total Licenses and Permits	<u>409,900</u>	<u>309,303</u>	<u>(100,597)</u>
INTERGOVERNMENTAL			
Income tax	500,000	442,014	(57,986)
Replacement tax	10,000	9,521	(479)
Fire insurance tax (2% fire dues)	5,000	5,455	455
Local Use Tax	80,000	62,644	(17,356)
Grants	<u>19,750</u>	<u>23,454</u>	<u>3,704</u>
Total Intergovernmental	<u>614,750</u>	<u>543,088</u>	<u>(71,662)</u>
CHARGES FOR SERVICES			
Developers fees	-	8,674	8,674
Parking fees	98,500	68,331	(30,169)
Cable franchise fees	40,900	37,782	(3,118)
Zoning and planning fees	62,100	48,943	(13,157)
Rental fees	253,650	253,804	154
Ambulance fees	45,050	55,031	9,981
Transfer fee	38,000	46,210	8,210
Alarm systems & calls	20,000	35,083	15,083
Seized Autos	30,000	41,500	11,500
Refunds & reimbursements	60,000	32,544	(27,456)
Park recreation fees	236,000	209,267	(26,733)
2H Agreement	15,000	-	(15,000)
Miscellaneous fees & fines	<u>23,800</u>	<u>13,595</u>	<u>(10,205)</u>
Total Charges for Services	<u>923,000</u>	<u>850,764</u>	<u>(72,236)</u>

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF HIGHWOOD

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FOR THE YEAR ENDED APRIL 30, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
FINES & FORFEITS			
Police fines	\$ 71,000	\$ 46,441	\$ (24,559)
Court fines	<u>70,000</u>	<u>70,817</u>	<u>817</u>
Total Fines & Forfeits	<u>141,000</u>	<u>117,258</u>	<u>(23,742)</u>
INTEREST			
Investment income	13,763	2,673	(11,090)
MISCELLANEOUS			
Special Event Revenue	-	16,510	16,510
Donations	5,000	1,701	(3,299)
Miscellaneous income	<u>2,000</u>	<u>140</u>	<u>(1,860)</u>
Total Miscellaneous	<u>7,000</u>	<u>18,351</u>	<u>11,351</u>
Total Revenues	<u>4,757,662</u>	<u>4,041,820</u>	<u>(715,842)</u>
EXPENDITURES			
GENERAL GOVERNMENT			
Administration and Legal			
Personnel	356,180	286,182	69,998
Contractual services	246,177	130,556	115,621
Materials and supplies	13,300	7,514	5,786
Miscellaneous	11,780	9,612	2,168
Equipment - Gen Admin	<u>6,200</u>	<u>1,515</u>	<u>4,685</u>
Total administration and legal	<u>633,637</u>	<u>435,379</u>	<u>198,258</u>
Building, Zoning, and Health Department			
Personnel	62,152	55,354	6,798
Contractual services	35,661	29,166	6,495
Materials and supplies	912	357	555
Miscellaneous	<u>2,307</u>	<u>626</u>	<u>1,681</u>
Total building, zoning, and health department	<u>101,032</u>	<u>85,503</u>	<u>15,529</u>
Total General Government	<u>734,669</u>	<u>520,882</u>	<u>213,787</u>
PUBLIC SAFETY			
Police Department			
Personnel	1,121,093	1,074,522	46,571
Contractual services	259,535	208,256	51,279
Materials and supplies	112,500	27,630	84,870
Miscellaneous	9,200	1,397	7,803
Police pension contribution	190,578	190,733	(155)
Equipment - Police	<u>34,500</u>	<u>27,902</u>	<u>6,598</u>
Total police department	<u>1,727,406</u>	<u>1,530,440</u>	<u>196,966</u>

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF HIGHWOOD

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FOR THE YEAR ENDED APRIL 30, 2010

