

City of Highwood, Illinois

Annual Financial Report

April 30, 2015

CITY OF HIGHWOOD, ILLINOIS

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INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Highwood, Illinois, as of and for the year ended April 30, 2015, 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.

Summary of Opinions

Governmental Activities	Qualified
Business-Type Activities	Qualified
Discretely Presented Component Unit	Qualified
General Fund	Unmodified
TIF Capital Projects Fund	Unmodified
Waterworks and Sewerage Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinions

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 additions, disposals or depreciation for the fiscal year ended April 30, 2015, for governmental activities, business-type activities, discretely presented component unit or Waterworks and Sewerage Fund. Balances of capital assets reported at April 30, 2015, were \$4,069,573, \$7,434,746, \$377,544 and \$7,434,746 for governmental activities, business-type activities, discretely presented component unit and Waterworks and Sewerage Fund respectively.

Qualified Opinions

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinions* 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 and the waterworks and sewerage fund of the City of Highwood, Illinois, as of April 30, 2015, 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, TIF Capital Projects Fund and the aggregate remaining fund information of the City of Highwood, Illinois, as of April 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

In disclosed in Note 1 to the financial statements, in 2015 the City adopted the Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary and pension information listed in the table of contents 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 responses 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.

Supplementary 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 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, except for the effect on the supplementary information of discretely presented component unit capital asset balances as described in the basis for qualified opinions paragraph, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Oakbrook Terrace, Illinois
December 21, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HIGHWOOD, ILLINOIS

Management's Discussion and Analysis April 30, 2015

Our discussion and analysis of the City of Highwood's financial performance provides an overview of the City of Highwood's financial activities for the fiscal year ended April 30, 2015. Please read it in conjunction with the City of Highwood's financial statements, which begin on page 18.

FINANCIAL HIGHLIGHTS

- The City of Highwood's net position increased by a total of \$559,239. While net position of business-type activities increased by \$135,999, or 6.0 percent, net position of our governmental activities increased by \$423,240, or 17.0 percent.
- During the year, expenses were \$423,240 less than the \$5,505,278 generated in tax and other revenues for governmental programs. In the prior year, expenses were \$492,491 less than the \$5,377,590 generated in tax and other revenues for the governmental programs.
- Revenues for business-type activities decreased to \$1,416,189, or 2.5 percent, while expenses decreased by 12.2 percent to \$1,280,190. The decrease in the business type activities expenses occurred due to a meter replacement program in the prior year that was not part of the current years' expenses.
- Total cost of all programs was increased by \$19,801, or 0.3 percent, in the current year.
- The General Fund reported a surplus this year of \$198,860 which took fund balance from \$925,991 to \$1,124,851 at the end of the current year.
- The resources available for appropriation were \$272,332 more than budgeted for the General Fund. In addition, expenditures were over appropriation by \$39,773.

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 18-20) provide information about the activities of the City of Highwood as a whole and present a longer-term view of the City of Highwood's finances. Fund financial statements begin on page 21. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City of Highwood's 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, 2015

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's finances, in a matter similar to a private-sector business. The government-wide financial statements can be found on pages 18-20 of this report.

The Statement of Net Position reports information on all of the City of Highwood's 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's 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, 2015

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 the 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 21-24 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 (Major Fund) and for the Garbage Fund.

The basic proprietary fund financial statements can be found on pages 25-28 of this report.

CITY OF HIGHWOOD, ILLINOIS

Management's Discussion and Analysis April 30, 2015

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 29 and 30 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 31-73 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 budgetary comparison to actual for the General Fund and the City of Highwood I.M.R.F. and Police and Firefighters' pension obligations. Required supplementary information can be found on pages 74-89 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 90-104 of this report.

CITY OF HIGHWOOD, ILLINOIS

Management's Discussion and Analysis April 30, 2015

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 \$7,053,834, increasing by 10.3 percent over prior years.

Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 4.1	\$ 4.0	\$ 1.3	\$ 1.4	\$ 5.4	\$ 5.4
Capital Assets	4.1	4.1	7.4	7.4	11.5	11.5
Total Assets and Deferred Outflows	8.2	8.1	8.7	8.8	16.9	16.9
Long-Term Debt Outstanding	3.1	3.5	4.4	4.7	7.5	8.2
Other Liabilities and Deferred Inflows of Resources	2.1	2.1	0.3	0.2	2.4	2.3
Total Liabilities and Deferred Outflows	5.2	5.6	4.7	4.9	9.9	10.5
Net Position						
Net Investment in Capital						
Assets	1.6	1.3	3.3	3.3	4.9	4.6
Restricted	0.9	1.0			0.9	1.0
Unrestricted	0.5	0.2	0.7	0.6	1.2	0.8
Total Net Position	\$ 3.0	\$ 2.5	\$ 4.0	\$ 3.9	\$ 7.0	\$ 6.4

A large portion of the City of Highwood's 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 70.0 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's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF HIGHWOOD, ILLINOIS

Management's Discussion and Analysis April 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

