

City of Highwood, Illinois

Annual Financial Report

**For the Year Ended
April 30, 2014**

Wolf & Company LLP
Certified Public Accountants

CITY OF HIGHWOOD, ILLINOIS

Table of Contents

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-16
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	17
Statement of Activities	18-19
Balance Sheet - Governmental Funds	20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Net Position - Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	25
Statement of Cash Flows - Proprietary Funds	26-27
Statement of Fiduciary Net Position - Fiduciary Funds	28
Statement of Changes in Fiduciary Net Position - Pension Trust Funds	29
Notes to the Financial Statements	30-67
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	68
Note to the Required Supplementary Information	69
Schedule of Funding Progress	
Illinois Municipal Retirement Fund	70
IMRF Sheriff's Law Enforcement Personnel Fund	71
Police Pension Fund	72
Firefighters' Pension Fund	73

CITY OF HIGHWOOD, ILLINOIS

Table of Contents

	PAGE
<u>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES</u>	
MAJOR GOVERNMENTAL FUNDS	
General Fund	
Schedule of Revenues - Budget and Actual	74-75
Schedule of Expenditures - Budget and Actual	76-77
TIF Debt Service Fund (Major Fund)	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	78
NONMAJOR GOVERNMENTAL FUNDS	
Combining Balance Sheet	79
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	80
SPECIAL REVENUE FUNDS	
Motor Fuel Tax Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	81
E-911 Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	82
<u>PROPRIETARY FUNDS</u>	
Waterworks and Sewerage Fund (Major Fund)	
Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual - (GAAP and Budgetary Basis)	83
Garbage Fund	
Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual	84

CITY OF HIGHWOOD, ILLINOIS

Table of Contents

	PAGE
<u>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES (CONT.)</u>	
<u>FIDUCIARY FUNDS</u>	
Combining Statement of Fiduciary Net Position - Pension Trust Funds	85
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds	86
<u>COMPONENT UNIT</u>	
Statement of Net Assets and Governmental Funds Governmental Funds Combining Balance Sheet	87
Statement of Activities and Governmental Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances/Net Position	88
<u>SUPPLEMENTAL DATA</u>	
Long-Term Debt Requirements	
General Obligation Build America Bonds of 2010A	89
General Obligation Recovery Zone Economic Development Bonds of 2010B	90
IEPA Loan Payable of 2002	91
Tax Increment Financing General Obligation Refunding Bonds, Series 2013	92
Tax Increment Financing Alternate Revenue Capital Appreciation Bonds of 2002	93
LED Light Loan Payable	94
Fire Alarm Monitoring Equipment Loan	95
Water Meter Loan	96
Police Vehicles Loan Payable - 2012	97
Police Vehicles Loan Payable - 2013	98
Public Works Capital Lease	99

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, discretely presented component unit, and the aggregate remaining fund information for the City of Highwood, Illinois, as of and for the year ended April 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

The City of Highwood, Illinois 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, Illinois. The City has not reported any capital asset governmental activities or business-type activities additions, disposals or depreciation, for the fiscal year ended April 30, 2014.

The City of Highwood does not maintain accurate records of its compensated absences liability. Therefore, we were unable to obtain sufficient evidence to form an opinion on the compensated absences liability of the City of Highwood. The City has reported compensated absences activity, including increases and decreases for the fiscal year ended April 30, 2014.

Qualified Opinion

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinion” paragraph, 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, 2014, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and analysis of funding progress and employer contributions for the City's defined benefit pension plans and other post-employment benefit plan on pages 3-16 and 70-73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Highwood, Illinois' basic financial statements. The combining and individual fund financial statements and schedules and the supplemental data are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and supplemental data are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and supplemental data are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Wolf & Company LLP

Oakbrook Terrace, Illinois
October 16, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2014

Our discussion and analysis of the City of Highwood's financial performance provides an overview of the City Of Highwood financial activities for the fiscal year ended April 30, 2014. Please read it in conjunction with the City of Highwood financial statements, which begin on page 17.

FINANCIAL HIGHLIGHTS

- The City of Highwood net position increased by a total of \$488,045. While net position of business-type activities decreased by \$4,446, or less than 0.1 percent, net position of our governmental activities increased by \$492,491, or nearly 24.6 percent.
- During the year, expenses were \$492,491 less than the \$5,377,590 generated in tax and other revenues for governmental programs. In the prior year, expenses were \$1,023,939 more than the \$5,462,305 generated in tax and other revenues for the governmental program.
- Revenues for business-type activities decreased to \$1,452,882 (or 17.1 percent) while expenses increased by 11.3 percent to \$1,457,328. The increase in the business type activities expenses occurred due to a meter replacement program in the current year that was not part of prior years' expenses.
- Total cost of all programs was decreased by \$1,452,801 or 18.6 percent in the current year. The decrease in the current year is due to the decline in TIF projects during the current year.
- The General Fund reported a surplus this year of \$189,995 which took fund balance from \$735,996 to \$925,991 at the end of the current year.
- The resources available for appropriation were \$257,140 more than budgeted for the General Fund. In addition, expenditures were kept under appropriation by \$114,461 through cost cutting measures including personnel restructuring and elimination of capital purchases.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 17-19) provide information about the activities of the City of Highwood as a whole and present a longer-term view of the City of Highwood finances. Fund financial statements begin on page 20. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City of Highwood operations in more detail than the government-wide statements by providing information about the City of Highwood's most significant funds. The remaining statements provide financial information about activities for which the City of Highwood acts solely as a trustee or agent for the benefit of those outside of the government.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2014

USING THIS ANNUAL REPORT - Continued

Government-Wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the City of Highwood finances, in a matter similar to a private-sector business. The government-wide financial statements can be found on pages 17-19 of this report.

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

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

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

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

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

Fund Financial Statements

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

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2014

USING THIS ANNUAL REPORT - Continued

Governmental Funds

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

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

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

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

The basic governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary Funds

The City of Highwood maintains enterprise funds that are proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Highwood utilizes enterprise funds to account for its Waterworks and Sewerage and Garbage operations.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Waterworks and Sewerage Fund and for the Garbage Fund, both of which are considered to be major funds of the City of Highwood.

The basic proprietary fund financial statements can be found on pages 24-27 of this report.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2014

USING THIS ANNUAL REPORT - Continued

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on pages 28 and 29 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-67 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Highwood I.M.R.F. and Police and Firefighters' pension obligations. Required supplementary information can be found on pages 68-73 of this report. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions.

Combining and individual fund statements and schedules can be found on pages 74-86 of this report.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following tables show that in the case of the City of Highwood, assets exceeded liabilities by \$6,397,595, increasing by 8.3% over prior years.

Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 4.0	4.0	1.4	1.6	5.4	5.6
Capital Assets	4.1	4.1	7.4	7.4	11.5	11.5
Total Assets and Deferred Outflows	8.1	8.1	8.8	9.0	16.9	17.1
Long-Term Debt Outstanding	(3.5)	(3.7)	(4.7)	(4.9)	(8.2)	(8.6)
Other Liabilities and Deferred Inflows of Resources	(2.1)	(2.4)	(0.2)	(0.2)	(2.3)	(2.6)
Total Liabilities and Deferred Outflows	(5.6)	(6.1)	(4.9)	(5.1)	(10.5)	(11.2)
Net Position						
Net Investment in Capital Assets	1.3	1.3	3.3	3.2	4.6	4.5
Restricted	1.0	0.8	-	-	1.0	0.8
Unrestricted (Deficit)	0.2	(0.1)	0.6	0.7	0.8	0.6
Total Net Position	\$ 2.5	2.0	3.9	3.9	6.4	5.9

A large portion of the City of Highwood net position is its investment in capital assets (for example, land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding which represents 71.8 percent of net position. The City of Highwood uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Highwood investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Highwood, Illinois

Management's Discussion and Analysis

April 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

An additional portion or 15.1 percent of the City of Highwood net position represents resources that are subject to external restrictions on how they may be used. The remaining 13.1 percent, or \$.8 million, represents unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors.

Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Charges for Services	\$ 1.5	1.3	1.2	1.1	2.7	2.4
Operating Grants/Contributions	0.2	0.2	0.2	-	0.4	0.2
Capital Grants/Contributions	-	0.1	-	0.5	-	0.6
General Revenues					-	-
Property Taxes	1.5	1.5	-	-	1.5	1.5
Utility Taxes	0.4	0.4			0.4	0.4
Sales Taxes	0.6	0.5	-	-	0.6	0.5
Intergovernmental	1.1	1.3	-	-	1.1	1.3
Other General Revenues	0.1	0.2	0.1	0.1	0.2	0.3
Total Revenues	5.4	5.5	1.5	1.7	6.9	7.2
Expenses						
General Government	1.0	2.7	-	-	1.0	2.7
Public Safety	3.1	2.7	-	-	3.1	2.7
Public Works	0.6	0.9	-	-	0.6	0.9
Culture and Recreation	0.1	0.1	-	-	0.1	0.1
Interest and Fiscal Charges	0.1	0.1	-	-	0.1	0.1
Water	-	-	1.3	1.1	1.3	1.1
Garbage	-	-	0.2	0.2	0.2	0.2
Total Expenses	4.9	6.5	1.5	1.3	6.4	7.8
Increase (Decrease) in Net Position	0.5	(1.0)	-	0.4	0.5	(0.6)
Net Position - Beginning	2.0	3.0	3.9	3.5	5.9	6.5
Net Position - Ending	\$ 2.5	2.0	3.9	3.9	6.4	5.9

Net position of the City of Highwood governmental activities increased by 24.6 percent (\$2.5 million compared to \$ 2.0 million). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, changed from \$(0.1) in the previous fiscal year to \$0.2 million in the current year.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

The City has continued to improve the available resources for operations in the current year through wise fiscal spending and the creation of reserves. This can be seen with the increase in unrestricted amounts totaling \$211,133 up from (\$86,717) in the prior year. In the current year, the City controlled spending and had limited capital costs to cause this increase in unrestricted.

Net position of business-type activities remained virtually static with a \$4,446 decline in net position. The City of Highwood generally can only use this net position to finance the continuing operations of the waterworks and sewerage and garbage operations. The Water operations of the City is working on a meter change program and several capital projects that will be financed with current and future debt.

Total revenues decreased by \$0.2 million compared to prior years. The decrease in the current year is due to a decline in capital grants and intergovernmental revenues. The total costs of all programs declined in the current year due to declines noted in the TIF fund. The City reduced the TIF expenditures in the current year. In addition, there were several law suit settlements in the prior years that did not have a corresponding expense in the current year.

Governmental Activities

Revenues for governmental activities decreased by \$0.1 million. This decrease was due a decline in TIF increment and various intergovernmental revenues. In addition, there was decrease in revenues from telecommunication utility tax from a decrease in the tax. Expenses also saw a decrease of \$1.6 million. This was due to decreases in general government costs for expenses related to the Tax Increment Financing District that utilize revenues from the prior year and several lawsuits that were settled in the prior year that were not in the current year.

The cost of all governmental activities this year was \$4.9 million compared to \$6.5 million last year. Overall, governmental program revenues were \$1.7 million, including intergovernmental aid and fees for services. This increase in 2014 from \$1.6 million in 2013 is principally based on an increase in public safety fines and forfeitures.