	Original and Final Budget	Actual	Variance with Final Budget
Fire Department			
Personnel	\$ 905,402	\$ 1,024,017	\$ (118,615)
Contractual services	150,618	170,407	(19,789)
Materials and supplies	36,900	19,141	17,759
Miscellaneous	22,932	20,197	2,735
Fire pension contributions	117,755	117,897	(142)
Capital outlay - Fire	<u>31,500</u>	<u>10,247</u>	<u>21,253</u>
Total fire department	<u>1,265,107</u>	<u>1,361,906</u>	<u>(96,799)</u>
Total public safety	<u>2,992,513</u>	<u>2,892,346</u>	<u>100,167</u>
 PUBLIC WORKS			
Highways and Streets			
Personnel	284,143	303,395	(19,252)
Contractual services	226,398	121,296	105,102
Street light maintenance	69,000	71,773	(2,773)
Materials and supplies	69,000	55,580	13,420
Miscellaneous	11,500	3,439	8,061
Capital outlay - Public works	<u>46,000</u>	<u>34,047</u>	<u>11,953</u>
Total highways and streets	<u>706,041</u>	<u>589,530</u>	<u>116,511</u>
Total Public Works	<u>706,041</u>	<u>589,530</u>	<u>116,511</u>
 CULTURE AND RECREATION			
Parks and Recreation			
Personnel	67,413	69,820	(2,407)
Contractual services	113,181	99,385	13,796
Supplies and materials	21,119	16,393	4,726
Special Events	40,000	22,677	17,323
Miscellaneous	9,400	7,655	1,745
Capital outlay - Culture and Rec	<u>20,300</u>	<u>13,479</u>	<u>6,821</u>
Total parks and recreation	<u>271,413</u>	<u>229,409</u>	<u>42,004</u>
Total Culture and Recreation	<u>271,413</u>	<u>229,409</u>	<u>42,004</u>
 DEBT SERVICE			
Principal	-	92,585	(92,585)
Interest	-	6,168	(6,168)
Total Debt Service	<u>-</u>	<u>98,753</u>	<u>(98,753)</u>
Total Expenditures	<u>4,704,636</u>	<u>4,330,920</u>	<u>373,716</u>
 Excess (deficiency) of revenues over (under) expenditures	<u>53,026</u>	<u>(289,100)</u>	<u>(342,126)</u>

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF HIGHWOOD

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL
FOR THE YEAR ENDED APRIL 30, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	\$ 135,000	\$ 9,000	\$ (126,000)
Transfer out	<u>(35,000)</u>	<u>(149,702)</u>	<u>(114,702)</u>
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>(140,702)</u>	<u>(240,702)</u>
Net Change in Fund Balance	<u>\$ 153,026</u>	(429,802)	<u>\$ (582,828)</u>
FUND BALANCE - Beginning of Year		<u>558,383</u>	
FUND BALANCE - END OF YEAR		<u>\$ 128,581</u>	

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF HIGHWOOD

ILLINOIS MUNICIPAL RETIREMENT FUND
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS AND SCHEDULE OF FUNDING PROGRESS
 APRIL 30, 2010

<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
12/31/09	\$ 52,694	100.00%	\$ -
12/31/08	50,549	100.00%	-
12/31/07	49,402	100.00%	-

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/09	\$ 1,886,488	\$ 2,147,187	\$ 260,699	87.86%	\$ 822,056	31.71%
12/31/08	1,744,188	2,094,211	350,023	83.29%	769,289	45.50%
12/31/07	2,098,077	2,015,687	(82,390)	104.09%	731,709	-%
12/31/06	1,865,326	1,802,207	(63,119)	103.50%	685,389	-%
12/31/05	1,641,347	1,579,387	(61,960)	103.92%	620,621	-%
12/31/04	1,593,625	1,514,465	(79,160)	105.23%	558,217	-%

The information presented in the above required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the notes to basic financial statements.

Valuation date	12/31/2009
Actuarial cost method	Entry Age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	23 years, closed
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.50% Compounded Annually
Projected salary increases	.4 to 11.6%
Inflation factor	4.00%
Cost of living adjustments	3.00%

CITY OF HIGHWOOD

SHERIFF'S LAW ENFORCEMENT PERSONNEL
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS AND SCHEDULE OF FUNDING PROGRESS
 APRIL 30, 2010

<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
12/31/09	\$ 9,321	100.00%	\$ -
12/31/08	4,507	100.00%	-
12/31/07	-	100.00%	-

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/09	\$ 35,273	\$ 2,544	\$ (32,729)	1,386.52%	\$ 74,092	-%
12/31/08	19,313	(11,961)	(31,274)	(161.47)%	35,767	-%
12/31/07	14,376	-	(14,376)	-%	-	-%

The information presented in the above required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the notes to basic financial statements.