An additional portion or 12.7 percent of the City of Highwood's net position represents resources that are subject to external restrictions on how they may be used. The remaining 17.3 percent, or \$1.2 million, represents unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Charges for Services	\$ 1.5	\$ 1.5	\$ 1.2	\$ 1.2	\$ 2.7	\$ 2.7
Operating Grants/Contributions	0.2	0.2	0.1	0.2	0.3	0.4
General Revenues						
Property Taxes	1.5	1.5			1.5	1.5
Utility Taxes	0.3	0.4			0.3	0.4
Sales Taxes	0.6	0.6			0.6	0.6
Intergovernmental	1.2	1.1			1.2	1.1
Other General Revenues	0.2	0.1	0.1	0.1	0.3	0.2
Total Revenues	5.5	5.4	1.4	1.5	6.9	6.9
Expenses						
General Government	1.0	1.0			1.0	1.0
Public Safety	2.9	3.1			2.9	3.1
Public Works	0.9	0.6			0.9	0.6
Culture and Recreation	0.1	0.1			0.1	0.1
Interest and Fiscal Charges	0.1	0.1			0.1	0.1
Water			1.1	1.3	1.1	1.3
Garbage			0.2	0.2	0.2	0.2
Total Expenses	5.0	4.9	1.3	1.5	6.3	6.4
Increase (Decrease) in Net Position	0.5	0.5	0.1		0.6	0.5
Net Position - Beginning	2.5	2.0	3.9	3.9	6.4	5.9
Net Position - Ending	\$ 3.0	\$ 2.5	\$ 4.0	\$ 3.9	\$ 7.0	\$ 6.4

Net position of the City of Highwood governmental activities increased by 16.0 percent (\$2.9 million compared to \$2.5 million). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, changed from \$0.2 million in the previous fiscal year to \$0.5 million in the current year.

CITY OF HIGHWOOD, ILLINOIS

Management's Discussion and Analysis April 30, 2015

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 \$485,101 up from \$211,133 in the prior year. In the current year, the City has continued to control spending and limit capital costs, causing this increase in unrestricted.

Net position of business-type activities increased \$135,999 in the current year. 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 continue to work on several capital projects that will be financed with current and future debt.

Total revenues decreased by \$0.1 million compared to prior years. The decrease in the current year is due to a decline in capital grants and intergovernmental revenues.

Governmental Activities

Revenues for governmental activities saw an increase of \$0.1 million, due mainly to a gain on the disposal of capital assets. Expenses saw an increase of \$0.1 million. This was due to slight increases for many public works related expenses.

The cost of all governmental activities this year was \$5.0 million compared to \$4.9 million last year. Overall, governmental program revenues were \$1.7 million, including intergovernmental aid and fees for services. This remained consistent to the 2014 amount, which was also \$1.7 million.

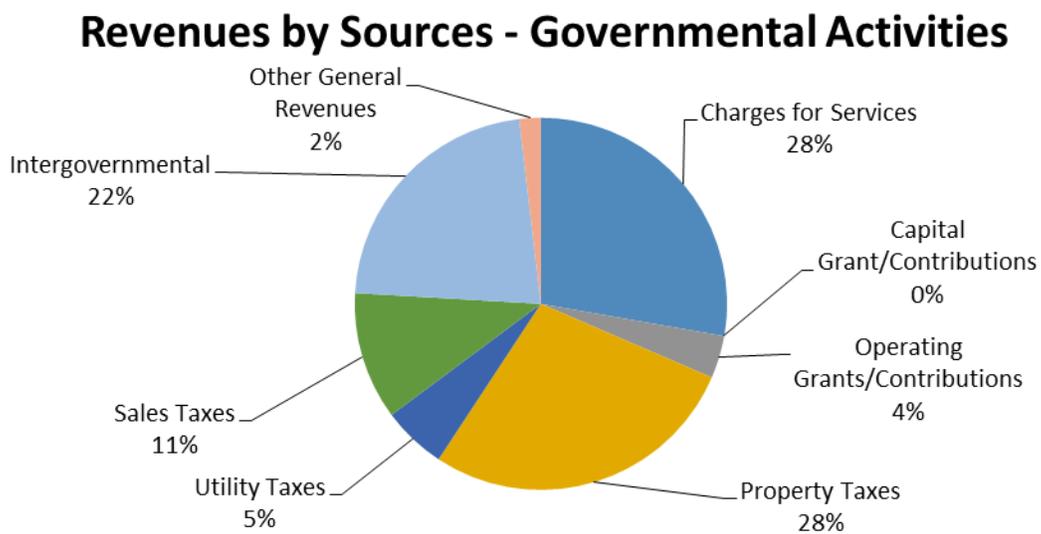
CITY OF HIGHWOOD, ILLINOIS

Management's Discussion and Analysis April 30, 2015

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 City continues to evaluate different revenue streams to fund the different operations of the City.