City of Highwood, Illinois

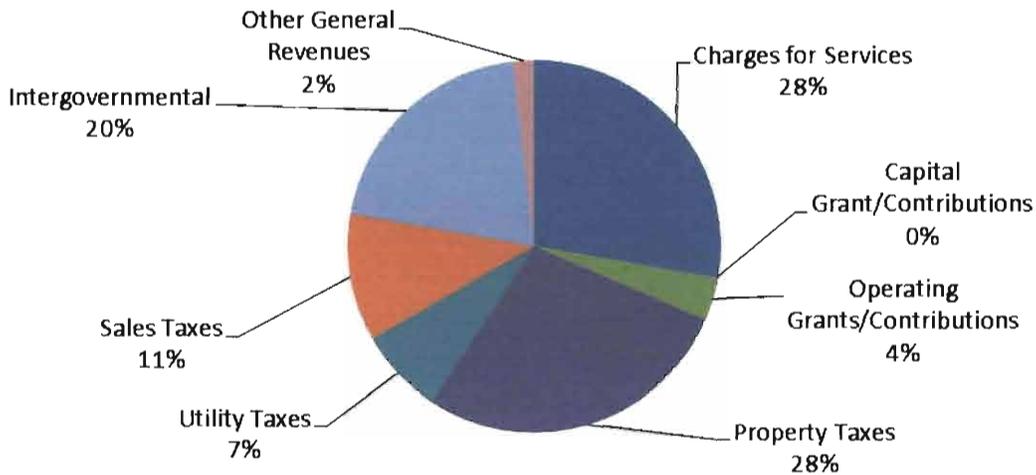
**Management's Discussion and Analysis
April 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental Activities – Continued

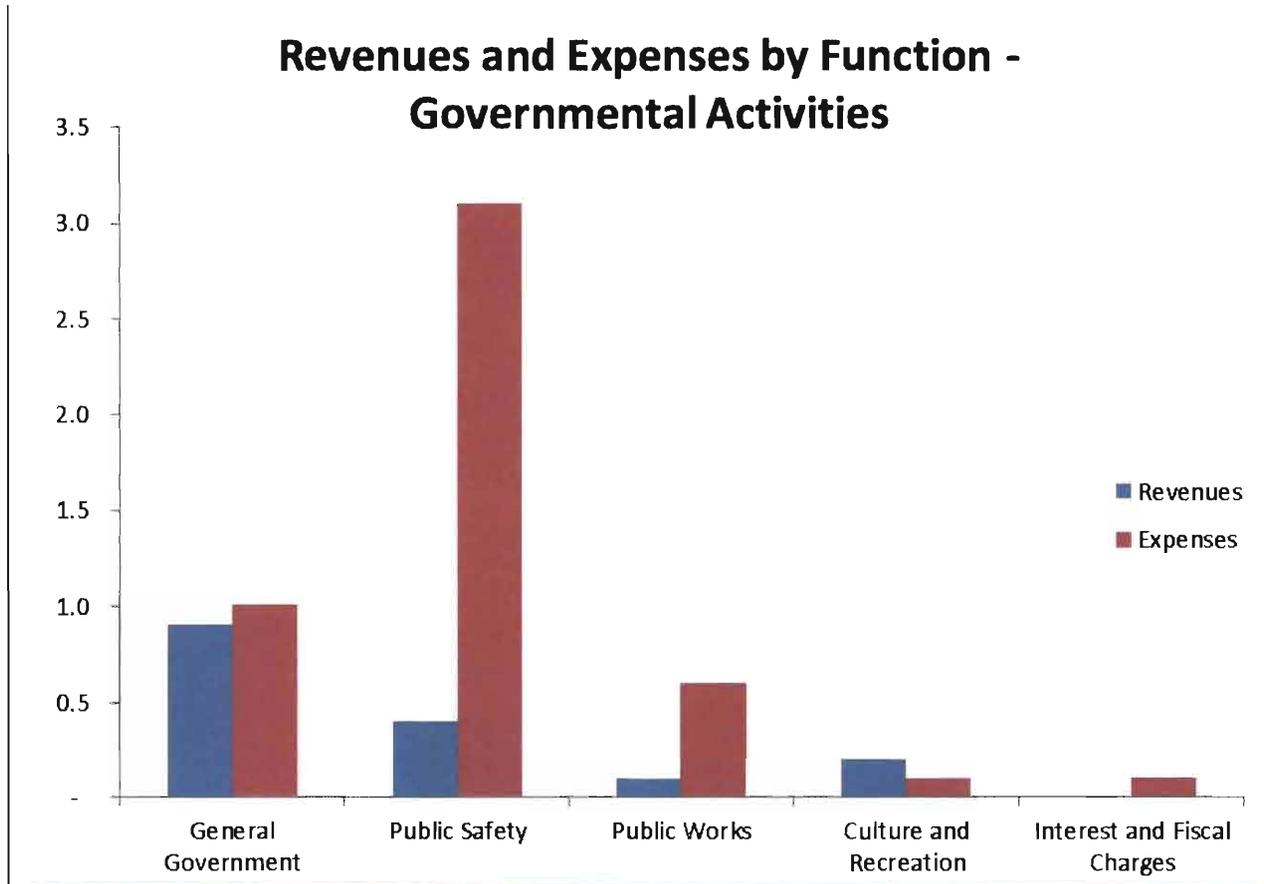
The following table graphically depicts the major revenue sources of the City of Highwood. It clearly identifies the reliance of property and sales taxes and charges for services to fund governmental activities. The downtown district plays a large role in the operations of the City by funding 22 percent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

Revenues by Sources - Governmental Activities



GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental Activities – Continued



The 'Expenses and Program Revenues' Table identifies those governmental functions where program expenses greatly exceed revenues. As can be seen by the above, public safety and general government are dependent on the general revenues of the City to function. The City continues to evaluate all available fees for comparability to other communities and collections to cover the costs of operations.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2014

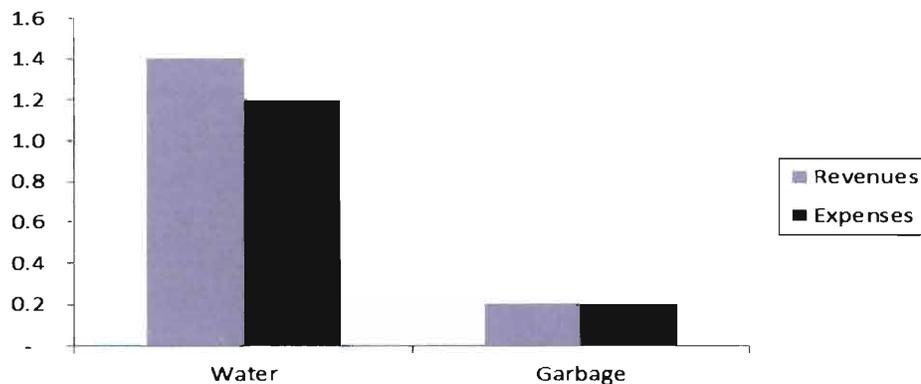
GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Business-type activities

Revenues of the City's business-type activities decreased by 11.8 percent (\$1.5 million in 2014 compared to \$1.7 in 2013) and expenses increased by 15.3 percent (\$1.5 million in 2014 compared to \$1.3 million in 2013). Key factors behind these results include:

- The waterworks and sewerage system is dependent upon the sale of water. In years of mild summer temperatures, the usage of water will decline and the revenues will decline. In the City of Highwood, our costs related to the water and sewer system tend to be consistent year over year due to the fact that our water sold is based on water pumped out of Lake Michigan. City staff evaluate the costs to make sure that all costs are properly allocated to the proper funds. In evaluating the costs necessary to operate the Water and Sewer Fund, it was determined an increase in water rates was necessary. In the current year, the City had one increase in water rates to cover for the increase in costs in the Water and Sewer Fund.
- The Garbage Fund operated at a surplus of \$37,699 for the fiscal year. This was the second year of the garbage contract. The City received increases in the franchise fees in the current year which amounts for the operating surplus.

Expenses and Program Revenues - Business Type Activities



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

City of Highwood, Illinois

Management's Discussion and Analysis

April 30, 2014

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds

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

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$1.8 million which is an increase of \$286,768 over prior year. Although there was a net increase in fund balances, individual funds had different results. The General Fund has an increase of \$189,995 over the prior year. The TIF Fund had a net increase of \$57,373 although we continue to see declines in the annual increment. The City entered into a redevelopment agreement in the current year for the property at 200 Green Bay Road. The MFT Fund had moderate increases. These increases will be utilized in future years to fund engineering costs related to large infrastructure projects.

Proprietary funds

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

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

The City intends to run the fund at a breakeven rate. Periodically, there will be an annual surplus or draw down due to timing of capital projects and payments of debt service payments. The deficit during the current fiscal year was (\$42,145). Unrestricted net position decreased by \$161,164 over the prior year due to increasing the capital outlays maintained by the fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual charges to appropriations (expenditures) were \$0.1 million below the budget amounts. Due to additional personnel costs and new debt services, there were two departments over budget – Public Safety and Debt Service. The General Government Department had the most significant savings due to savings in legal expenditures.

In addition, resources available for appropriation were \$257,140 above the final budgeted amount. The City noted increases in Charges for Services – particularly the Alarm Services Revenue and Park Recreation Fees.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Highwood investment in capital assets for its governmental and business type activities as of April 30, 2014 was \$11.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements, vehicles, machinery and equipment, park facilities, roads, sidewalks, and bridges. The City does not maintain detail records of their capital assets and therefore, increases could not be accounted for.

Capital Assets - Net of Depreciation (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 0.7	0.7	-	-	0.7	0.7
Buildings	1.1	1.1	0.4	0.4	1.5	1.5
Machinery and Equipment	-	-	-	-	-	-
Infrastructure	2.3	2.3	7.0	7.0	9.3	9.3
Total	\$ 4.1	4.1	7.4	7.4	11.5	11.5

Further detail on capital assets can be found in Note 6 to the financial statements.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

Debt

At year-end, the City of Highwood had total outstanding bonded debt of \$8.2 million as compared to \$8.6 million the previous year, a decrease of 4.6 percent. The following is a comparative statement of outstanding debt:

General Obligation and Revenue Bonds (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Alternate Revenue Bonds	\$ 2.7	2.8	3.8	3.9	6.5	6.7
Capital Lease Payables	0.2	0.2	-	-	0.2	0.2
Loan Payable	0.4	0.4	0.4	0.4	0.8	0.8
Revenue Bonds	-	-	0.5	0.6	0.5	0.6
Other Liabilities	0.2	0.3	-	-	0.2	0.3
Total	\$ 3.5	3.7	4.7	4.9	8.2	8.6

The debt issued in the current year was to defease debt at a cost savings of \$135,000.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2014 budget, tax rates, and fees that will be charged for its governmental and business-type activities. One of those factors is the economy. While the City has had several years of positive financial performance, the economy continues to play a role in future decisions.

As of April 30, 2014, the City was in negotiations with the firefighters union. Subsequent to year end, the City approved the contract with retro-pay being recorded as a liability. All three union contracts of the City are set to expire at the end of 2015.

In the current year, the City of Highwood received an updated bond rating from Standard and Poor's. The City's rating was upgraded from A to AA for future bond issuance. S&P cited our positive cash position and stable management as reasons for the upgrade. This will be imperative as the City investigates issuing several bond issues related to infrastructure improvement projects.

City of Highwood, Illinois

**Management's Discussion and Analysis
April 30, 2014**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES – Continued

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF HIGHWOOD, ILLINOIS

Statement of Net Position

April 30, 2014

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash and Investments	\$ 1,663,789	1,050,011	2,713,800	345,106
Receivables, Net				
Taxes	1,633,334		1,633,334	234,042
Intergovernmental	386,194		386,194	
Accounts		217,945	217,945	
Other	116,211		116,211	
Due from Agency Fund	2,061		2,061	
Due from Component Unit	3,203		3,203	
Prepaid Expenses	18,675	3,048	21,723	9,139
Internal Balances	103,182	(103,182)		
Net Pension Asset	25,343		25,343	
Restricted Assets				
Cash and Investments	80,903	174,680	255,583	
Capital Assets				
Land	678,443	83,196	761,639	
Other Capital Assets, Net of Depreciation	3,391,130	7,351,550	10,742,680	377,544
Total Assets	8,102,468	8,777,248	16,879,716	965,831
Deferred Outflows of Resources				
Unamortized Loss on Refunding	17,536		17,536	
Liabilities				
Accounts Payable	276,457	75,269	351,726	5,551
Accrued Liabilities and Deposits	133,132	10,315	143,447	7,549
Other Accrued Liabilities	25,986	9,706	35,692	
Unearned Rent	122,626		122,626	
Accrued Interest Payable	41,212	105,337	146,549	
Due to Primary Government				3,203
Noncurrent Liabilities				
Due Within One Year	428,381	235,412	663,793	
Due in More Than One Year	3,101,991	4,434,484	7,536,475	
Total Liabilities	4,129,785	4,870,523	9,000,308	16,303
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	1,499,349		1,499,349	240,798
Net Position				
Net Investment in Capital Assets	1,341,657	3,326,102	4,667,759	377,544
Restricted for				
Debt Service and Capital Projects	692,229		692,229	
Road Construction and Maintenance	198,934		198,934	
Public Safety	46,917		46,917	
Unrestricted	211,133	580,623	791,756	331,186
Total Net Position	\$ 2,490,870	3,906,725	6,397,595	708,730

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

CITY OF HIGHWOOD, ILLINOIS

Statement of Activities

Year Ended April 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 1,011,653	915,591		
Public Safety	3,041,998	341,104		
Public Works	591,991	66,430	223,065	
Culture, Education and Recreation	117,673	152,758		
Interest and Fiscal Charges	121,784			
Total Governmental Activities	4,885,099	1,475,883	223,065	-
Business-Type Activities				
Water and Sewer	1,210,737	931,950	187,126	
Garbage	246,591	253,831		
Total Business-Type Activities	1,457,328	1,185,781	187,126	-
Total Primary Government	\$ 6,342,427	2,661,664	410,191	-
Component Unit				
Highwood Library	\$ 238,604	6,768	7,808	-