Valuation date	12/31/2009
Actuarial cost method	Entry Age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	23 years, closed
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.50% Compounded Annually
Projected salary increases	.4 to 10.0%
Inflation factor	4.00%
Cost of living adjustments	3.00%

CITY OF HIGHWOOD

POLICE PENSION FUND SCHEDULE OF EMPLOYER'S CONTRIBUTIONS AND SCHEDULE OF FUNDING PROGRESS APRIL 30, 2010

<u>Actuarial Valuation Date</u>	<u>Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
04/30/2010	\$ 189,969	100.40%	\$ 5,226
04/30/2009	181,144	99.90%	5,990
04/30/2008	142,681	95.90%	5,779

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
04/30/2010	\$ 1,861,066	\$ 2,904,501	\$ 1,043,435	64.08%	\$ 567,861	183.75%
04/30/2009	1,598,682	2,751,955	1,153,273	58.09%	672,107	171.59%
04/30/2008	1,504,144	2,698,517	1,194,373	55.74%	631,291	189.20%
04/30/2007	1,395,043	2,831,872	1,436,829	49.26%	560,455	256.37%
04/30/2006	1,173,505	2,522,388	1,348,883	46.52%	461,881	292.04%
04/30/2005	1,141,360	2,459,206	1,317,846	46.41%	522,208	252.36%

The information presented in the above required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the notes to basic financial statements.

Valuation date	4/30/2010
Actuarial cost method	Entry Age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	23 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.00% Compounded Annually
Projected salary increases	5.50%
Inflation factor	3.00%
Cost of living adjustments	3.00%

CITY OF HIGHWOOD

FIREFIGHTERS' PENSION FUND
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS AND SCHEDULE OF FUNDING PROGRESS
 APRIL 30, 2010

<u>Actuarial Valuation Date</u>	<u>Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
04/30/2010	\$ 117,593	100.30%	\$ 8,804
04/30/2009	100,256	100.60%	9,108
04/30/2008	89,611	87.50%	9,695

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
04/30/2010	\$ 1,976,913	\$ 2,522,861	\$ 545,948	78.36%	\$ 443,025	123.23%
04/30/2009	1,728,065	2,361,523	633,458	73.18%	494,424	128.12%
04/30/2008	1,653,853	2,098,150	444,297	78.82%	428,628	103.66%
04/30/2007	1,584,019	1,977,168	393,149	80.12%	368,998	106.55%
04/30/2006	1,375,906	2,083,172	707,266	66.05%	450,403	157.03%
04/30/2005	1,251,868	1,372,120	120,252	91.24%	389,849	30.85%

The information presented in the above required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the notes to basic financial statements.

Valuation date	4/30/2010
Actuarial cost method	Entry Age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	23 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.00% Compounded Annually
Projected salary increases	5.50%
Inflation factor	3.00%
Cost of living adjustments	3.00%

This page has been intentionally left blank.

CITY OF HIGHWOOD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION April 30, 2010

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

This page has been intentionally left blank.

SUPPLEMENTARY INFORMATION

This page has been intentionally left blank.

CITY OF HIGHWOOD

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - TIF DEBT SERVICE
FOR THE YEAR ENDED APRIL 30, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Property tax	\$ 500,000	\$ 609,299	\$ 109,299
Investment income	<u>15,000</u>	<u>7,933</u>	<u>(7,067)</u>
Total Revenues	<u>515,000</u>	<u>617,232</u>	<u>102,232</u>
EXPENDITURES			
DEBT SERVICE			
Principal	70,000	70,000	-
Interest	110,926	110,925	1
Paying agent fees	<u>1,200</u>	<u>400</u>	<u>800</u>
Total Expenditures	<u>182,126</u>	<u>181,325</u>	<u>801</u>
Excess (deficiency) of revenues over (under) expenditures	<u>332,874</u>	<u>435,907</u>	<u>103,033</u>
OTHER FINANCING SOURCES (USES)			
Transfer out	<u>(500,000)</u>	<u>(344,422)</u>	<u>155,578</u>
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>(344,422)</u>	<u>155,578</u>
Net Change in Fund Balance	<u>\$ (167,126)</u>	91,485	<u>\$ 258,611</u>
FUND BALANCE - Beginning of Year		<u>834,702</u>	
FUND BALANCE - END OF YEAR		<u>\$ 926,187</u>	