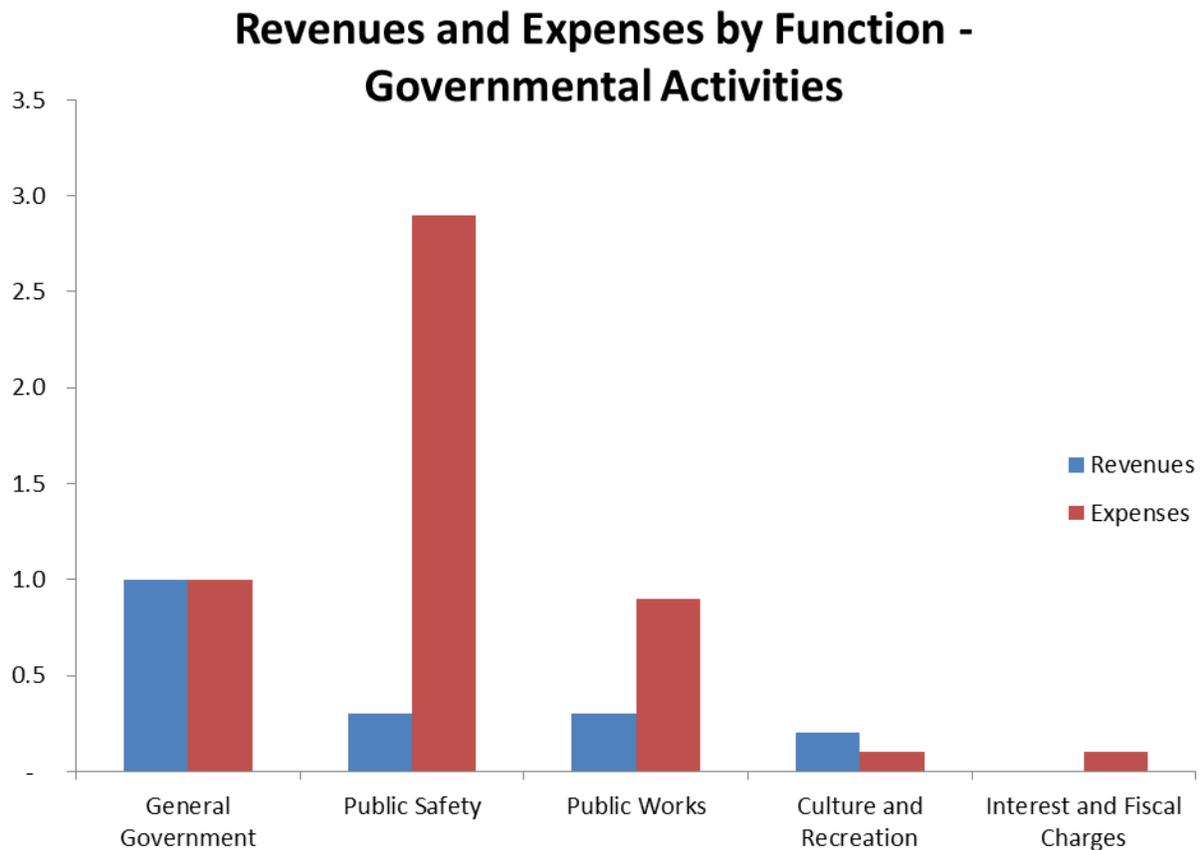


CITY OF HIGHWOOD, ILLINOIS

Management's Discussion and Analysis April 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental Activities – Continued



The 'Revenues and Expenses by Function' 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, 2015

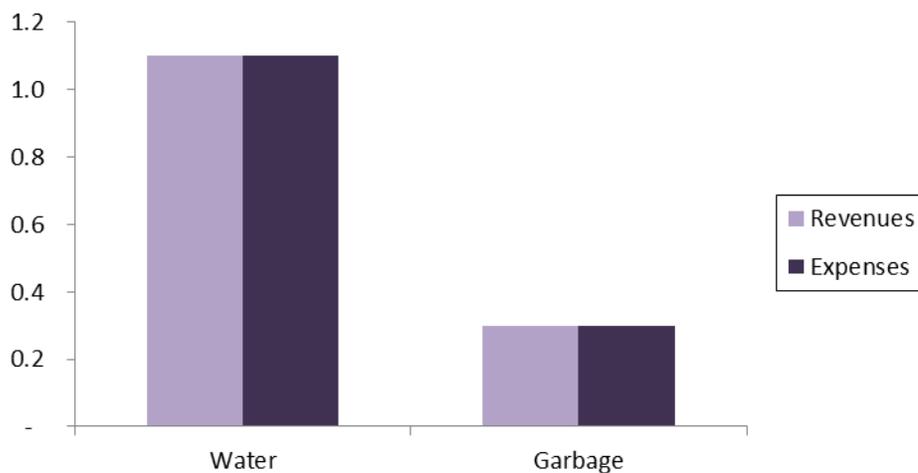
GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Business-type activities

Revenues of the City's business-type activities decreased by 6.7 percent (\$1.5 million in 2014 compared to \$1.4 in 2015) and expenses decreased by 13.3 percent (\$1.3 million in 2015 compared to \$1.5 million in 2014). 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.
- The Garbage Fund operated at a surplus of \$47,447 for the fiscal year. This was the third year of the garbage contract.

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, 2015

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 \$2.0 million, which is an increase of \$136,486 over prior year. Although there was a net increase in fund balances, individual funds had different results. The General Fund has an increase of \$198,860 over the prior year. The TIF Fund had a net decrease of (\$17,780); the MFT Fund decreased (\$57,568); and the E-911 Fund had a moderate increase of \$12,974.

Proprietary funds

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

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

The City intends to run the fund at a breakeven rate. Periodically, there will be an annual surplus or draw down due to timing of capital projects and payments of debt service payments. The surplus during the current fiscal year was \$88,552. Unrestricted net position increased by \$75,394 over the prior year due to increase in net position and pay down of debt service.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual charges to appropriations (expenditures) were \$39,773 over the budget amounts. Due to additional personnel costs and new debt services, there were four departments over budget – Public Safety, Public Works, Culture and Recreation, and Debt Service. The General Government Department had the most significant savings due to reduced personnel expenditures.