General Revenues
 Property Taxes
 Utility Taxes
 Home Rule Sales Taxes
 Intergovernmental - Sales Taxes
 Intergovernmental - Other Taxes
 Unrestricted Investment Earnings
 Gain on Sale of Capital Assets
 Miscellaneous
 Total General Revenues

Change in Net Position

Net Position
 May 1

April 30

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	
(96,062)		(96,062)	
(2,700,894)		(2,700,894)	
(302,496)		(302,496)	
35,085		35,085	
(121,784)		(121,784)	
(3,186,151)	-	(3,186,151)	-
	(91,661)	(91,661)	
	7,240	7,240	
-	(84,421)	(84,421)	-
(3,186,151)	(84,421)	(3,270,572)	-
			(224,028)
1,511,145		1,511,145	226,800
396,247		396,247	
579,886			
480,199		579,886	
645,162		645,162	
8,379	1,886	10,265	70
16,130		16,130	
41,494	78,089	119,583	1,926
3,678,642	79,975	3,278,418	228,796
492,491	(4,446)	488,045	4,768
1,998,379	3,911,171	5,909,550	703,962
2,490,870	3,906,725	6,397,595	708,730

CITY OF HIGHWOOD, ILLINOIS

Balance Sheet - Governmental Funds

April 30, 2014

	General Fund	TIF Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and Investments	\$ 873,864	556,183	233,742	1,663,789
Cash and Investments - Restricted	80,903			80,903
Receivables				
Property Tax	1,120,230	379,119		1,499,349
Other Taxes	130,336		3,649	133,985
Intergovernmental	376,230		9,964	386,194
Other Receivables, Net	116,211			116,211
Prepaid Items	18,675			18,675
Due from Other Funds	2,243	136,419		138,662
Due from Fiduciary Funds	2,061			2,061
Due from Component Unit	3,203			3,203
Total Assets	\$ 2,723,956	1,071,721	247,355	4,043,032
Liabilities				
Accounts Payable	\$ 258,548		17,909	276,457
Accrued Payroll	133,132			133,132
Other Current Liabilities	25,986			25,986
Due to Other Funds	33,237	373	1,870	35,480
Unearned Rent	122,626			122,626
Total Liabilities	573,529	373	19,779	593,681
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	1,120,230	379,119		1,499,349
Unavailable Revenue - Other Taxes	104,206			104,206
Total Deferred Inflows of Resources	1,224,436	379,119	-	1,603,555
Fund Balances				
Nonspendable				
Prepaid Items	18,675			18,675
Restricted				
Debt Service and Capital Projects		692,229		692,229
Road Construction and Maintenance			198,934	198,934
Public Safety	18,275		28,642	46,917
Unassigned	889,041			889,041
Total Fund Balances	925,991	692,229	227,576	1,845,796
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 2,723,956	1,071,721	247,355	4,043,032

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

CITY OF HIGHWOOD, ILLINOIS

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

April 30, 2014

Total Fund Balances - Governmental Funds		\$ 1,845,796
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,069,573
Some receivables that are not currently available are reported as deferred inflows in the fund financial statements but are recognized as revenue when earned in the government-wide statements.		104,206
The Net Pension Asset for Fire Pension funding, and Net Pension Obligation for the Police Pension funding are not reported in the governmental funds.		861
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds, Notes and Capital Leases Payable	(3,292,386)	
Compensated Absences	(168,961)	
Accrued Interest	(41,212)	
		<u>(3,527,041)</u>
Losses on issuance of refunding bonds are reported as a deferred outflow and amortized over the life of the bonds on the Statement of Net Position.		17,536
Premiums on bonds are an other financing source in the year of issuance but are shown as an increase in bonds payable and amortized over the life of the bonds on the Statement of Net Position.		<u>(44,543)</u>
Net Position of Governmental Activities		<u>\$ 2,490,870</u>

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

CITY OF HIGHWOOD, ILLINOIS

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

Year Ended April 30, 2014

	General Fund	TIF Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property Tax	\$ 1,061,835	449,310		1,511,145
Other Taxes	968,837		46,484	1,015,321
Intergovernmental	1,142,037		159,905	1,301,942
Licenses and Permits	373,582			373,582
Fines, Forfeitures and Penalties	106,953			106,953
Public Charges for Services	995,348			995,348
Investment Income	1,022	1,258	189	2,469
Miscellaneous	41,494	5,910		47,404
Total Revenues	4,691,108	456,478	206,578	5,354,164
Expenditures				
Current				
General Government	882,035	18,283		900,318
Public Safety	2,845,991		63,472	2,909,463
Public Works	505,022		76,385	581,407
Culture, Recreation and Education	117,673			117,673
Capital Outlay	196,098	58,543	7,395	262,036
Debt Service				
Principal	91,521	236,631		328,152
Interest	11,829	80,848		92,677
Cost of Issuance		67,584		67,584
Fiscal Agent Fees		4,800		4,800
Total Expenditures	4,650,169	466,689	147,252	5,264,110
Excess (Deficiency) of Revenues over Expenditures	40,939	(10,211)	59,326	90,054
Other Financing Sources (Uses)				
Payment to Refunded Bond				
Escrow Agent		(2,146,157)		(2,146,157)
Refunding Bonds Issued		2,160,000		2,160,000
Bond Premium		53,741		53,741
Transfers In	19,926			19,926
Transfers Out			(19,926)	(19,926)
Proceeds from Loan	113,000			113,000
Proceeds from Sale of Capital Assets	16,130			16,130
Other Financing Sources (Uses)	149,056	67,584	(19,926)	196,714
Net Change in Fund Balance	189,995	57,373	39,400	286,768
Fund Balance				
May 1	735,996	634,856	188,176	1,559,028
April 30	\$ 925,991	692,229	227,576	1,845,796

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

CITY OF HIGHWOOD, ILLINOIS

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

Year Ended April 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 286,768
Amounts reported for governmental activities in the Statement of Activities are different because:	
Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	7,296
The issuance of long-term debt is reported as an other financing source in governmental funds, but as an increase of principal outstanding in the Statement of Net Position.	(2,273,000)
The premium on bonds issued is reported as an other financing use in the governmental funds, but is amortized over the life of the bond in the Statement of Activities.	(53,741)
The payment to the refunded bond escrow agent is reported as an other financing use in the governmental funds, but as a reduction of debt in the entity-wide statements.	2,146,157
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Principal Repaid	328,152
Some of the bonds outstanding 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.	(34,922)
The amortization of premiums on bonds, discounts on bonds and losses on refunding are not a use of financial resources in the governmental funds.	5,577
Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Changes in:	
Compensated Absences	34,731
Net Pension Obligation/Asset	45,235
Accrued Interest on Debt	238
Change in Net Position	<u>\$ 492,491</u>

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

CITY OF HIGHWOOD, ILLINOIS

Statement of Net Position - Proprietary Funds

April 30, 2014

	Waterworks and Sewerage Fund	Nonmajor Enterprise Fund - Garbage Fund	Total
Assets			
Current Assets			
Cash and Investments	\$ 839,220	210,791	1,050,011
Receivables			
Accounts	212,883	5,062	217,945
Prepaid Items	3,048		3,048
Restricted Assets			
Cash and Investments	174,680		174,680
Total Current Assets	<u>1,229,831</u>	<u>215,853</u>	<u>1,445,684</u>
Noncurrent Assets			
Capital Assets			
Land	83,196		83,196
Property and Equipment	9,798,998		9,798,998
Less: Accumulated Depreciation	(2,447,448)		(2,447,448)
Total Noncurrent Assets	<u>7,434,746</u>	<u>-</u>	<u>7,434,746</u>
Total Assets	<u>8,664,577</u>	<u>215,853</u>	<u>8,880,430</u>
Liabilities			
Current Liabilities			
Accounts Payable	58,915	16,354	75,269
Accrued Payroll	8,886	1,429	10,315
Other Current Liabilities	9,575	131	9,706
Due to Other Funds	103,182		103,182
Interest Payable	105,337		105,337
Total Current Liabilities	<u>285,895</u>	<u>17,914</u>	<u>303,809</u>
Noncurrent Liabilities			
Long-Term Debt			
Due Within One Year	235,412		235,412
Due in More Than One Year	4,434,484		4,434,484
Total Noncurrent Liabilities	<u>4,669,896</u>	<u>-</u>	<u>4,669,896</u>
Total Liabilities	<u>4,955,791</u>	<u>17,914</u>	<u>4,973,705</u>
Net Position			
Net Investment in Capital Assets	3,326,102		3,326,102
Unrestricted	382,684	197,939	580,623
Total Net Position	<u>\$ 3,708,786</u>	<u>197,939</u>	<u>3,906,725</u>

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

CITY OF HIGHWOOD, ILLINOIS

Statement of Revenues, Expenses and Changes in
Net Position - Proprietary Funds

Year Ended April 30, 2014

	Waterworks and Sewerage Fund	Nonmajor Enterprise Fund - Garbage Fund	Total
Operating Revenues			
Public Charges for Services	\$ 931,950	253,831	1,185,781
Operating Expenses			
Personnel	253,589	36,271	289,860
Contractual Services	660,313	209,462	869,775
Materials and Supplies	43,950	858	44,808
Total Operating Expenses	<u>957,852</u>	<u>246,591</u>	<u>1,204,443</u>
Operating Income (Loss)	<u>(25,902)</u>	7,240	<u>(18,662)</u>
Nonoperating Revenues (Expenses)			
Investment Income	1,572	314	1,886
Grant Revenue	89,463		89,463
Interest Subsidy	97,663		97,663
Miscellaneous Revenue	47,944	30,145	78,089
Miscellaneous Expense	(3,452)		(3,452)
Interest Expense	(242,623)		(242,623)
Fiscal Agent Fees	(6,810)		(6,810)
	<u>(16,243)</u>	30,459	<u>14,216</u>
Changes in Net Position	(42,145)	37,699	(4,446)
Net Position			
May 1	<u>3,750,931</u>	160,240	<u>3,911,171</u>
April 30	<u>\$ 3,708,786</u>	197,939	<u>3,906,725</u>

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

CITY OF HIGHWOOD, ILLINOIS

Statement of Cash Flows - Proprietary Funds

Year Ended April 30, 2014

	Waterworks and Sewerage Fund	Nonmajor Enterprise Fund - Garbage Fund	Total
Cash Flows from Operating Activities			
Received from Customers	\$ 894,838	251,952	1,146,790
Paid to Suppliers for Grounds and Services	(670,986)	(211,276)	(882,262)
Paid to Employees for Services	(279,957)	(35,876)	(315,833)
Other Operating Revenue	37,682		37,682
	<u>(18,423)</u>	<u>4,800</u>	<u>(13,623)</u>
Cash Flows from Investing Activities			
Investment Income	1,572	314	1,886
Other Income	97,663	30,145	127,808
	<u>99,235</u>	<u>30,459</u>	<u>129,694</u>
Cash Flows from Noncapital Financing Activities			
Interfund Transactions	221,285		221,285
Cash Flows from Capital and Related Financing Activities			
Capital Grants	193,846		193,846
Debt Retired	(232,301)		(232,301)
Interest Paid	(249,964)		(249,964)
	<u>(288,419)</u>	<u>-</u>	<u>(288,419)</u>
Net Increase in Cash and Cash Equivalents	13,678	35,259	48,937
Cash and Cash Equivalents			
May 1	1,000,222	175,532	1,175,754
April 30	<u>\$ 1,013,900</u>	<u>210,791</u>	<u>1,224,691</u>
Represented by			
Unrestricted	\$ 839,220	210,791	1,050,011
Restricted	174,680		174,680
	<u>\$ 1,013,900</u>	<u>210,791</u>	<u>1,224,691</u>

(Cont.)

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

CITY OF HIGHWOOD, ILLINOIS

Statement of Cash Flows - Proprietary Funds (Cont.)