CITY OF HIGHWOOD

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
APRIL 30, 2010

	<u>Motor Fuel Tax</u>	<u>E-911</u>	<u>TIF Capital Projects</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Cash and investments	\$ 242,431	\$ 71,774	\$ (17,162)	\$ 5,164	\$ 302,207
Receivables					
Accounts	12,431	6,031	-	-	18,462
Due from other funds	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
TOTAL ASSETS	<u><u>\$ 254,862</u></u>	<u><u>\$ 77,807</u></u>	<u><u>\$ (17,162)</u></u>	<u><u>\$ 5,164</u></u>	<u><u>\$ 320,671</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to other funds	\$ <u>-</u>	\$ 2,468	\$ 14,923	\$ 5,160	\$ 22,551
Total Liabilities	<u>-</u>	<u>2,468</u>	<u>14,923</u>	<u>5,160</u>	<u>22,551</u>
Fund Balances					
Unreserved, undesignated Special revenue funds					
undesignated	254,862	75,339	-	-	330,201
Capital projects funds					
undesignated	<u>-</u>	<u>-</u>	<u>(32,085)</u>	<u>4</u>	<u>(32,081)</u>
Total Fund Balances	<u>254,862</u>	<u>75,339</u>	<u>(32,085)</u>	<u>4</u>	<u>298,120</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 254,862</u></u>	<u><u>\$ 77,807</u></u>	<u><u>\$ (17,162)</u></u>	<u><u>\$ 5,164</u></u>	<u><u>\$ 320,671</u></u>

CITY OF HIGHWOOD

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED APRIL 30, 2010

	Motor Fuel Tax	E-911	TIF Capital Projects	Capital Projects	Total Nonmajor Governmental Funds
REVENUES					
Other taxes	\$ -	\$ 47,964	\$ -	\$ -	\$ 47,964
Intergovernmental	167,522	2,137	-	145,312	314,971
Public charges for services	4,429	-	-	3,660	8,089
Investment income	948	571	601	34	2,154
Miscellaneous	-	-	-	27	27
Total Revenues	<u>172,899</u>	<u>50,672</u>	<u>601</u>	<u>149,033</u>	<u>373,205</u>
EXPENDITURES					
Current					
Public safety	-	46,605	-	-	46,605
Public works	94,415	-	-	-	94,415
Capital Outlay	-	642	435,836	198,494	634,972
Total Expenditures	<u>94,415</u>	<u>47,247</u>	<u>435,836</u>	<u>198,494</u>	<u>775,992</u>
Excess (deficiency) of revenues over expenditures	<u>78,484</u>	<u>3,425</u>	<u>(435,235)</u>	<u>(49,461)</u>	<u>(402,787)</u>
OTHER FINANCING SOURCES (USES)					
Transfer in	-	-	344,422	149,702	494,124
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>344,422</u>	<u>149,702</u>	<u>494,124</u>
Net Change in Fund Balances	78,484	3,425	(90,813)	100,241	91,337
FUND BALANCES - Beginning of Year	<u>176,378</u>	<u>71,914</u>	<u>58,728</u>	<u>(100,237)</u>	<u>206,783</u>
FUND BALANCES - END OF YEAR	<u>\$ 254,862</u>	<u>\$ 75,339</u>	<u>\$ (32,085)</u>	<u>\$ 4</u>	<u>\$ 298,120</u>

CITY OF HIGHWOOD

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - MOTOR FUEL TAX
FOR THE YEAR ENDED APRIL 30, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
INTERGOVERNMENTAL			
Motor fuel tax	\$ 150,000	\$ 167,522	\$ 17,522
Miscellaneous fees & fines	-	4,429	4,429
Investment income	<u>3,259</u>	<u>948</u>	<u>(2,311)</u>
Total Revenues	<u>153,259</u>	<u>172,899</u>	<u>19,640</u>
 EXPENDITURES			
PUBLIC WORKS			
Street improvements	<u>342,050</u>	<u>94,415</u>	<u>247,635</u>
Total Expenditures	<u>342,050</u>	<u>94,415</u>	<u>247,635</u>
Net Change in Fund Balance	<u>\$ (188,791)</u>	78,484	<u>\$ 267,275</u>
FUND BALANCE - Beginning of Year		<u>176,378</u>	
FUND BALANCE - END OF YEAR		<u>\$ 254,862</u>	