In addition, resources available for appropriation were \$272,332 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, 2015

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, 2015, 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 detailed 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	
	2015	2014	2015	2014	2015	2014
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, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

Debt

At year-end, the City of Highwood had total outstanding bonded debt of \$7.6 million as compared to \$8.2 million the previous year, a decrease of 7.3 percent. The following is a comparative statement of outstanding debt:

General Obligation and Revenue Bonds (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Alternate Revenue Bonds	\$ 2.5	2.7	3.7	3.8	6.2	6.5
Capital Lease Payables	0.1	0.2			0.1	0.2
Loan Payable	0.3	0.4	0.3	0.4	0.6	0.8
Revenue Bonds			0.5	0.5	0.5	0.5
Other Liabilities	0.2	0.2			0.2	0.2
Total	\$ 3.1	3.5	4.5	4.7	7.6	8.2

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 2015 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, 2015, the City was in negotiations with the firefighters union to dissolve the fire department. Subsequent to year end, the City and Union agreed to dissolution effective by June 30, 2016. Police FOP union contract expires June 30, 2016, and Police Lieutenant union contract expires June 30, 2020.

In the current year, the City of Highwood maintained their current bond rating from Standard and Poor's. The City's current rating is AA.

CITY OF HIGHWOOD, ILLINOIS

Management's Discussion and Analysis April 30, 2015

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 City. 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, 2015

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash and Investments	\$ 1,835,284	1,060,176	2,895,460	332,748
Receivables, Net				
Taxes	1,764,225		1,764,225	231,501
Intergovernmental	373,480		373,480	
Accounts		221,126	221,126	
Other	66,190		66,190	
Due from Agency Fund	6,934		6,934	
Due from Component Unit	3,203		3,203	
Prepaid Expenses	7,327	1,915	9,242	10,686
Internal Balances				
Net Pension Asset	24,242		24,242	
Restricted Assets				
Cash and Investments	16,511	19,321	35,832	
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	8,166,969	8,737,284	16,904,253	952,479
Deferred Outflows of Resources				
Unamortized Loss on Refunding	14,133		14,133	
Liabilities				
Accounts Payable	153,519	127,055	280,574	
Accrued Liabilities and Deposits	117,190	10,379	127,569	7,119
Other Accrued Liabilities	19,636	21,911	41,547	
Unearned Rent	146,682		146,682	
Accrued Interest Payable	28,293	102,146	130,439	
Due to Primary Government				3,203
Noncurrent Liabilities				
Due Within One Year	460,547	238,111	698,658	
Due in More Than One Year	2,687,280	4,194,958	6,882,238	
Total Liabilities	3,613,147	4,694,560	8,307,707	10,322
Deferred Inflows of Resources				
Deferred Property Taxes	1,653,845		1,653,845	238,257
Net Position				
Net Investment in Capital Assets	1,570,969	3,339,260	4,910,229	377,544
Restricted for				
Debt Service and Capital Projects	655,128		655,128	
Road Construction and Maintenance	141,366		141,366	
Public Safety	61,546		61,546	
Unrestricted	485,101	703,464	1,188,565	326,356
Total Net Position	\$ 2,914,110	4,042,724	6,956,834	703,900

CITY OF HIGHWOOD, ILLINOIS

Statement of Activities

Year Ended April 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 995,489	923,082		
Public Safety	2,923,571	282,542		
Public Works	914,658	72,140	227,952	
Culture, Education and Recreation	146,989	176,935		
Interest and Fiscal Charges	101,331			
Total Governmental Activities	<u>5,082,038</u>	<u>1,454,699</u>	<u>227,952</u>	<u>-</u>
Business-Type Activities				
Water and Sewer	1,020,290	1,002,942	97,663	
Garbage	259,900	251,746		
Total Business-Type Activities	<u>1,280,190</u>	<u>1,254,688</u>	<u>97,663</u>	<u>-</u>
Total Primary Government	<u>\$ 6,362,228</u>	<u>2,709,387</u>	<u>325,615</u>	<u>-</u>
Component Unit				
Highwood Library	<u>\$ 253,579</u>	<u>5,980</u>	<u>8,641</u>	<u>-</u>

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 Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	
(72,407)		(72,407)	
(2,641,029)		(2,641,029)	
(614,566)		(614,566)	
29,946		29,946	
(101,331)		(101,331)	
(3,399,387)	-	(3,399,387)	-
	80,315	80,315	
	(8,154)	(8,154)	
-	72,161	72,161	-
(3,399,387)	72,161	(3,327,226)	-
			(238,958)
1,500,405		1,500,405	232,561
315,219		315,219	
628,755			
515,509		628,755	
706,237		706,237	
3,234	1,601	4,835	954
106,310		106,310	
46,958	62,237	109,195	613
3,822,627	63,838	3,370,956	234,128
423,240	135,999	559,239	(4,830)
2,490,870	3,906,725	6,397,595	708,730
2,914,110	4,042,724	6,956,834	703,900

CITY OF HIGHWOOD, ILLINOIS

Balance Sheet - Governmental Funds

April 30, 2015

	General Fund	TIF Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and Investments	\$ 870,740	662,838	301,706	1,835,284
Cash and Investments - Restricted	16,511			16,511
Receivables				
Property Tax	1,188,502	464,593		1,653,095
Other Taxes	107,481		3,649	111,130
Intergovernmental	360,909		12,571	373,480
Other Receivables, Net	66,190			66,190
Prepaid Items	7,327			7,327
Due from Other Funds	130,226	15,693	24,380	170,299
Due from Fiduciary Funds	6,934			6,934
Due from Component Unit	3,203			3,203
Total Assets	\$ 2,758,023	1,143,124	342,306	4,243,453
Liabilities				
Accounts Payable	\$ 121,089	3,332	29,098	153,519
Accrued Payroll	117,190			117,190
Other Current Liabilities	19,636			19,636
Due to Other Funds	40,073		130,226	170,299
Unearned Rent	146,682			146,682
Total Liabilities	444,670	3,332	159,324	607,326
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	1,188,502	465,343		1,653,845
Fund Balances				
Nonspendable				
Prepaid Items	7,327			7,327
Restricted				
Debt Service and Capital Projects		674,449		674,449
Road Construction and Maintenance			141,366	141,366
Public Safety	19,930		41,616	61,546
Unassigned	1,097,594			1,097,594
Total Fund Balances	1,124,851	674,449	182,982	1,982,282
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 2,758,023	1,143,124	342,306	4,243,453