Year Ended April 30, 2014

	Waterworks and Sewerage Fund	Nonmajor Enterprise Fund - Garbage Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (25,902)	7,240	(18,662)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Other Operating Revenue	37,682		37,682
Changes in Assets and Liabilities			
Increase in Accounts Receivable	(37,112)	(1,879)	(38,991)
Increase in Prepaid Expenses	(709)		(709)
Increase (Decrease) in Accounts Payable	27,111	(1,087)	26,024
Increase (Decrease) in Accrued Payroll	(29,435)	395	(29,040)
Increase in Other Liabilities	6,875	131	7,006
Increase in Compensated Absences	3,067		3,067
Net Cash Provided (Used) by Operating Activities	<u>\$ (18,423)</u>	<u>4,800</u>	<u>(13,623)</u>

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

CITY OF HIGHWOOD, ILLINOIS

Statement of Fiduciary Net Position - Fiduciary Funds

April 30, 2014

	Pension Trust Funds	Agency Fund
Assets		
Cash and Cash Equivalents	\$ 112,503	75,432
Investments		
U.S. Treasuries	590,655	
U.S. Agencies	2,353,689	
Mutual Funds	2,058,584	
Municipal Bonds	524,101	
Receivables, Net		
Accrued Interest	32,592	
Total Assets	<u>5,672,124</u>	<u>75,432</u>
Liabilities		
Accounts Payable	9,270	
Due to Other Organizations		73,371
Due to City		2,061
Total Liabilities	<u>9,270</u>	<u>75,432</u>
Net Position		
Held in Trust for Pension Benefits	<u>\$ 5,662,854</u>	<u>-</u>

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

CITY OF HIGHWOOD, ILLINOIS

Statement of Changes in Fiduciary Net Position - Pension Trust Funds

Year Ended April 30, 2014

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer	\$ 357,466
Plan Members	99,413
Repayment of Refunds	3,551
	<u>460,430</u>
Investment Income	
Investment Income	175,027
Gains/Losses on Investments	22,739
Investment Expense	(22,162)
	<u>175,604</u>
Total Additions	<u>636,034</u>
Deductions	
Benefits	165,617
Administration	74,195
Refunds of Contributions	2,850
	<u>242,662</u>
Total Deductions	<u>242,662</u>
Change in Net Position	393,372
Net Position Held in Trust for Pension Benefits	
May 1	<u>5,269,482</u>
April 30	<u>\$ 5,662,854</u>

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements

April 30, 2014

1. Summary of Significant Accounting Policies

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

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

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

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

1. Summary of Significant Accounting Policies (Cont.)

A. Reporting Entity (Cont.)

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

Discretely Presented Component Unit

Highwood Public Library

The government-wide financial statements include the Highwood Public Library (Library) as a component unit. The Library is a legally separate organization. The Board of the Library is appointed by the Mayor with the approval of the City Council. The Library's budget and tax levy is subject to approval by the City Council. As a component unit, the Library's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended April 30, 2014. The Library does not issue separate financial statements.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements

April 30, 2014

1. Summary of Significant Accounting Policies (Cont.)

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

Fund Financial Statements

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

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

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type.
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

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

The City reports the following major governmental funds:

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

The **TIF Capital Projects Fund** accounts for resources accumulated and payments made for development within the TIF District.

The City reports the following major enterprise fund:

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

The City reports the following nonmajor governmental and enterprise funds:

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

Motor Fuel Tax Fund
E-911 Fund

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements

April 30, 2014

1. Summary of Significant Accounting Policies (Cont.)

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

Fund Financial Statements (Cont.)

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

In addition, the City reports the following fund types:

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

Police Pension Fund

Firefighters' Pension Fund

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

Escrow Fund

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

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and 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.

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements

April 30, 2014

1. Summary of Significant Accounting Policies (Cont.)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Cont.)

Fund Financial Statements (Cont.)

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 in order to properly reflect 12 months of revenue in the financial statements. The current fiscal problems facing the State of Illinois have caused delays in these payments. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

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

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 unearned revenues. Amounts received prior to the entitlement period are also recorded as unearned revenues.

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

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

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 Fund are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements

April 30, 2014

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

Accounting Estimates

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

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

Deposits and Investments

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

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

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

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 two years from the date of purchase. Reserve funds may be invested in securities exceeding two 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 fifteen 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.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

1. Summary of Significant Accounting Policies (Cont.)

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

Deposits and Investments (Cont.)

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

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

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

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

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

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

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 firefighters' 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.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

1. Summary of Significant Accounting Policies (Cont.)

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

Deposits and Investments (Cont.)

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

Receivables

Property taxes for levy year 2013 attaches as an enforceable lien on January 1, 2013, 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 2014 tax levy, which attached as an enforceable lien on the property as of January 1, 2014, has not been recorded as a receivable and deferral as of April 30, 2014, as the tax has not yet been levied by the City and will not be levied until December 2014 and, therefore, the levy is not measurable at April 30, 2014.

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 2013 property tax levy is recognized as a receivable and deferral in fiscal 2014, net the allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues. At April 30, 2014, the property taxes receivable and deferred inflows consisted of the estimated amount collectible from the 2013 levy.

Interfunds

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

Restricted Assets

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

1. Summary of Significant Accounting Policies (Cont.)

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

Capital Assets

Government-Wide Statements

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

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

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

The City did not maintain adequate records to report capital assets activity during fiscal year ended April 30, 2014.

Fund Financial Statements

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

Compensated Absences

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

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at April 30, 2014 are determined on the basis of current salary rates and include salary related payments. The City did not maintain adequate records to support the activity of the outstanding balances of compensated absences disclosed in Note 9.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

1. Summary of Significant Accounting Policies (Cont.)

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

Deferred Outflows/Inflows of Resources

The City reports deferred outflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category; it is the unamortized loss on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price.

The City reports deferred inflows of resources on its statement of net position. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only two types of items that qualifies for reporting in this category. Accordingly, the items, unavailable property taxes and unavailable other taxes, are reported in the statement of net position and the governmental funds Balance Sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

Long-Term Obligations

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

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

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. The liability for claims and judgments is only reported in governmental funds if it has matured. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. Refer to Note 13 for Commitments and Contingencies.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

1. Summary of Significant Accounting Policies (Cont.)

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

Equity Classifications

Government-Wide Statements

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

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

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

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Financial Statements

There are five classifications of fund balance:

- (1) **Nonspendable** – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- (2) **Restricted** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.
- (3) **Committed** – amounts constrained to specific purpose by a government itself, using its highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action (the adoption of another ordinance) to remove or change the constraint.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

1. Summary of Significant Accounting Policies (Cont.)

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

Fund Financial Statements (Cont.)

- (4) Assigned – amounts a government intends to use for a specific purpose. Intent can be expressed by the City Manager.
- (5) Unassigned – amounts that are available for any purpose. These amounts are only reported in the General Fund, except for deficit balances in other funds.

2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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, 2014, no individual funds report a deficit balance.

3. Deposits and Investments

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2014

3. Deposits and Investments (Cont.)

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

	Carrying Value	Bank/Broker Statement Balances
Deposits	\$ 2,339,554	2,540,647
Illinois Funds	817,164	1,187,774
Investments	5,527,029	5,527,029
Petty Cash	600	600
	<u>\$ 8,684,347</u>	<u>9,256,050</u>

Reconciliation to financial statements:

Per Statement of Net Position		
Unrestricted Cash and Investments		\$ 2,713,800
Restricted Cash and Investments		255,583
Per Statement of Net Position - Fiduciary Funds		
Cash		112,503
U.S. Government and Agency Obligations		2,944,344
Mutual Funds		2,058,584
Municipal Bonds		524,101
Agency Fund		75,432
		<u>\$ 8,684,347</u>

Custodial Credit Risk

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

Deposits – As of April 30, 2014, none of the City's total bank balances were exposed to custodial credit risk.

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2014

3. Deposits and Investments (Cont.)

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, Aa2, or Aa3 ratings with their applicable rating agency, except for the following Municipal Bonds in the Fire Pension Fund: Rockford, IL rated A1, McHenry, IL rated A2, and the following Municipal Bonds in the Police Pension Fund: Rockford, IL rated A1, DeKalb, IL rated AA-, Melrose Park, IL rated AA-. The value of the Rockford, IL and McHenry, IL Bonds in the Fire Pension Fund at April 30, 2014 were \$20,325 and \$51,322, respectively. The value of the Rockford, IL, DeKalb, IL, and Melrose Park, IL Bonds in the Police Pension Fund at April 30, 2014 were \$25,387, \$21,311 and \$26,070, respectively.

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, 2014, the City did not have any one individual investment (other than those issued or guaranteed by the U.S. Government) that represented more than 5% of its overall portfolio.

Interest Rate Risk

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

As of April 30, 2014, the City's investments in the Illinois Funds were due within one year.

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

Police Pension

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	Over 10
U.S. Treasuries	\$ 215,426		215,426		
U.S. Agencies	1,147,666	20,639	506,444	580,115	40,468
Municipal Bonds	247,534	61,291	68,017	83,771	34,455
	<u>\$ 1,610,626</u>	<u>81,930</u>	<u>789,887</u>	<u>663,886</u>	<u>74,923</u>

Not Subject to Interest Rate Risk

	Fair Value
Mutual Funds	<u>\$ 935,448</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

3. Deposits and Investments (Cont.)

Firefighters' Pension

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	Over 10
U.S. Treasuries	\$ 375,229	10,066	196,014	169,149	
U.S. Agencies	1,206,023	67,575	538,144	600,304	
Municipal Bonds	276,567	66,619	94,639	54,093	61,216
	<u>\$ 1,857,819</u>	<u>144,260</u>	<u>828,797</u>	<u>823,546</u>	<u>61,216</u>

Not Subject to Interest Rate Risk

	Fair Value
Mutual Funds	<u>\$ 1,123,136</u>

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

4. Receivables

	General Fund	TIF Capital Projects Fund	Nonmajor and Other Funds	Total
Receivables				
Property Taxes	\$ 1,120,230	379,119		1,499,349
Other Taxes				
Sales Tax	112,461			112,461
Utility Tax	17,875			17,875
Intergovernmental				
Intergovernmental - Sales Tax	136,935			136,935
Intergovernmental - Telecom	36,554			36,554
Intergovernmental - Use Tax	6,337			6,337
Intergovernmental - Income	194,862			194,862
Intergovernmental - Replacement	1,542			1,542
Motor Fuel Tax			9,964	9,964
Other Receivables, Net				
Accounts	116,211		3,649	119,860
	<u>\$ 1,743,007</u>	<u>379,119</u>	<u>13,613</u>	<u>2,135,739</u>

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

5. Restricted Assets

The following represent the balances of the restricted assets:

Unspent Bond Proceeds – Unspent portion of 2010 A and B Series Bonds.

Deposits in Escrow – Unspent portion of 2010 A and B Series Bonds held in escrow in connection with projects being executed under intergovernmental agreements and unspent portion of loans payable that were issued during the current and previous fiscal year and had not been spent entirely out of the escrow at April 30, 2014.

Following is a list of restricted assets at April 30, 2014:

	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Position
<u>Governmental Activities</u>			
Deposits in Escrow	\$ 80,903	(80,903)	
<u>Business-Type Activities</u>			
Unspent Bond Proceeds	122,364	(122,364)	
Deposits in Escrow	52,316	(52,316)	
Total	<u>\$ 255,583</u>	<u>(255,583)</u>	-

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2014

6. Capital Assets

A. Governmental Activities

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

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2014

6. Capital Assets

B. Business-Type Activities

A summary of changes in capital assets for business-type activities of the City is as follows (see Note 6.A.):

	Balances May 1	Additions	Deletions	Balances April 30
Capital Assets Not Being Depreciated				
Land	\$ 83,196			83,196
Capital Assets Being Depreciated				
Buildings and Improvements	1,045,984			1,045,984
Machinery and Equipment	231,730			231,730
Waterworks and Sewerage System	8,521,284			8,521,284
	<u>9,798,998</u>	-	-	<u>9,798,998</u>
Less Accumulated Depreciation for				
Buildings and Improvements	667,463			667,463
Machinery and Equipment	231,730			231,730
Waterworks and Sewerage System	1,548,255			1,548,255
	<u>2,447,448</u>	-	-	<u>2,447,448</u>
Total Capital Assets Being Depreciated, Net	<u>7,351,550</u>	-	-	<u>7,351,550</u>
Business-Type Activities Capital Assets, Net	<u>\$ 7,434,746</u>	-	-	<u>7,434,746</u>

7. Interfund Transactions

A. Interfund Receivables/Payables

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

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2014

7. Interfund Transactions (Cont.)

A. Interfund Receivables/Payables (Cont.)

The following is a schedule of interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
General	E-911	\$ 1,870
General	TIF Capital Projects Fund	373
TIF Capital Projects Fund	General	33,237
TIF Capital Projects Fund	Water and Sewer	<u>103,182</u>
Total Fund Financial Statements		138,662
Less Government-wide Eliminations		<u>(35,480)</u>
Total Internal Balances - Government-wide Statement of Net Position		<u>\$ 103,182</u>
General	Agency	<u>\$ 2,061</u>

All amounts are due within one year.