CITY OF HIGHWOOD

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - E-911
FOR THE YEAR ENDED APRIL 30, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
TAXES			
911 Surcharge	\$ 45,000	\$ 47,964	\$ 2,964
INTERGOVERNMENTAL			
Grants	-	2,137	2,137
Investment income	<u>500</u>	<u>571</u>	<u>71</u>
Total Revenues	<u>45,500</u>	<u>50,672</u>	<u>5,172</u>
EXPENDITURES			
PUBLIC SAFTEY			
Materials and supplies	16,000	16,851	(851)
Emergency communication (911)	20,000	29,475	(9,475)
Equipment	30,000	642	29,358
Miscellaneous	<u>5,000</u>	<u>279</u>	<u>4,721</u>
Total Expenditures	<u>71,000</u>	<u>47,247</u>	<u>23,753</u>
 Net Change in Fund Balance	 <u><u>\$ (25,500)</u></u>	 3,425	 <u><u>\$ 28,925</u></u>
 FUND BALANCE - Beginning of Year		 <u>71,914</u>	
 FUND BALANCE - END OF YEAR		 <u><u>\$ 75,339</u></u>	

CITY OF HIGHWOOD

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FOR THE YEAR ENDED APRIL 30, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
CHARGES FOR SERVICES			
Impact Fees	\$ -	\$ 3,660	\$ 3,660
INTERGOVERNMENTAL			
Grants	147,000	145,312	(1,688)
Investment income	-	34	34
Miscellaneous income	-	27	27
Total Revenues	<u>147,000</u>	<u>149,033</u>	<u>2,033</u>
EXPENDITURES			
CAPITAL OUTLAY			
Green Bay Road	447,000	180,434	266,566
Sheridan Road	681,000	-	681,000
Five Streets Repair Program	350,000	18,050	331,950
Miscellaneous	-	10	(10)
Total Expenditures	<u>1,478,000</u>	<u>198,494</u>	<u>1,279,506</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,331,000)</u>	<u>(49,461)</u>	<u>1,281,539</u>
OTHER FINANCING SOURCES			
Transfer in	-	149,702	149,702
Total Other Financing Sources	<u>-</u>	<u>149,702</u>	<u>149,702</u>
Net Change in Fund Balance	<u>\$ (1,331,000)</u>	<u>100,241</u>	<u>\$ 1,431,241</u>
FUND BALANCE (DEFICIT) - Beginning of Year		<u>(100,237)</u>	
FUND BALANCE - END OF YEAR		<u>\$ 4</u>	

CITY OF HIGHWOOD

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - TIF CAPITAL PROJECTS FOR THE YEAR ENDED APRIL 30, 2010

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Investment income	\$ 500	\$ 601	\$ 101
Total Revenues	500	601	101
EXPENDITURES			
CAPITAL OUTLAY			
Accounting Fees	250	-	250
Legal Fees	2,000	-	2,000
Special Events Marketing	-	13,916	(13,916)
Capital Outlay	500,000	421,920	78,080
Total Expenditures	502,250	435,836	66,414
Excess (deficiency) of revenues over (under) expenditures	(501,750)	(435,235)	66,515
OTHER FINANCING SOURCES (USES)			
Transfer in	500,000	344,422	(155,578)
Total Other Financing Sources (Uses)	500,000	344,422	(155,578)
Net Change in Fund Balance	\$ (1,750)	(90,813)	\$ (89,063)
FUND BALANCE - Beginning of Year		58,728	
FUND BALANCE (DEFICIT) - END OF YEAR		\$ (32,085)	

CITY OF HIGHWOOD

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
WATER & SEWER FUND
FOR THE YEAR ENDED APRIL 30, 2010