CITY OF HIGHWOOD, ILLINOIS

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

April 30, 2015

Total Fund Balances - Governmental Funds		\$ 1,982,282
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
The Net Pension Asset for Fire Pension funding, is not reported in the governmental funds.		24,242
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	(2,930,170)	
Compensated Absences	(156,841)	
Net Pension Obligation - Police Pension	(24,918)	
Accrued Interest	(28,293)	
		(3,140,222)
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.		14,133
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.		(35,898)
Net Position of Governmental Activities		<u>\$ 2,914,110</u>

CITY OF HIGHWOOD, ILLINOIS

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

Year Ended April 30, 2015

	General Fund	TIF Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property Tax	\$ 1,121,276	379,129		1,500,405
Other Taxes	1,048,180		44,661	1,092,841
Intergovernmental	1,221,746		183,291	1,405,037
Licenses and Permits	378,800			378,800
Fines, Forfeitures and Penalties	82,601			82,601
Public Charges for Services	993,298			993,298
Investment Income	1,545	1,483	206	3,234
Miscellaneous	46,958			46,958
Total Revenues	4,894,404	380,612	228,158	5,503,174
Expenditures				
Current				
General Government	885,991	17,448		903,439
Public Safety	2,815,463		30,665	2,846,128
Public Works	601,408		241,002	842,410
Culture, Recreation and Education	146,989			146,989
Capital Outlay	183,860	67,379	1,085	252,324
Debt Service				
Principal	149,589	245,000		394,589
Interest	18,554	67,650		86,204
Fiscal Agent Fees		915		915
Total Expenditures	4,801,854	398,392	272,752	5,472,998
Excess (Deficiency) of Revenues over Expenditures	92,550	(17,780)	(44,594)	30,176
Other Financing Sources				
Proceeds from Sale of Capital Assets	106,310			106,310
Net Change in Fund Balance	198,860	(17,780)	(44,594)	136,486
Fund Balance				
May 1	925,991	692,229	227,576	1,845,796
April 30	\$ 1,124,851	674,449	182,982	1,982,282

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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 136,486
Amounts reported for governmental activities in the Statement of Activities are different because:	
Principal repaid on long-term debt	394,589
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.	(32,373)
The amortization of premiums on bonds, discounts on bonds and losses on refunding are not a use of financial resources in the governmental funds.	5,242
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	12,120
Net Pension Obligation/Asset	(1,537)
Accrued Interest on Debt	12,919
	<hr/>
Change in Net Position	<u>\$ 423,240</u>

CITY OF HIGHWOOD, ILLINOIS

Statement of Net Position - Proprietary Funds

April 30, 2015

	Waterworks and Sewerage Fund	Nonmajor Enterprise Fund - Garbage Fund	Total
Assets			
Current Assets			
Cash and Investments	\$ 804,803	255,373	1,060,176
Receivables			
Accounts	212,850	8,276	221,126
Prepaid Items	1,915		1,915
Restricted Assets			
Cash and Investments	19,321		19,321
Total Current Assets	<u>1,038,889</u>	<u>263,649</u>	<u>1,302,538</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>8,473,635</u>	<u>263,649</u>	<u>8,737,284</u>
Liabilities			
Current Liabilities			
Accounts Payable	110,770	16,285	127,055
Accrued Payroll	8,800	1,579	10,379
Other Current Liabilities	21,512	399	21,911
Interest Payable	102,146		102,146
Total Current Liabilities	<u>243,228</u>	<u>18,263</u>	<u>261,491</u>
Noncurrent Liabilities			
Long-Term Debt			
Due Within One Year	238,111		238,111
Due in More Than One Year	4,194,958		4,194,958
Total Noncurrent Liabilities	<u>4,433,069</u>	<u>-</u>	<u>4,433,069</u>
Total Liabilities	<u>4,676,297</u>	<u>18,263</u>	<u>4,694,560</u>
Net Position			
Net Investment in Capital Assets	3,339,260		3,339,260
Unrestricted	458,078	245,386	703,464
Total Net Position	<u>\$ 3,797,338</u>	<u>245,386</u>	<u>4,042,724</u>

CITY OF HIGHWOOD, ILLINOIS

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

Year Ended April 30, 2015

	Waterworks and Sewerage Fund	Nonmajor Enterprise Fund - Garbage Fund	Total
Operating Revenues			
Public Charges for Services	\$ 1,002,942	251,746	1,254,688
Operating Expenses			
Personnel	255,026	41,704	296,730
Contractual Services	331,691	216,779	548,470
Materials and Supplies	33,847	1,417	35,264
Capital Outlay	52,316		52,316
Contingencies	97,000	-	97,000
Depreciation	-	-	-
Total Operating Expenses	769,880	259,900	1,029,780
Operating Income (Loss)	233,062	(8,154)	224,908
Nonoperating Revenues (Expenses)			
Investment Income	1,383	218	1,601
Interest Subsidy	97,663		97,663
Miscellaneous Revenue	6,854	55,383	62,237
Interest Expense	(248,782)		(248,782)
Fiscal Agent Fees	(1,628)		(1,628)
	(144,510)	55,601	(88,909)
Changes in Net Position	88,552	47,447	135,999
Net Position			
May 1	3,708,786	197,939	3,906,725
April 30	\$ 3,797,338	245,386	4,042,724