B. Transfers

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

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General	Motor Fuel Tax	<u>\$ 19,926</u>	To transfer costs associated with salaries of Public Works employees snow plowing the City's streets

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements

April 30, 2014

8. Deferred Inflows of Resources and Unearned Income

At the end of the current fiscal year, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Deferred Inflows of Resources	Unearned	Total
Property Taxes Receivable for Subsequent Year	\$ 1,499,349		1,499,349
Telecom Tax	12,360		12,360
Sales Tax	91,846		91,846
Rental Income Received in Advance		122,626	122,626
 Total Deferred/Unearned Revenue for Governmental Funds	 \$ 1,603,555	 122,626	 1,726,181

At the end of the current fiscal year, the various components of deferred inflows of resources and unearned revenue reported in the statement of net position were as follows:

	Deferred Inflows of Resources	Unearned	Total
Property Taxes Receivable for Subsequent Year	\$ 1,499,349		1,499,349
Rental Income Received in Advance		122,626	122,626
 Total Deferred/Unearned Revenue per Statement of Net Position	 \$ 1,499,349	 122,626	 1,621,975

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

9. Long-Term Debt Obligations

Long-term Obligations activity for the year ended April 30, 2014 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
<u>Governmental Activities</u>					
Bonds and Notes Payable					
Alternative Revenue Bonds	\$ 2,820,411	* 2,194,922	2,340,000	2,675,333	245,000
Bond Premium		44,543		44,543	
Capital Leases Payable	195,899		26,517	169,382	27,346
Loans Payable	419,495	113,000	84,824	447,671	122,243
Note Payable	1,811		1,811		
	<u>3,437,616</u>	<u>2,352,465</u>	<u>2,453,152</u>	<u>3,336,929</u>	<u>394,589</u>
Other Liabilities					
Vested Compensated Absences	203,692		34,731	168,961	33,792
Net Pension Obligation	46,452		21,970	24,482	
	<u>250,144</u>	<u>-</u>	<u>56,701</u>	<u>193,443</u>	<u>33,792</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 3,687,760</u>	<u>2,352,465</u>	<u>2,509,853</u>	<u>3,530,372</u>	<u>428,381</u>

* \$34,922 represents accreted interest on Capital Appreciation Bonds

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
<u>Business-Type Activities</u>					
Bonds and Notes Payable					
Alternative Revenue Bonds	\$ 140,000		140,000		
2010A General Obligation Build America Bonds	800,000			800,000	140,000
2010B General Obligation Recovery Zone Economic Development Bonds	3,000,000			3,000,000	
Bond Discount	(30,191)		(2,603)	(27,588)	
Loan Payable	380,000		34,539	345,461	33,498
IEPA Loan	602,146		60,364	541,782	61,914
	<u>4,891,955</u>	<u>-</u>	<u>232,300</u>	<u>4,659,655</u>	<u>235,412</u>
Other Liabilities					
Vested Compensated Absences	7,174	3,067		10,241	
Total Governmental Activities Long-Term Liabilities	<u>\$ 4,899,129</u>	<u>3,067</u>	<u>232,300</u>	<u>4,669,896</u>	<u>235,412</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2014

9. Long-Term Debt Obligations (Cont.)

The General Fund is expected to pay the Net Pension Obligation. For the governmental activities, the compensated absences are generally liquidated by the General Fund. The City is subject to the Illinois Municipal Code, which limits the amount of certain indebtedness to 8.625% of the most recent available equalized assessed valuation of the City. As of April 30, 2014, the statutory debt limit for the City was \$10,513,588, providing a debt margin of \$4,021,390.

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.

Governmental Activities Alternative Revenue Debt

Alternative revenue debt payable at April 30, 2014 consists of the following:

Governmental Activities Alternative Revenue Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance April 30, 2014
Series 2002	2013	1/1/2022	2.00%-4.00%	\$ 2,160,000	\$ 2,030,000
Series 2002 CAB	2002	1/1/2021	4.00%-5.40%	624,207	<u>645,333</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 2,675,333</u>

General Obligation Debt

Business-Type Activities General Obligation Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and improvements. General obligation bonds have been issued for general business-type activities.

General obligation debt payable at April 30, 2014, consists of the following:

Governmental Activities Alternative Revenue Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 4/30/2014
Series 2010A	2011	12/1/2019	3.22%-4.72%	\$ 800,000	\$ 800,000
Series 2010B	2011	12/1/2033	5.62%-6.84%	3,000,000	<u>3,000,000</u>
Total Business-Type Activities - Alternative Revenue Debt					<u>\$ 3,800,000</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2014

9. Long-Term Debt Obligations (Cont.)

Debt service requirements to maturity are as follows:

Year	Governmental Activities Alternative Revenue Source	
	Principal	Interest
2015	\$ 245,000	95,458
2016	275,000	88,884
2017	310,000	80,776
2018	350,000	70,590
2019	385,000	70,590
2020-2022	1,250,000	139,840
	<u>\$ 2,815,000</u>	<u>546,138</u>

Year	Business-Type Activities					
	2010A General Obligation Build America Bonds			2010B General Obligation Recovery Zone Economic Development Bonds		
	Principal	Gross Interest	Net Interest*	Principal	Gross Interest	Net Interest**
2015	\$ 140,000	33,560	21,814	\$	190,926	105,009
2016	140,000	29,052	18,883		190,926	105,009
2017	150,000	24,544	15,954		190,926	105,009
2018	150,000	17,464	11,352		190,926	105,009
2019	155,000	10,384	6,750		190,926	105,009
2020-2024	65,000	3,068	1,994	785,000	876,512	482,082
2025-2029				1,010,000	616,732	339,203
2030-2034				1,205,000	253,422	139,382
	<u>\$ 800,000</u>	<u>118,072</u>	<u>76,747</u>	<u>\$ 3,000,000</u>	<u>2,701,296</u>	<u>1,485,712</u>

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

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

Other Notes or Loans Payable

The City entered into a commercial loan agreement with Hometown National Bank for the purchase of three police vehicles. The total amount of the loan is \$113,000. The loan was dated November 1, 2013, with three future minimum payments of \$36,505, \$37,655, and \$38,840 on November 1 2014, 2015, and 2016 respectively including interest at 3.110%. The vehicles purchased through the loan have not yet been reported in the City's capital asset records due to the City's not reporting its capital assets activity. See Note 6 for further information.

In prior years, the City had entered into various other loans and notes payable agreements. See tables on the following page for summary of these items.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

9. Long-Term Debt Obligations (Cont.)

Other Bonds or Notes or Loans Payable (Cont.)

Governmental Activities - Other Notes or Loans Payable	Date of Issue	Original Indebtedness	Final Maturity	Interest Rates	Balance April 30, 2014
LED Light Loan	11/21/2012	\$ 165,000	9/15/2017	2.85%	\$ 133,189
Fire Alarm Monitoring Equipment Loan	11/21/2012	155,000	9/15/2019	3.12%	134,142
Police Vehicles Loan	11/21/2012	99,495	10/15/2015	3.11%	67,340
Police Vehicles Loan	11/1/2013	113,000	11/1/2016	3.11%	113,000
					<u>\$ 447,671</u>

Business-Type Activities - Other Notes or Loans Payable	Date of Issue	Original Indebtedness	Final Maturity	Interest Rates	Balance April 30, 2013
Illinois Environmental Protection Agency (IEPA) Loan Payable of 2002	2002	\$ 1,170,000	12/30/2021	2.54%	<u>\$ 541,782</u>
Water Meter Loan	11/21/2012	\$ 380,000	9/15/2022	Various	<u>\$ 345,461</u>

Debt service requirements to maturity are as follows:

Year	Governmental Activities Loans Payable		Business-Type Activities Loans Payable	
	Principal	Interest	Principal	Interest
2015	\$ 122,243	13,634	\$ 95,412	24,981
2016	125,978	9,584	98,111	22,272
2017	94,578	5,889	100,896	19,487
2018	57,386	3,178	103,762	16,620
2019	23,379	1,482	106,712	13,671
2020-2023	24,107	752	382,350	23,920
	<u>\$ 447,671</u>	<u>34,519</u>	<u>\$ 887,243</u>	<u>120,951</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2014

9. Long-Term Debt Obligations (Cont.)

Capital Leases Payable

Governmental Activities - Capital Leases Payable	Date of Issue	Original Indebtedness	Final Maturity	Interest Rates	Balance April 30, 2014
Public Works Capital Lease	12/10/2012	\$ 202,020	1/1/2020	3.00%	<u>\$ 169,382</u>

Debt service requirements to maturity are as follows:

Year	Governmental Activities Capital Lease Payable	
	Principal	Interest
2015	\$ 27,346	4,919
2016	28,201	4,064
2017	29,083	3,183
2018	29,992	2,274
2019	30,929	1,336
2020	23,831	369
	<u>\$ 169,382</u>	<u>16,145</u>

Advance Refunding

The City issued \$2,160,000 in General Obligation Refunding Bonds with interest rates ranging from 2.0% to 4.0%. The proceeds were used to advance refund \$2,125,000 of outstanding 2002 Tax Increment Financing Alternate Revenue Bonds which had interest rates of 4.15% to 5.10%. The net proceeds of \$2,146,157 (including a \$53,741 premium and after payment of \$70,484 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide fund for future debt service payments on the refunded bonds. As a result, the 2002 Tax Increment Financing Alternate Revenue Bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The City advance refunded the 2002 Tax Increment Financing Alternate Revenue Bonds to reduce its total debt service payments over eight years by \$135,061 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$118,348.

Conduit Debt

The City issued \$5,830,000 of Industrial Project Revenue Bonds for the B'nai Torah Project during the year ended April 30, 2007. The City has no obligation to pay this debt. The 2007 Project Revenue Bonds were refunded during the year ended April 30, 2013, with the issuance of 2013 Refunding Bonds. The 2013 Project Revenue Bonds for the B'nai Torah Project had an outstanding balance of \$5,380,442 at April 30, 2014.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

10. Highwood Public Library – Component Unit

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

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

A. Basis of Accounting/Measurement Focus

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

B. Deposits and Investments

	<u>Carrying Value</u>	<u>Statement Balance</u>
The Illinois Funds	\$ 345,106	360,926

C. Custodial Credit Risk

Deposits

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

Investments

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

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

D. Interest Rate Risk

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

As of April 30, 2014, the Library's investments in The Illinois Funds were all due within one year.

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2014

10. Highwood Public Library – Component Unit (Cont.)

E. Capital Assets

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

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

11. Defined Benefit Pension Plans

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

A. Illinois Municipal Retirement Fund

Plan Description

The City contributes to the Illinois Municipal Retirement Fund (IMRF), which provides retirement (including early retirement), disability and death benefits to plan members and beneficiaries. IMRF is a defined benefit agent multiple-employer public employee retirement system which acts as a common investment and administrative agent for local governments and school districts in Illinois. All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. The Illinois Pension Code establishes the benefit provisions of the plan which can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org/pubs/ or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Funding Policy

As set by State statute, Regular plan members are required to contribute 4.50% of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City contribution rate for calendar year 2013 was 12.68% of annual covered payroll. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

11. Defined Benefit Pension Plans (Cont.)

A. Illinois Municipal Retirement Fund (Cont.)

Annual Pension Cost, Net Pension Obligation and Actuarial Assumptions

For December 31, 2013, the City's actual contributions were \$83,636. The annual pension cost was \$83,636. The required contribution for 2012 was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method.

The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative and direct investment expenses); (b) projected salary increases of 4% a year attributable to inflation; (c) additional projected salary increases ranging from .4% to 10% per year, depending on age and service attributable to seniority/merit; and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The employer plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at the December 31, 2011 valuation was 30 years.

As of December 31, 2013, the most recent actuarial valuation date, the Regular Plan was 78.52% funded. The actuarial accrued liability was \$2,013,860 and the actuarial value of assets was \$1,581,252, resulting in an unfunded actuarial accrued liability of \$432,608. The covered payroll for 2013 was \$659,590 and the ratio of the UAAL to the covered payroll was 66.00%.

In addition, certain public safety employees were previously covered by the IMRF Sheriff's Law Enforcement Personnel (SLEP) Plan. The SLEP Plan was 334.00% funded. Actuarial accrued liability was \$16,448 and actuarial value of assets was \$54,936, resulting in an overfunded actuarial accrued liability of \$38,488.

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

Three-Year Trend Information for the Regular Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2013	\$ 83,636	100.00%	0
12/31/2012	68,653	100.00%	0
12/31/2011	62,544	100.00%	0

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2014

11. Defined Benefit Pension Plans (Cont.)

A. Illinois Municipal Retirement Fund (Cont.)

Three-Year Trend Information for the SLEP Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2013	\$	100.00%	0
12/31/2012		100.00%	0
12/31/2011		100.00%	0

B. Police Pension

Plan Description and Provisions

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

The Police Pension Plan provides retirement benefits, as well as death and disability benefits. Employees attaining the age of 50, with 20 or more years of creditable service, are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank held in the police service at the date of retirement. The monthly pension shall be increased by 2.5% of such monthly salary for each additional year of service over 30 years of service to a maximum of 75% of such monthly salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement, and be paid upon reaching the age of at least 55 years, by 3% of the originally granted pension.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of one-half of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., 1/2% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or one-half of the change in the Consumer Price Index for the proceeding calendar year.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2014

11. Defined Benefit Pension Plans (Cont.)

B. Police Pension (Cont.)

Plan Description and Provisions (Cont.)