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
OPERATING REVENUES			
Public Charges for Services	\$ 909,000	\$ 755,874	\$ (153,126)
Total Operating Revenues	<u>909,000</u>	<u>755,874</u>	<u>(153,126)</u>
OPERATING EXPENSES			
Operations	581,395	550,468	(30,927)
Equipment	1,140	-	(1,140)
Depreciation	<u>-</u>	<u>156,994</u>	<u>156,994</u>
Total Operating Expenses	<u>582,535</u>	<u>707,462</u>	<u>124,927</u>
Operating Income	<u>326,465</u>	<u>48,412</u>	<u>(278,053)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	6,925	3,356	(3,569)
Miscellaneous income	6,000	5,302	(698)
Interest Expense	(107,796)	(69,025)	38,771
Fiscal Agent Fees	(400)	(399)	1
Miscellaneous expense	<u>18,705</u>	<u>(2,966)</u>	<u>(21,671)</u>
Total Non-Operating Revenues	<u>(76,566)</u>	<u>(63,732)</u>	<u>12,834</u>
Change in net assets	\$ <u>249,899</u>	(15,320)	\$ <u>(265,219)</u>
NET ASSETS - Beginning of Year		<u>2,517,354</u>	
NET ASSETS - END OF YEAR		\$ <u>2,502,034</u>	

CITY OF HIGHWOOD

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
GARBAGE FUND
FOR THE YEAR ENDED APRIL 30, 2010

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
OPERATING REVENUES			
Charges for services			
Refuse and garbage collection	\$ <u>247,720</u>	\$ <u>247,062</u>	\$ <u>(658)</u>
Total Operating Revenues	<u>247,720</u>	<u>247,062</u>	<u>(658)</u>
OPERATING EXPENSES			
Operations			
Contractual services	181,000	232,597	51,597
Mateterials and supplies	<u>5,000</u>	<u>8,425</u>	<u>3,425</u>
Total Operating Expenses	<u>186,000</u>	<u>241,022</u>	<u>55,022</u>
Operating Income	<u>61,720</u>	<u>6,040</u>	<u>(55,680)</u>
NON-OPERATING REVENUES			
Interest income	(200)	210	410
Miscellaneous Income	<u>-</u>	<u>50</u>	<u>50</u>
Total Non-Operating Revenues	<u>(200)</u>	<u>260</u>	<u>460</u>
Net Income Before Transfers	<u>61,520</u>	<u>6,300</u>	<u>(55,220)</u>
TRANSFERS			
Transfer out	<u>(100,000)</u>	<u>(9,000)</u>	<u>91,000</u>
Net Transfers	<u>(100,000)</u>	<u>(9,000)</u>	<u>91,000</u>
Change in net assets	\$ <u>(38,480)</u>	(2,700)	\$ <u>35,780</u>
NET ASSETS - Beginning of Year		<u>42,137</u>	
NET ASSETS - END OF YEAR		<u>\$ 39,437</u>	

CITY OF HIGHWOOD

COMBINING STATEMENT OF NET ASSETS PENSION TRUST FUNDS APRIL 30, 2010

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 25,098	\$ 48,052	\$ 73,150
Investments			
U.S. treasuries	419,052	538,147	957,199
U.S. agencies	985,599	978,657	1,964,256
Mutual funds	194,949	207,567	402,516
Municipal Bonds	213,215	184,218	397,433
Receivables - (net of allowances for uncollectibles)			
Accrued interest	20,070	17,933	38,003
Due from municipality	<u>7,302</u>	<u>4,833</u>	<u>12,135</u>
Total Assets	<u>1,865,285</u>	<u>1,979,407</u>	<u>3,844,692</u>
LIABILITIES			
Accounts payable	<u>4,219</u>	<u>2,494</u>	<u>6,713</u>
Total Liabilities	<u>4,219</u>	<u>2,494</u>	<u>6,713</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$ 1,861,066</u>	<u>\$ 1,976,913</u>	<u>\$ 3,837,979</u>