CITY OF HIGHWOOD, ILLINOIS

Statement of Cash Flows - Proprietary Funds

Year Ended April 30, 2015

	Waterworks and Sewerage Fund	Nonmajor Enterprise Fund - Garbage Fund	Total
Cash Flows from Operating Activities			
Received from Customers	\$ 1,002,975	248,532	1,251,507
Paid to Suppliers for Grounds and Services	(449,929)	(217,997)	(667,926)
Paid to Employees for Services	(259,034)	(41,554)	(300,588)
Other Operating Revenue	5,226	55,383	60,609
	<u>299,238</u>	<u>44,364</u>	<u>343,602</u>
Cash Flows from Investing Activities			
Investment Income	<u>1,383</u>	<u>218</u>	<u>1,601</u>
Cash Flows from Noncapital Financing Activities			
Interfund Transactions	<u>(103,182)</u>		<u>(103,182)</u>
Cash Flows from Capital and Related Financing Activities			
Capital Grants - Interest Subsidy	97,663		97,663
Debt Retired	(232,905)		(232,905)
Interest Paid	(251,973)		(251,973)
	<u>(387,215)</u>	<u>-</u>	<u>(387,215)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(189,776)	44,582	(145,194)
Cash and Cash Equivalents			
May 1	<u>1,013,900</u>	<u>210,791</u>	<u>1,224,691</u>
April 30	<u>\$ 824,124</u>	<u>255,373</u>	<u>1,079,497</u>
Represented by			
Unrestricted	\$ 804,803	255,373	1,060,176
Restricted	19,321		19,321
	<u>\$ 824,124</u>	<u>255,373</u>	<u>1,079,497</u>

(Cont.)

CITY OF HIGHWOOD, ILLINOIS

Statement of Cash Flows - Proprietary Funds (Cont.)

Year Ended April 30, 2015

	Waterworks and Sewerage Fund	Nonmajor Enterprise Fund - Garbage Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 233,062	(8,154)	224,908
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Other Operating Revenue	5,226	55,383	60,609
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	33	(3,214)	(3,181)
Decrease in Prepaid Expenses	1,133		1,133
Increase in Accounts Payable	51,855	(69)	51,786
Increase (Decrease) in Accrued Payroll	(86)	150	64
Increase in Other Liabilities	11,937	268	12,205
Decrease in Compensated Absences	(3,922)		(3,922)
Net Cash Provided by Operating Activities	\$ 299,238	44,364	343,602

CITY OF HIGHWOOD, ILLINOIS

Statement of Fiduciary Net Position - Fiduciary Funds

April 30, 2015

	Pension Trust Funds	Agency Fund
Assets		
Cash and Cash Equivalents	\$ 32,576	7,429
Investments		
U.S. Treasuries	526,330	
U.S. Agencies	2,492,393	
Mutual Funds	2,546,362	
Municipal Bonds	531,893	
Receivables, Net		
Accrued Interest	30,736	
Due from Other Organizations		6,080
Prepaid Expenses	1,296	
Total Assets	6,161,586	13,509
Liabilities		
Accounts Payable	11,350	
Deposits		6,575
Due to City		6,934
Total Liabilities	11,350	13,509
Net Position		
Held in Trust for Pension Benefits	\$ 6,150,236	-

CITY OF HIGHWOOD, ILLINOIS

Statement of Changes in Fiduciary Net Position - Pension Trust Funds

Year Ended April 30, 2015

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 388,052
Plan Members	109,350
	<u>497,402</u>
Investment Income	
Investment Income	235,048
Gains on Investments	176,544
Investment Expense	(24,415)
	<u>387,177</u>
Total Additions	<u>884,579</u>
Deductions	
Benefits	168,709
Administration	65,270
Refunds of Contributions	74,196
Transfers to Other Pension Plans	89,022
	<u>397,197</u>
Total Deductions	<u>397,197</u>
Change in Net Position	487,382
Net Position Held in Trust for Pension Benefits	
May 1	<u>5,662,854</u>
April 30	<u>\$ 6,150,236</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

This report includes all of the funds of the City of Highwood, 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.

Blended Component Units

The Police Pension Employees Retirement System (PPERS) is established for the City's police employees. PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the City's Mayor, one pension beneficiary elected by the membership, and two police employees 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, 2015

1. Summary of Significant Accounting Policies (Cont.)

A. Reporting Entity (Cont.)

Blended Component Units (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, 2015. 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, except for fiduciary activities. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities of the City and its discretely presented component unit. 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.

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, 2015

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, deferred inflows/outflows of resources, liabilities, net position/fund balance (deficit), revenues, and expenditures/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 statements. A fund is considered major if it is the primary operating fund of the City (the General Fund) 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, 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 the operations of the water and sewer system of the City.

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, 2015

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 uses for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

Garbage Fund

In addition, the City reports the following fiduciary 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 to be available if they are collected within 60 days of the end of the current fiscal period, with the

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

1. Summary of Significant Accounting Policies (Cont.)

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

Fund Financial Statements (Cont.)