The City's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2014 was \$565,697. At April 30, 2014, the Police Pension Plan's membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but Not Yet Receiving Them	6
Current Employees	
Vested	5
Nonvested	5
Total	16

Summary Significant Accounting Policies

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

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

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

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan, as actuarially determined by an enrolled actuary. By the year 2040, the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is 90% funded.

Concentration of Investments – It is the policy of the Police Pension Fund to diversify its investment portfolio. At April 30, 2014, the Police Pension Fund's investments (other than those issued or guaranteed by the U.S. Government) include a T Rowe Price Growth Stock Mutual Fund of \$200,705 and Vanguard 500 Index Fund of \$223,055, each of which represents 5% or more of plan net position.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

11. Defined Benefit Pension Plans (Cont.)

C. Firefighters' Pension Plan

Plan Description and Provisions

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

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

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for pension purposes is capped at \$106,800, plus the lesser of one-half of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., 1/2% for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or one-half of the change in the Consumer Price Index for the proceeding calendar year.

The City's payroll for employees covered by the Firefighters' Pension Plan for the year ended April 30, 2014 was \$441,939. At April 30, 2014, the Firefighters' Pension Plan's membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but Not Yet Receiving Them	4
Current Employees	
Vested	4
Nonvested	3
	<hr/>
Total	11
	<hr/> <hr/>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

11. Defined Benefit Pension Plans (Cont.)

C. Firefighters' Pension Plan (Cont.)

Summary Significant Accounting Policies

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

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

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

Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan, as actuarially determined by an enrolled actuary. By the year 2040, the City's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is 90% funded.

Concentrations of Investments – It is the policy of the Firefighters' Pension Fund to diversify its investment portfolio. At April 30, 2014, the Firefighters' Pension Fund's investments (other than those issued or guaranteed by the U.S. Government) include a LSV Value Equity Fund of \$157,415, a T Rowe Price Growth Stock Mutual Fund of \$214,570 and a Vanguard 500 Index Fund of \$224,369, each of which represents 5% or more of plan net position.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

D. Summary of Significant Accounting Policies and Plan Asset Matters

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

Computation of Net Pension Obligation (Asset) at April 30, 2014

	Police Pension	Firefighters' Pension	Total
Annual Required Contribution	\$ 186,224	124,986	311,210
Interest on the NPO	3,019	(135)	2,884
Adjustments to the ARC	(1,941)	77	(1,864)
Annual Pension Cost	187,303	124,928	312,230
Contributions Made	209,273	148,193	357,466
Change in the Net Pension Obligation (Asset)	(21,970)	(23,265)	(45,236)
Net Pension Obligation (Asset) at May 1, 2013	46,452	(2,078)	44,374
Net Pension Obligation (Asset) at April 30, 2014	<u>\$ 24,482</u>	<u>(25,343)</u>	<u>(862)</u>

E. Financial Statement Information

Statement of Net Position

	Police Pension	Firefighters' Pension
Assets		
Cash, Cash Equivalents and Investments	\$ 2,553,223	3,086,309
Interest Receivable	15,332	17,260
Total Assets	2,568,555	3,103,569
Liabilities		
Other Payables	4,770	4,500
Net Position		
Held in Trust for Pension Benefits	<u>\$ 2,563,785</u>	<u>3,099,069</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements

April 30, 2014

11. Defined Benefit Pension Plans (Cont.)

E. Financial Statement Information (Cont.)

Statement of Changes in Net Position

	Police Pension	Firefighters' Pension
Additions		
Contributions		
Employer	\$ 209,273	148,193
Plan Members	63,319	36,094
Other Member Revenue		3,551
	<u>272,592</u>	<u>187,838</u>
Investment Income		
Net Appreciation in Fair Value of Investments	58,901	138,865
Investment Fees	<u>(10,165)</u>	<u>(11,997)</u>
	<u>48,736</u>	<u>126,868</u>
Total Additions	<u>321,328</u>	<u>314,706</u>
Deductions		
Administration	145,515	20,102
Benefits	49,315	24,880
Refunds of Contributions	<u>1,278</u>	<u>1,572</u>
Total Deductions	<u>196,108</u>	<u>46,554</u>
Change in Net Position	125,220	268,152
Net Position		
Beginning	<u>2,438,565</u>	<u>2,830,917</u>
Ending	<u>\$ 2,563,785</u>	<u>3,099,069</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2014

11. Defined Benefit Pension Plans (Cont.)

F. Significant Actuarial Assumptions

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

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial Valuation Date	December 31, 2013	April 30, 2013	April 30, 2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Market Value	Market Value	Market Value
Amortization Method	Level Percentage of Projected Payroll - Open Basis	Level Percentage of Projected Payroll - Closed Basis	Level Percentage of Projected Payroll - Closed Basis
Significant Actuarial Assumptions			
(a) Remaining Amortization Period (Years)	30	29	29
(b) Rate of Return on Investment of Present and Future Assets	7.50% Compounded Annually	6.50% Compounded Annually	6.50% Compounded Annually
(c) Projected Salary Increases - Attributable to Inflation	4.00% Compounded Annually	5.50% Compounded Annually	5.50% Compounded Annually
(d) Additional Projected Salary Increases - Attributable to Seniority/Merit	0.4% to 10.0%	<i>(Note: Separate Information for (c) and (d) not available)</i>	
(e) Postretirement Benefit Increases	3.00%	3.00% Compounded Annually	3.00% Compounded Annually

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

11. Defined Benefit Pension Plans (Cont.)

G. Funding Status at April 30, 2014 (Police and Fire Pension as of April 30, 2013 which is the most recent IMRF Plans are as of December 31, 2013).

Plan	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
Illinois Municipal Retirement	\$ 1,581,252	2,013,860	432,608	78.52%	659,590	65.59%
IMRF - SLEP	54,936	16,448	(38,488)	334.00%		N/A
Police Pension	2,521,486	4,081,877	1,560,391	61.77%	565,697	275.84%
Firefighters' Pension	2,827,925	3,392,933	565,008	83.35%	441,939	127.85%

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

H. Trend Information

	Fiscal Year	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual Pension Cost	2014	\$ 83,636	186,224	124,986
	2013	68,653	150,630	133,712
	2012	62,544	168,328	125,932
Percent Contributed	2014	100%	112.38%	118.57%
	2013	100%	96.31%	94.15%
	2012	100%	99.00%	100.30%
Net Pension Obligation (Asset)	2014		24,482	(25,343)
	2013		46,452	(2,078)
	2012		39,876	(9,656)

12. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. Mesirow Financial Insurance Services Division is the City's current full service insurance brokerage and risk management services firm for property, liability, and workers' compensation coverage. This includes, but is not limited to, the placement of insurance policies, coverage marketing, claims advocacy and management, loss prevention services, claim audits, training programs, and risk information systems.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

12. Risk Management (Cont.)

The City of Highwood participates in the Illinois Public Risk Fund (IPRF) for workers' compensation coverage. IPRF is a self-funded workers' compensation pool for public entities, established to provide a cost-effective alternative to escalating workers' compensation premiums and related costs. This workers' compensation pool is reinsured through Safety National, rated A+ by AM Best Co. By participating in IPRF, more than 500 public entities and governmental agencies have pooled their workers' compensation exposures and controlled costs through a unified loss prevention and claims management program. In the past 5+ years the pool has authorized safety group dividends or grants based on the individuals entity's premiums paid and losses to be used towards safety equipment or other safety programs.

Brit Specialty insurance company offers a customizable list of solutions to provide detailed protection for midsized municipalities, counties, and special districts including publicly funded agencies. The City's property, equipment, boiler, general liability including employee benefit liability, automobile, professional coverages such as law enforcement, public officials, and employment practices liability and umbrella coverages are insured through this carrier. Brit Specialty's current A.M. Best rating is A+ XV, which is the highest financial rating that is given to an insurance carrier.

Fidelity or Crime including the Public Officials bond coverage is placed with Hanover Insurance Company, which is rated A XIV by Am Best Co. The crime coverage includes faithful performance of duties for all City employees, elected officials, board members, commissioners, directors, and non-compensated officers. The policy has also been endorsed to include all employees that are required to be bonded by law, as well as coverage for Treasurers and Tax collectors up to the policy limits.

13. Commitments and Contingent Liabilities

The City has entered into an economic development agreement with a Developer to provide a fixed amount of reimbursement to the Developer for specific redevelopment costs within the City's TIF District. The maximum reimbursable amount is \$500,000. The initial payment is not to be made until the issuance of a certificate of occupancy for the building within the redevelopment area. At fiscal year-end construction had not yet begun on the project and the City has not paid any reimbursements associated with the project.

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

The City enters into contractual commitments for various construction projects throughout the year as budgeted for annually.

The City is a defendant in various lawsuits and claims arising in the ordinary course of the City's operations. No provision has been reflected in the City's financial statements for covered claims or other claims because of the uncertainty of their outcome. The City estimates that if these claims were to result in unfavorable outcome for the City, the cost to the City would be approximately \$140,000.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2014

14. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency occurs.

The assets of the plan are held in trust, with the City as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets cannot be diverted for any other purpose. The City's beneficial ownership of plan assets held in the trust is held for the future exclusive benefit of the participants and their beneficiaries.

15. Subsequent Events

Subsequent to fiscal year end, the B'nai Torah Project for which the City issued \$5,830,000 of Industrial Project Revenue Bonds (see Note 9) ceased operations. Although it is not currently determinable at this time, it is not expected that this will have a material impact to the City.

Management has evaluated subsequent events through October 16, 2014, the date that these financial statements were available to be issued.

16. Future Pronouncements

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of this Statement are effective for the Village's financial year ending April 30, 2016. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIGHWOOD, ILLINOIS

Required Supplemental Information

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

Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Property Taxes	\$ 1,063,210	1,061,835	(1,375)
Other Taxes	1,000,000	968,837	(31,163)
Licenses and Permits	335,500	373,582	38,082
Intergovernmental	1,139,128	1,142,037	2,909
Charges for Services	764,090	995,348	231,258
Fines and Forfeits	120,000	106,953	(13,047)
Interest	1,040	1,022	(18)
Miscellaneous	11,000	41,494	30,494
Total Revenues	4,433,968	4,691,108	257,140
Expenditures			
Current			
General Government	1,058,261	882,035	(176,226)
Public Safety	2,611,332	2,845,991	234,659
Public Works	626,186	505,022	(121,164)
Culture and Recreation	129,248	117,673	(11,575)
Capital Outlay	261,500	196,098	(65,402)
Debt Service			
Principal	78,103	91,521	13,418
Interest		11,829	11,829
Total Expenditures	4,764,630	4,650,169	(114,461)
Excess (Deficiency) of Revenues over Expenditures	(330,662)	40,939	371,601
Other Financing Sources			
Transfers In		19,926	19,926
Proceeds from Loan	194,000	113,000	(81,000)
Proceeds from Sale of Capital Assets	6,000	16,130	10,130
Total Other Financing Sources	200,000	149,056	(50,944)
Net Change in Fund Balance	<u>\$ (130,662)</u>	189,995	<u>320,657</u>
Fund Balance			
May 1		<u>735,996</u>	
April 30		<u>925,991</u>	

See accompanying Note to the Required Supplementary Information.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Required Supplementary Information
April 30, 2014

Legal Compliance and Accountability

Budgetary Control

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- i) The City Manager submits to the City Council Members a proposed operating budget for the fiscal year commencing the following May 1. The operating budget includes proposed expenditures and the means of financing them.
- ii) Public hearings are conducted by the City to obtain taxpayer comments.
- iii) Subsequently, the budget is legally enacted through passage of an ordinance.
- iv) Formal budgetary integration is employed as a management control device during the year for the general, special revenue, debt service, and capital projects funds.
- v) Budgets for the governmental funds for which budgets have been adopted are adopted on a basis consistent with GAAP.
- vi) Budgetary authority lapses at year end.
- vii) State law requires that “expenditures be made in conformity with appropriations/budget.” As under the Budget Act, transfers between line items and departments may be made by administrative action. Amounts to be transferred between funds require City Council approval. The level of legal control is generally the fund budget in total.
- viii) Budgeted amounts are as originally adopted, with the exceptions of City Council-approved transfers which were not material in relation to the budget taken as a whole.
- ix) The City Manger is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that increase the total expenditures of any fund must be approved by the City Council.