CITY OF HIGHWOOD

COMBINING STATEMENT OF CHANGES IN NET ASSETS PENSION TRUST FUNDS FOR THE YEAR ENDED APRIL 30, 2010

	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions			
Employer	\$ 190,733	\$ 117,897	\$ 308,630
Plan members	<u>65,839</u>	<u>48,309</u>	<u>114,148</u>
Total Contributions	<u>256,572</u>	<u>166,206</u>	<u>422,778</u>
Investment income			
Investment income	68,336	72,098	140,434
Gains / losses on investments	<u>75,491</u>	<u>77,930</u>	<u>153,421</u>
Total Investment Income	<u>143,827</u>	<u>150,028</u>	<u>293,855</u>
Less Investment expense	<u>6,943</u>	<u>7,639</u>	<u>14,582</u>
Net Investment Income	<u>136,884</u>	<u>142,389</u>	<u>279,273</u>
Total Additions	<u>393,456</u>	<u>308,595</u>	<u>702,051</u>
DEDUCTIONS			
Benefits	98,064	19,560	117,624
Administration	33,006	31,717	64,723
Refunds of contributions	-	8,469	8,469
Total Deductions	<u>131,070</u>	<u>59,746</u>	<u>190,816</u>
Change in Net Assets	262,386	248,849	511,235
NET ASSETS - Beginning of Year	<u>1,598,680</u>	<u>1,728,064</u>	<u>3,326,744</u>
NET ASSETS, END OF YEAR	<u>\$ 1,861,066</u>	<u>\$ 1,976,913</u>	<u>\$ 3,837,979</u>

CITY OF HIGHWOOD

COMPONENT UNIT - LIBRARY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
APRIL 30, 2010

	<u>General</u>	<u>Long-term Assets</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and investments	\$ 268,429	\$ -	\$ 268,429
Receivables			
Property taxes	235,000	-	235,000
Capital assets	<u>-</u>	<u>377,544</u>	<u>377,544</u>
Total assets	<u>\$ 503,429</u>	<u>\$ 377,544</u>	<u>\$ 880,973</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Deferred revenues	<u>\$ 235,000</u>	<u>\$ -</u>	<u>\$ 235,000</u>
Total liabilities	<u>235,000</u>	<u>-</u>	<u>235,000</u>
Fund balances/net assets			
Invested in capital assets	-	377,544	377,544
Unreserved	<u>268,429</u>	<u>-</u>	<u>268,429</u>
Total fund balances/net assets	<u>268,429</u>	<u>377,544</u>	<u>645,973</u>
TOTAL LIABILITIES AND FUND BALANCES/NET ASSETS	<u>\$ 503,429</u>	<u>\$ 377,544</u>	<u>\$ 880,973</u>

CITY OF HIGHWOOD

COMPONENT UNIT - LIBRARY
 STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/NET ASSETS
 YEAR ENDED APRIL 30, 2010

	General	Adjustments Capital-related Items*	Statement of Activities
Revenues			
Property taxes	\$ 204,689	\$ -	\$ 204,689
Intergovernmental	22,316	-	22,316
Charges for services	7,881	-	7,881
Fines	1,822	-	1,822
Investment income	366	-	366
Miscellaneous	1,424	-	1,424
Total revenues	238,498	-	238,498
Expenditures			
Civic and cultural	197,228	22,736	219,964
Capital outlay	7,740	-	7,740
Total expenditures	204,968	22,736	227,704
Net changes in fund balances/net assets	33,530	(22,736)	10,794
Fund balances/net assets, beginning of year, as restated	234,899	400,280	635,179
Fund balances/net assets, end of year	\$ 268,429	\$ 377,544	\$ 645,973

*Governmental funds report capital outlays as expenditures. However, in the statement of net assets the costs of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities. Adjustment necessary to record depreciation and to reclassify capital outlay that did not have an initial cost of \$10,000 to civic and cultural expense function.

CITY OF HIGHWOOD

LONG-TERM DEBT REQUIREMENTS NOTE PAYABLE OF 2009 April 30, 2010

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

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Requirements Interest	Total
2011	\$ 9,642	\$ 1,283	\$ 10,925
2012	10,097	828	10,925
2013	10,574	350	10,925
2014	1,811	11	1,822
	\$ 32,124	\$ 2,472	\$ 34,597

CITY OF HIGHWOOD

LONG-TERM DEBT REQUIREMENTS IEPA LOAN PAYABLE OF 2002 April 30, 2010

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

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Requirements Interest	Total
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
	\$ 774,379	\$ 128,608	\$ 902,987

CITY OF HIGHWOOD

LONG-TERM DEBT REQUIREMENTS TAX INCREMENT FINANCING ALTERNATIVE REVENUE CAPITAL APPRECIATION BONDS OF 2002 April 30, 2010

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

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Beginning Principal Balance	Accretion	Principal Payment	Ending Principal Balance
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	-
		\$ 288,597	\$ 1,075,000	