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 and the revenue is collected.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unavailable revenues. Amounts received prior to the entitlement period are 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 unavailable and unearned revenues on its governmental funds balance sheet. For the governmental fund financial statements, unavailable revenues arise when revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. The revenue is recognized in the period when the revenue becomes both "measurable" and "available." Unavailable revenues arise from taxes levied in the current year which are intended to finance the subsequent year's operations and when the resources for a receivable are not received within 60 days of fiscal year end. Unearned revenues 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 also follow the accrual basis of accounting, but 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 Waterworks and Sewerage 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, 2015

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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position or Fund Balance

Deposits and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents. Investments consist of certificates of deposit, treasury obligations and insurance contracts with maturities greater than three months. Investments with maturities of greater than one year are reported at fair value. Fair value is based on quoted market prices.

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

Receivables

Property taxes for levy year 2014 attaches as an enforceable lien on January 1, 2014, 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 2015 tax levy, which attached as an enforceable lien on the property as of January 1, 2015, has not been recorded as a receivable and deferral as of April 30, 2015, as the tax has not yet been levied by the City and will not be levied until December 2015 and, therefore, the levy is not measurable at April 30, 2015.

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 the property taxes and remits them periodically. The 2014 property tax levy is recognized as a receivable and deferral in fiscal 2015, net the allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues at the fund and entity-wide levels. At April 30, 2015, the property taxes receivable and deferred inflows consisted of the estimated amount collectible from the 2014 levy.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

1. Summary of Significant Accounting Policies (Cont.)

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position or Fund Balance (Cont.)

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 payables 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 position.

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 position. 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 capital 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, 2015.

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.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

1. Summary of Significant Accounting Policies (Cont.)

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position or Fund Balance (Cont.)

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, 2015, are determined on the basis of current salary rates and include incremental salary related payments.

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 has one item that qualifies for reporting in this category; it is the unamortized loss on refunding of bonds 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 two types of items that qualify for reporting in this category at the fund level and one item that qualifies at the government-wide level. Accordingly, the items, unavailable/unearned property taxes (recorded at both levels of financial statements) and other unavailable revenues (recorded only in the fund financial statements), are reported in the statement of net position and the governmental funds balance sheet, as noted. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available and/or were intended to finance.

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 the long-term debt, plus any premiums or less any discounts, are reported as other financing sources in the period issued and payments of principal and interest are reported as expenditures when made. The accounting in proprietary funds is the same as it is in the government-wide statements.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

1. Summary of Significant Accounting Policies (Cont.)

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position or Fund Balance (Cont.)

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 14 for Commitments and Contingencies.

Equity Classifications

Government-Wide and Proprietary Fund Financial 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.
- b. **Restricted Net Position** – Consists of net position with constraints placed on its 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.”

Governmental Fund Financial Statements

There are five classifications of fund balance:

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

1. Summary of Significant Accounting Policies (Cont.)

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position or Fund Balance (Cont.)

Equity Classifications (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.

When both restricted and unrestricted resources are available for use, it is the City's policy is 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.

E. Implementation of New Accounting Standard

In 2015, the Police and Firefighters' Pension Plans adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans — an amendment of GASB Statement No. 25*, which has as its objective improving the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. Adoption of GASB No. 67 had no effect on net position restricted for pension or on net increase (decrease) in net position. It did, however, change the requirements for information disclosed in the footnotes to the financial statements and information required to be presented as required supplementary information.

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 City Council. 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 the passage of an ordinance. Formal budgetary integration is employed as a management control device during the year for 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.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

2. Stewardship, Compliance, and Accountability (Cont.)

B. Deficit Balances

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

As of April 30, 2015, no individual funds reported a deficit balance.

3. Deposits and Investments

The City's investment policy follows the state statute for allowable investments. 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.

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

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

	Carrying Value	Bank/Broker Statement Balances
Deposits	\$ 1,837,127	2,105,916
Illinois Funds (Investments)	1,100,694	1,407,905
Petty Cash	900	900
	\$ 2,938,721	3,514,721

Reconciliation to financial statements:

	Statement of Net Position	Agency Fund	Totals
Cash and Investments - Unrestricted	\$ 2,895,460		2,895,460
Cash and Investments - Restricted	35,832		35,832
Cash		7,429	7,429
	\$ 2,931,292	7,429	2,938,721

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

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

Custodial Credit Risk

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

Deposits – The City's investment policy states that funds on deposit (checking accounts, certificates of deposit, etc.) in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement, and held at an independent, third party institution in the name of municipality. As of April 30, 2015, 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'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 City does not have any investments exposed to custodial credit risk.