Expenditures may not legally exceed the appropriations at the fund level. During the year, no supplemental appropriations were necessary. For the year ended April 30, 2014 the E911, and Waterworks and Sewerage Funds had expenditures that exceeded its appropriations in the amount of \$5,867 and \$480,855, respectively.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Illinois Municipal Retirement Fund

Schedule of Funding Progress

April 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2013	\$ 1,581,252	2,013,860	432,608	78.52 %	659,590	65.59 %
12/31/2012	2,402,476	2,842,408	439,932	84.52	601,163	73.18
12/31/2011	2,211,696	2,635,602	423,906	83.92	619,865	68.39
12/31/2010	2,064,846	2,399,137	334,291	86.07	746,097	44.81
12/31/2009	1,886,488	2,147,187	260,699	87.86	822,056	31.71
12/31/2008	1,744,188	2,094,211	350,023	83.29	769,289	45.50

On a market basis, the actuarial value of assets as of December 31, 2013 is \$1,954,933. On a market basis, the funded ratio would be 97.07%.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

IMRF Sheriff's Law Enforcement Personnel Fund

Schedule of Funding Progress

April 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2013	\$ 54,936	16,448	(38,488)	334.00 %		%
12/31/2012	50,284	15,300	(34,984)	328.65		
12/31/2011	46,897	34,526	(12,371)	135.83		
12/31/2010	46,713	22,477	(24,236)	207.83	55,551	(43.63)
12/31/2009	35,273	2,544	(32,729)	1,386.52	74,092	(44.17)
12/31/2008	19,313	(11,961)	(31,274)	(161.47)	35,767	(87.44)

On a market basis, the actuarial value of assets as of December 31, 2013 is \$60,771. On a market basis, the funded ratio would be 369.47%.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Police Pension Fund

Schedule of Funding Progress

April 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
4/30/2013	\$ 2,521,486	4,081,877	1,560,391	61.77 %	565,697	275.84 %
4/30/2012	2,292,720	3,603,045	1,310,325	63.63	597,167	219.42
4/30/2011	2,061,401	3,177,105	1,115,704	64.88	525,726	212.22
4/30/2010	1,861,066	2,904,501	1,043,435	64.08	567,861	183.75
4/30/2009	1,598,682	2,751,955	1,153,273	58.09	672,107	171.59
4/30/2008	1,504,144	2,698,517	1,194,373	55.74	631,291	189.20

Note:

Most recent available information as of April 30, 2013.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Firefighters' Pension Fund

Schedule of Funding Progress

April 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
4/30/2013	\$ 2,827,925	3,392,933	565,008	83.35 %	441,939	127.85 %
4/30/2012	2,476,395	3,149,852	673,457	78.62	431,021	156.25
4/30/2011	2,205,453	2,914,491	709,038	75.67	481,019	147.40
4/30/2010	1,976,913	2,522,861	545,948	78.36	443,025	123.23
4/30/2009	1,728,065	2,361,523	633,458	73.18	494,424	128.12
4/30/2008	1,653,853	2,098,150	444,297	78.82	428,628	103.66

Note:

Most recent available information as of April 30, 2013.

**COMBINING AND INDIVIDUAL FUNDS
FINANCIAL STATEMENTS AND SCHEDULES**

MAJOR GOVERNMENTAL FUNDS

CITY OF HIGHWOOD, ILLINOIS

General Fund

Schedule of Revenues - Budget and Actual

Year Ended April 30, 2014

	Original and Final Budget	Actual
Taxes		
Property Tax	\$ 1,063,210	1,061,835
Non-Home Rule Sales Tax	590,000	579,886
Utility Taxes	410,000	388,951
	<u>2,063,210</u>	<u>2,030,672</u>
Licenses and Permits		
Licenses	281,500	306,115
Permits	54,000	67,467
	<u>335,500</u>	<u>373,582</u>
Intergovernmental		
Income Tax	515,637	515,265
Sales Tax	505,000	480,199
Replacement Tax	8,430	7,089
Fire Insurance Tax (2% Fire Dues)		7,741
Local Use Tax	87,561	93,139
Municipal Gas Tax	22,500	21,928
Grants		16,676
	<u>1,139,128</u>	<u>1,142,037</u>
Charges for Services		
Developers Fees		
Parking Fees	50,500	42,748
Cable Franchise Fees	45,000	48,801
Zoning and Planning Fees	51,000	66,430
Rental Fees	355,440	352,835
Ambulance Fees	50,000	65,432
Transfer Fee		
Alarm Systems and Calls	20,000	128,219
Seized Autos	40,000	40,500
Refunds and Reimbursements	24,000	78,316
Park Recreation Fees	115,000	152,758
2H Agreement	2,800	2,984
Miscellaneous Fees and Fines	10,350	16,325
	<u>764,090</u>	<u>995,348</u>
Fines and Forfeits		
Police Fines	40,000	37,571
Court Fines	80,000	69,382
	<u>120,000</u>	<u>106,953</u>
Interest		
Investment Income	1,040	1,022

(Cont.)

CITY OF HIGHWOOD, ILLINOIS

General Fund

Schedule of Revenues - Budget and Actual (Cont.)

Year Ended April 30, 2014

	Original and Final Budget	Actual
Miscellaneous		
Special Event Revenue		2,025
Donations	8,000	11,140
Miscellaneous Income	3,000	28,329
	<u>11,000</u>	<u>41,494</u>
 Total Revenue	 <u>\$ 4,433,968</u>	 <u>4,691,108</u>

CITY OF HIGHWOOD, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual

Year Ended April 30, 2014

	Original and Final Budget	Actual
General Government		
Administration		
Personnel	\$ 414,496	407,681
Contractual Services	212,965	161,684
Materials and Supplies	7,750	7,565
Miscellaneous	22,200	22,251
	<u>657,411</u>	<u>599,181</u>
Legal		
Contractual Services	262,600	204,417
Building, Zoning and Health Department		
Personnel	64,500	45,571
Contractual Services	66,500	30,699
Materials and Supplies	1,750	1,861
Miscellaneous	5,500	306
	<u>138,250</u>	<u>78,437</u>
Capital Outlay		
Equipment - General Administration	11,500	7,629
	<u>11,500</u>	<u>7,629</u>
Total General Government	<u>1,069,761</u>	<u>889,664</u>
Public Safety		
Police Department		
Personnel	1,057,153	1,109,737
Contractual Services	158,050	172,543
Materials and Supplies	47,600	53,249
Miscellaneous	900	243
	<u>1,263,703</u>	<u>1,335,772</u>
Fire Department		
Personnel	1,089,349	1,134,170
Contractual Services	215,580	339,461
Materials and Supplies	38,700	32,400
Miscellaneous	4,000	4,188
	<u>1,347,629</u>	<u>1,510,219</u>
Capital Outlay		
Police - Equipment	115,000	120,841
Fire	127,000	56,929
	<u>242,000</u>	<u>177,770</u>
Total Public Safety	<u>2,853,332</u>	<u>3,023,761</u>

(Cont.)

CITY OF HIGHWOOD, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual (Cont.)

Year Ended April 30, 2014

	Original and Final Budget	Actual
Public Works		
Highways and Streets		
Personnel	287,686	273,245
Contractual Services	224,000	137,811
Street Light Maintenance	40,000	46,961
Materials and Supplies	58,000	40,726
Miscellaneous	16,500	6,279
	626,186	505,022
Capital Outlay		
Public Works	7,500	10,584
	633,686	515,606
Culture and Recreation		
Parks and Recreation		
Personnel	50,987	44,969
Contractual Services	34,650	30,884
Supplies and Materials	2,022	1,350
Special Events	39,089	37,832
Miscellaneous	2,500	2,638
	129,248	117,673
Capital Outlay		
Culture and Recreation	500	115
	129,748	117,788
Debt Service		
Principal	78,103	91,521
Interest		11,829
	78,103	103,350
Total Debt Service	78,103	103,350
Total Expenditures	\$ 4,764,630	4,650,169

CITY OF HIGHWOOD, ILLINOIS

TIF Capital Projects Fund (Major Fund)

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

Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Taxes			
Property Taxes	\$ 485,000	449,310	(35,690)
Investment Income	200	1,258	1,058
Miscellaneous Income		5,910	5,910
Total Revenues	<u>485,200</u>	<u>456,478</u>	<u>(28,722)</u>
Expenditures			
General Government			
Accounting Fees	5,000	5,000	
Legal Fees	10,000	6,444	(3,556)
Special Events Marketing	10,000	6,839	(3,161)
Capital Outlay	215,000	58,543	(156,457)
Debt Service			
Principal	212,850	236,631	23,781
Interest	102,925	80,848	(22,077)
Cost of Issuance		67,584	67,584
Fiscal Agent Fees		4,800	4,800
Total Expenditures	<u>555,775</u>	<u>466,689</u>	<u>(89,086)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(70,575)</u>	<u>(10,211)</u>	<u>60,364</u>
Other Financing Sources (Uses)			
Payment to Refunded Bond			
Escrow Agent		(2,146,157)	(2,146,157)
Refunding Bonds Issued		2,160,000	2,160,000
Bond Premium		53,741	53,741
Total Other Financing Sources (Uses)	<u>-</u>	<u>67,584</u>	<u>67,584</u>
Net Change in Fund Balance	<u>\$ (70,575)</u>	<u>57,373</u>	<u>127,948</u>
Fund Balance			
Beginning of Year		<u>634,856</u>	
End of Year		<u><u>692,229</u></u>	

NONMAJOR GOVERNMENTAL FUNDS

CITY OF HIGHWOOD, ILLINOIS

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2014

	Special Revenue Funds		Total Nonmajor Government Funds
	Motor Fuel Tax Fund	E-911 Fund	
Assets			
Cash and Investments	\$ 204,315	29,427	233,742
Accounts Receivable	9,964	3,649	13,613
Total Assets	\$ 214,279	33,076	247,355
Liabilities			
Accounts Payable	15,345	2,564	17,909
Due to Other Funds		1,870	1,870
Total Liabilities	15,345	4,434	19,779
Fund Balances			
Restricted			
Road Construction and Maintenance	198,934		198,934
Public Safety		28,642	28,642
Total Fund Balances	198,934	28,642	227,576
Total Liabilities and Fund Balances	\$ 214,279	33,076	247,355

CITY OF HIGHWOOD, ILLINOIS

Nonmajor Governmental Funds

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

Year Ended April 30, 2014

	Special Revenue Funds		Total Nonmajor Government Funds
	Motor Fuel Tax Fund	E-911 Fund	
Revenues			
Other Taxes	\$	46,484	46,484
Intergovernmental	159,905		159,905
Investment Income	83	106	189
Total Revenues	<u>159,988</u>	<u>46,590</u>	<u>206,578</u>
Expenditures			
Current			
Public Safety		63,472	63,472
Public Works	76,385		76,385
Capital Outlay		7,395	7,395
Total Expenditures	<u>76,385</u>	<u>70,867</u>	<u>147,252</u>
Excess (Deficiency) of Revenues over Expenditures	83,603	(24,277)	59,326
Other Financing Uses			
Transfers Out	(19,926)		(19,926)
Net Change in Fund Balance	63,677	(24,277)	39,400
Fund Balance			
May 1	<u>135,257</u>	<u>52,919</u>	<u>188,176</u>
April 30	<u>\$ 198,934</u>	<u>28,642</u>	<u>227,576</u>

CITY OF HIGHWOOD, ILLINOIS

Motor Fuel Tax Fund

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

Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Intergovernmental			
Motor Fuel Tax	\$ 127,018	159,905	32,887
Investment Income	300	83	(217)
Total Revenues	<u>127,318</u>	<u>159,988</u>	<u>32,670</u>
Expenditures			
Public Works			
Street Improvements	150,000	76,385	(73,615)
Capital Outlay			
Total Expenditures	<u>150,000</u>	<u>76,385</u>	<u>(73,615)</u>
Excess (Deficiency) of Revenues over Expenditures	(22,682)	83,603	106,285
Other Financing Uses			
Transfers Out		(19,926)	(19,926)
Net Change in Fund Balance	<u>\$ (22,682)</u>	63,677	<u>86,359</u>
Fund Balance			
May 1		<u>135,257</u>	
April 30		<u>198,934</u>	

CITY OF HIGHWOOD, ILLINOIS

E-911 Fund

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

Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Taxes			
911 Surcharge	\$ 51,500	46,484	(5,016)
Investment Income	100	106	6
Total Revenues	<u>51,600</u>	<u>46,590</u>	<u>(5,010)</u>
Expenditures			
Public Safety			
Materials and Supplies	15,000	13,372	(1,628)
Contractual Services		72	72
Emergency Communication (911)	50,000	50,028	28
Capital Outlay			
Equipment		7,395	7,395
Total Expenditures	<u>65,000</u>	<u>70,867</u>	<u>5,867</u>
Net Change in Fund Balance	<u>\$ (13,400)</u>	<u>(24,277)</u>	<u>(10,877)</u>
Fund Balance			
May 1		<u>52,919</u>	
April 30		<u><u>28,642</u></u>	

PROPRIETARY FUNDS

CITY OF HIGHWOOD, ILLINOIS

Waterworks and Sewerage Fund (Major Fund)