CITY OF HIGHWOOD

LONG-TERM DEBT REQUIREMENTS NOTE PAYABLE OF 2007 April 30, 2010

Date of Issue	September 5, 2007
Date of Maturity	March 5, 2011
Interest Rates	6.350%
Interest Dates	September 5 and March 5
Principal Maturity Date	September 5 and March 5
Payable at	Ford Motor Credit Company

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Requirements Interest</u>	<u>Total</u>
2011	<u>\$ 19,574</u>	<u>\$ 937</u>	<u>\$ 20,511</u>
	<u>\$ 19,574</u>	<u>\$ 937</u>	<u>\$ 20,511</u>

CITY OF HIGHWOOD

LONG-TERM DEBT REQUIREMENTS NOTE PAYABLE OF 2005 April 30, 2010

Date of Issue	September 5, 2007
Date of Maturity	November 16, 2010
Interest Rates	4.250%
Interest Dates	Monthly
Principal Maturity Date	Monthly
Payable at	Bank of America Leasing

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Requirements Interest</u>	<u>Total</u>
2011	<u>\$ 37,910</u>	<u>\$ 1,353</u>	<u>\$ 39,263</u>
	<u>\$ 37,910</u>	<u>\$ 1,353</u>	<u>\$ 39,263</u>

CITY OF HIGHWOOD

LONG-TERM DEBT REQUIREMENTS WATERWORKS AND SEWERAGE ALTERNATE REVENUE REFUNDING BONDS OF 2004 April 30, 2010

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	1-May
Payable at	Cole Taylor Bank

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Requirements Interest</u>	<u>Total</u>
2011	\$ 205,000	\$ 23,416	\$ 228,416
2012	210,000	16,618	226,618
2013	220,000	9,140	229,140
2014	<u>140,000</u>	<u>2,590</u>	<u>142,590</u>
	<u>\$ 775,000</u>	<u>\$ 51,764</u>	<u>\$ 826,764</u>

This page has been intentionally left blank.

CITY OF HIGHWOOD

LONG-TERM DEBT REQUIREMENTS TAX INCREMENT FINANCING ALTERNATE REVENUE BONDS OF 2002 April 30, 2010

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	1-Jan
Payable at	Cole Taylor Bank

CURRENT AND FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Requirements Interest	Total
2011	\$ 40,000	\$ 109,426	\$ 149,426
2012	60,000	107,496	167,496
2013	85,000	104,626	189,626
2014	110,000	100,643	210,643
2015	135,000	95,458	230,458
2016	165,000	88,884	253,884
2017	195,000	80,776	275,776
2018	230,000	70,590	300,590
2019	265,000	58,215	323,215
2020	300,000	44,090	344,090
2021	340,000	27,920	367,920
2022	385,000	9,615	394,615
	\$ 2,310,000	\$ 897,739	\$ 3,207,739

This page has been intentionally left blank.



BAKER TILLY

Baker Tilly Virchow Krause, LLP
1301 W 22nd St, Ste 400
Oak Brook, IL 60523-3389
tel 630 990 3131
fax 630 990 0039
bakertilly.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE OF ILLINOIS PUBLIC ACT 85-1142

To Honorable Mayor and City Council
City of Highwood
17 Highwood Avenue
Highwood, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wheaton, Illinois, as of and for the year ended April 30, 2010, which collectively comprise the City of Highwood's basic financial statements as listed in the table of contents and have issued our report dated June 27, 2011. These financial statements are the responsibility of the City of Highwood's management. Our responsibility is to express an opinion on the eligibility of costs incurred incidental to the implementation of the redevelopment plans associated with the City of Highwood's TIF Districts pursuant to Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act.

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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.

Compliance with laws, regulations, contracts and grants applicable to the City of Highwood is the responsibility of the City of Highwood's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed tests of the City of Highwood's compliance with provisions in Subsection (q) of Section 11-74.4-3 of Public Act 85-1142, "An Act in Relations to Tax Increment Financing." However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the City of Highwood complied in all material respects, with Subsection (q) of Section 11-74.4-3 of Public Act 85-1142.

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

Baker Tilly Virchow Krause, LLP
Oak Brook, Illinois

June 27, 2011

This page has been intentionally left blank.