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

Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues			
Charges for Services	\$ 991,510	931,950	(59,560)
Operating Expenses			
Personnel	276,680	253,589	(23,091)
Contractual Services	268,960	660,313	391,353
Materials and Supplies	68,500	43,950	(24,550)
Total Operating Expenses	614,140	957,852	343,712
Operating Income (Loss)	377,370	(25,902)	(403,272)
Nonoperating Revenues (Expenses)			
Interest Income	250	1,572	1,322
Grant Revenue		89,463	89,463
Interest Subsidy		97,663	97,663
Miscellaneous Income	5,500	47,944	42,444
Miscellaneous Expense	(3,000)	(3,452)	(452)
Principal Payments	(234,893)	(234,893)	
Interest Expense	(111,242)	(242,623)	(131,381)
Fiscal Agent Fees	(1,500)	(6,810)	(5,310)
Total Nonoperating Revenues (Expenses)	(344,885)	(251,136)	93,749
Changes in Net Position - Budgetary Basis	\$ 32,485	(277,038)	(309,523)
Reconciliation of Budget Basis Change in Net Position to GAAP Basis Change in Net Position			
Change in Net Position - Budgetary Basis	\$ 32,485	(277,038)	(309,523)
Plus: Principal Payments	234,893	234,893	
Change in Net Position - GAAP Basis	\$ 267,378	(42,145)	(309,523)
Net Position			
May 1		3,750,931	
April 30		3,708,786	

CITY OF HIGHWOOD, ILLINOIS

Garbage Fund

Schedule of Revenues, Expenses, and Change in Net Position -
Budget and Actual

Year Ended April 30, 2014

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues			
Charges for Services			
Refuse and Garbage Collection	\$ 257,000	253,831	(3,169)
Operating Expenses			
Personnel	38,975	36,271	(2,704)
Contractual Services	244,710	209,462	(35,248)
Materials and Supplies	10,000	858	(9,142)
Total Operating Expenses	293,685	246,591	(47,094)
Operating Income (Loss)	(36,685)	7,240	43,925
Nonoperating Revenues (Expense)			
Interest Income	150	314	164
Miscellaneous Revenue	55,833	30,145	(25,688)
Total Nonoperating Revenues (Expenses)	55,983	30,459	(25,524)
Change in Net Position	<u>\$ 19,298</u>	37,699	<u>18,401</u>
Net Position			
May 1		<u>160,240</u>	
April 30		<u>197,939</u>	

FIDUCIARY FUNDS

CITY OF HIGHWOOD, ILLINOIS

Fiduciary Funds

Combining Statement of Fiduciary Net Position - Pension Trust Funds

April 30, 2014

	Police Pension Fund	Firefighters' Pension Fund	Total
Assets			
Cash and Cash Equivalents	\$ 7,149	105,354	112,503
Investments			
U.S. Treasuries	215,426	375,229	590,655
U.S. Agencies	1,147,666	1,206,023	2,353,689
Mutual Funds	935,448	1,123,136	2,058,584
Municipal Bonds	247,534	276,567	524,101
Receivables			
Accrued Interest	15,332	17,260	32,592
Total Assets	2,568,555	3,103,569	5,672,124
Liabilities			
Accounts Payable	4,770	4,500	9,270
Net Position			
Held in Trust for Pension Benefits	\$ 2,563,785	3,099,069	5,662,854

CITY OF HIGHWOOD, ILLINOIS

Fiduciary Funds

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

Year Ended April 30, 2014

	Police Pension Fund	Firefighters' Pension Fund	Total
Additions			
Contributions			
Employer	\$ 209,273	148,193	357,466
Plan Members	63,319	36,094	99,413
Other Member Revenue		3,551	3,551
Total Contributions	<u>272,592</u>	<u>187,838</u>	<u>460,430</u>
Investment Income			
Investment Income	85,637	89,390	175,027
Gains (Loss) on Investments	(26,736)	49,475	22,739
Less Investment Expenses	(10,165)	(11,997)	(22,162)
Net Investment Income	<u>48,736</u>	<u>126,868</u>	<u>175,604</u>
Total Additions	<u>321,328</u>	<u>314,706</u>	<u>636,034</u>
Deductions			
Benefits	145,515	20,102	165,617
Administration	49,315	24,880	74,195
Refunds of Contributions	1,278	1,572	2,850
Total Deductions	<u>196,108</u>	<u>46,554</u>	<u>242,662</u>
Changes in Net Position	125,220	268,152	393,372
Net Position			
May 1	<u>2,438,565</u>	<u>2,830,917</u>	<u>5,269,482</u>
April 30	<u>\$ 2,563,785</u>	<u>3,099,069</u>	<u>5,662,854</u>

COMPONENT UNIT

CITY OF HIGHWOOD, ILLINOIS

Component Unit - Library

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

April 30, 2014

	General Fund	<u>Adjustments</u> Capital-Related Items*	Statement of Net Position
Assets			
Cash and Cash Equivalents	\$ 345,106		345,106
Receivables			
Property Taxes	234,042		234,042
Prepaid Items	9,139		9,139
Due from Primary Government			
Capital Assets		377,544	377,544
Total Assets	\$ 588,287	377,544	965,831
Liabilities			
Accounts Payable	\$ 5,551		5,551
Accrued Payroll	7,549		7,549
Due to Primary Government	3,203		3,203
Total Liabilities	16,303	-	16,303
Deferred Inflows of Resources			
Unavailable Property Taxes	240,798		240,798
Fund Balances/Net Position			
Net Investment in Capital Assets		377,544	377,544
Unassigned/Unrestricted	331,186		331,186
Total Fund Balances/Net Position	331,186	377,544	708,730
Total Liabilities, Deferred Inflows of Resources, and Fund Balances/Net Position	\$ 588,287	377,544	965,831

* Capital activities have not been accounted for in fiscal 2011, 2012, 2013 and 2014.

CITY OF HIGHWOOD, ILLINOIS

Component Unit - Library

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

Year Ended April 30, 2014

	General Fund	<u>Adjustments</u> Capital-Related Items*	Statement of Activities
Revenues			
Property Taxes	\$ 226,800		226,800
Intergovernmental	7,808		7,808
Charges for Services	3,788		3,788
Fines	2,980		2,980
Investment Income	70		70
Miscellaneous	1,926		1,926
Total Revenues	<u>243,372</u>	-	<u>243,372</u>
Expenditures			
Civic and Cultural	225,217		225,217
Capital Outlay	13,387		13,387
Total Expenditures	<u>238,604</u>	-	<u>238,604</u>
Net Change in Fund Balances/Net Position	4,768	-	4,768
Fund Balances/Net Position			
May 1	326,418	377,544	703,962
April 30	<u>\$ 331,186</u>	<u>377,544</u>	<u>708,730</u>

* Capital activities have not been accounted for in fiscal 2011, 2012, 2013 and 2014.

SUPPLEMENTAL DATA

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

General Obligation Build America
Bonds of 2010A

April 30, 2014

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

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Gross Interest	Net Interest *	Total
2015	\$ 140,000	33,560	21,814	161,814
2016	140,000	29,052	18,883	158,883
2017	150,000	24,544	15,954	165,954
2018	150,000	17,464	11,352	161,352
2019	155,000	10,384	6,750	161,750
2020	65,000	3,068	1,994	66,994
	<u>\$ 800,000</u>	<u>118,072</u>	<u>76,747</u>	<u>876,747</u>

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

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

General Obligation Recovery Zone
Economic Development Bonds of 2010B

April 30, 2014

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

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Gross Interest	Net Interest *	Total
2015	\$	190,926	105,009	105,009
2016		190,926	105,009	105,009
2017		190,926	105,009	105,009
2018		190,926	105,009	105,009
2019		190,926	105,009	105,009
2020	95,000	190,926	105,009	200,009
2021	165,000	185,587	102,073	267,073
2022	170,000	176,314	96,973	266,973
2023	175,000	166,760	91,718	266,718
2024	180,000	156,925	86,309	266,309
2025	190,000	146,809	80,745	270,745
2026	195,000	136,131	74,872	269,872
2027	200,000	125,172	68,845	268,845
2028	210,000	111,492	61,321	271,321
2029	215,000	97,128	53,420	268,420
2030	225,000	82,422	45,332	270,332
2031	230,000	67,032	36,868	266,868
2032	240,000	51,300	28,215	268,215
2033	250,000	34,884	19,186	269,186
2034	260,000	17,784	9,781	269,781
	<u>\$ 3,000,000</u>	<u>2,701,296</u>	<u>1,485,712</u>	<u>4,485,712</u>

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

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

IEPA Loan Payable of 2002

April 30, 2014

Date of Issue	April 30, 2002
Date of Maturity	December 30, 2021
Authorized Issue	\$ 1,170,000
Interest Rates	2.535%
Interest Dates	June 30 and December 30
Principal Maturity Date	June 30 and December 31
Payable at	Illinois Environmental Protection Agency

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 61,914	13,345	75,259
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	73,831	1,407	75,238
	<u>\$ 541,782</u>	<u>60,209</u>	<u>601,991</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Tax Increment Financing General
Obligation Refunding Bonds, Series 2013

April 30, 2014

Date of Issue	August 15, 2013
Date of Maturity	January 1, 2022
Authorized Issue	\$ 2,160,000
Interest Rates	2.00% to 4.00%
Interest Dates	January 1 and July 1
Principal Maturity Date	January 1
Payable at	Amalgamated Bank

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 150,000	67,650	217,650
2016	175,000	64,650	239,650
2017	205,000	61,150	266,150
2018	235,000	55,000	290,000
2019	265,000	47,950	312,950
2020	295,000	40,000	335,000
2021	330,000	28,200	358,200
2022	375,000	15,000	390,000
	<u>\$ 2,030,000</u>	<u>379,600</u>	<u>2,409,600</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Tax Increment Financing Alternate Revenue
 Capital Appreciation Bonds of 2002

April 30, 2014

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

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Beginning Principal Balance	Accretion	Principal Payment	Ending Principal Balance
2015	\$ 645,333	32,373	95,000	582,706
2016	582,700	29,189	100,000	511,889
2017	511,895	25,560	105,000	432,455
2018	432,455	21,300	115,000	338,755
2019	338,755	16,267	120,000	235,022
2020	235,022	10,598	125,000	120,620
2021	120,620	4,380	125,000	
	<u>\$ 2,866,780</u>	<u>139,667</u>	<u>785,000</u>	<u>2,221,447</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

LED Light Loan Payable

April 30, 2014

Date of Issue	November 21, 2012
Date of Maturity	September 15, 2017
Authorized Issue	\$ 165,000
Interest Rates	2.85%
Interest Dates	September 15
Principal Maturity Date	September 15
Payable at	Municipal Funding Solutions, LLC

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 31,907	3,796	35,703
2016	32,816	3,887	36,703
2017	33,752	1,951	35,703
2018	34,714	989	35,703
	<u>\$ 133,189</u>	<u>10,623</u>	<u>143,812</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Fire Alarm Monitoring Equipment Loan

April 30, 2014

Date of Issue November 21, 2012
Date of Maturity September 15, 2019
Authorized Issue \$ 155,000
Interest Rates 3.12%
Interest Dates September 15
Principal Maturity Date September 15
Payable at Municipal Funding Solutions, LLC

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 20,676	4,185	24,861
2016	21,321	3,540	24,861
2017	21,986	2,875	24,861
2018	22,672	2,189	24,861
2019	23,379	1,482	24,861
2020	24,109	752	24,861
	<u>\$ 134,142</u>	<u>15,023</u>	<u>149,165</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Water Meter Loan

April 30, 2014

Date of Issue	November 21, 2012
Date of Maturity	September 15, 2022
Authorized Issue	\$ 380,000
Interest Rates	Various
Interest Dates	September 15
Principal Maturity Date	September 15
Payable at	Municipal Funding Solutions, LLC

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 33,498	11,636	45,134
2016	34,627	10,507	45,134
2017	35,793	9,341	45,134
2018	36,998	8,136	45,134
2019	38,244	6,889	45,133
2020	39,533	5,601	45,134
2021	40,864	4,270	45,134
2022	42,241	2,893	45,134
2023	43,663	1,471	45,134
	<u>\$ 345,461</u>	<u>60,744</u>	<u>406,205</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Police Vehicles Loan Payable - 2013

April 30, 2014

Date of Issue	November 1, 2013
Date of Maturity	November 1, 2016
Authorized Issue	\$ 113,000
Interest Rates	3.11%
Interest Dates	November 1
Principal Maturity Date	November 1
Payable at	Municipal Funding Solutions, LLC

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 36,505	3,559	40,064
2016	37,655	2,409	40,064
2017	38,840	1,223	40,063
	<u>\$ 113,000</u>	<u>7,191</u>	<u>120,191</u>