Credit Risk

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

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy states that the investment portfolio shall be diversified based on the type of funds invested and the cash flow needs of those funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. The City's investment policy states that public funds shall be invested in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds. More specifically, the Treasurer shall attempt to match the City's investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer will not directly invest in securities maturing more than two years from the date of purchase. Reserve funds may be invested in securities exceeding two years if the maturities of such investments are made to coincide, as nearly as practicable, with the expected use of the funds. The City's investment in the Illinois Funds has an average investment maturity of less than one year.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

4. Receivables

	Governmental Funds			Proprietary Funds		Total
	General Fund	TIF Capital Projects Fund	Nonmajor Funds	Waterworks and Sewerage Fund	Nonmajor Garbage Fund	
Receivables						
Property Taxes	\$ 1,188,502	464,593				1,653,095
Other Taxes						
Sales Tax	76,110					76,110
Utility Tax	31,371					31,371
Intergovernmental						
Sales Tax	91,908					91,908
Telecom	22,866					22,866
Use Tax	19,824					19,824
Income	224,345					224,345
Replacement	1,966					1,966
Motor Fuel Tax			12,571			12,571
Accounts, Net	66,190		3,649	212,850	8,276	290,965
	<u>\$ 1,723,082</u>	<u>464,593</u>	<u>16,220</u>	<u>212,850</u>	<u>8,276</u>	<u>2,425,021</u>

All of the receivables on the balance sheet are expected to be collected within one year. As of April 30, 2015, the General, Waterworks and Sewerage, and Garbage Funds have recorded allowance for uncollectible accounts of \$20,700; \$31,649; and \$2,415, respectively.

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, 2015.

Following is a list of restricted assets at April 30, 2015:

	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Position
Governmental Activities			
Deposits in Escrow	\$ 16,511	(16,511)	
Business-Type Activities			
Unspent Bond Proceeds	19,321	(19,321)	
Total	<u>\$ 35,832</u>	<u>(35,832)</u>	<u>-</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2015

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, 2015

6. Capital Assets (Cont.)

B. Business-Type Activities

A summary of 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, 2015

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 Fund	E-911 Fund	\$ 1,072
General Fund	Motor Fuel Tax Fund	129,154
TIF Capital Projects Fund	General	15,693
E-911 Fund	General	<u>24,380</u>
Total Fund Financial Statements		170,299
Less Government-wide Eliminations		<u>(170,299)</u>
Total Internal Balances - Government-wide Statement of Net Position		<u>\$ -</u>
General Fund	Agency Fund	<u>\$ 6,934</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.

There were no transfers for the year ended April 30, 2015.

8. Deferred Inflows of Resources and Unearned Income

As of April 30, 2015, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds balance sheet and the governmental activities in the statement of net position were as follows:

	Deferred Inflows of Resources	Unearned	Total
Property Taxes Receivable for Subsequent Year	\$ 1,653,845		1,653,845
Rental Income Received in Advance		146,682	<u>146,682</u>
Total Deferred/Unearned Revenue per Statement of Net Position	<u>\$ 1,653,845</u>	<u>146,682</u>	<u>1,800,527</u>

There were no differences between the governmental funds balance sheet and the governmental activities in the statement of net position, and there were no deferred inflows of resources or unearned revenues for the enterprise funds or business-type activities as of April 30, 2015.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

9. Long-Term Debt Obligations

Long-term obligations activity for the year ended April 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
<u>Governmental Activities</u>					
Bonds and Notes Payable					
Alternative Revenue Bonds*	\$ 2,675,333	32,373	245,000	2,462,706	275,000
Bond Premium	44,543		8,645	35,898	
Capital Lease Payable	169,382		27,346	142,036	28,201
Loans Payable	447,671		122,243	325,428	125,978
	<u>3,336,929</u>	<u>2,352,465</u>	<u>403,234</u>	<u>2,966,068</u>	<u>429,179</u>
Other Liabilities					
Vested Compensated Absences	168,961		12,120	156,841	31,368
Net Pension Obligation	24,482	436		24,918	
	<u>193,443</u>	<u>436</u>	<u>12,120</u>	<u>181,759</u>	<u>31,368</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 3,530,372</u>	<u>2,352,901</u>	<u>415,354</u>	<u>3,147,827</u>	<u>460,547</u>

* \$32,373 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					
2010A General Obligation Build America Bonds	\$ 800,000		140,000	660,000	140,000
2010B General Obligation Recovery Zone Economic Development Bonds	3,000,000			3,000,000	
Bond Discount	(27,588)		(2,507)	(25,081)	
Loan Payable	345,461		33,498	311,963	34,627
IEPA Loan	541,782		61,914	479,868	63,484
	<u>4,659,655</u>	<u>-</u>	<u>232,905</u>	<u>4,426,750</u>	<u>238,111</u>
Other Liabilities					
Vested Compensated Absences	10,241		3,922	6,319	
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 4,669,896</u>	<u>-</u>	<u>236,827</u>	<u>4,433,069</u>	<u>238,111</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2015

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.

Legal Debt Margin

Assessed Valuation – 2014	<u>\$ 120,823,880</u>
Legal Debt Limit – 8.625% of Assessed Valuation	\$ 10,421,060
Amount of Debt Applicable to Debt Limit	<u>3,660,000</u>
Legal Debt Margin	<u>\$ 6,761,060</u>

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

Alternative Revenue 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 Capital Projects 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, 2015, consists of the following:

Governmental Activities Alternative Revenue Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance April 30, 2015
Series 2002 CAB	2002	1/1/2021	4.00%-5.40%	786,403	\$ 582,706
Series 2013 GO	2013	1/1/2022	2.00%-4.00%	\$ 2,160,000	<u>1,880,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 2,462,706</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.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

9. Long-Term Debt Obligations (Cont.)

General Obligation Debt (Cont.)

General obligation debt payable at April 30, 2015, consists of the following:

Business-Type Activities General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 4/30/2015
Series 2010A GO BAB	2011	12/1/2019	3.22%-4.72%	\$ 800,000	\$ 660,000
Series 2010B GO RZEDB	2011	12/1/2033	5.62%-6.84%	3,000,000	3,000,000
Total Business-Type Activities - General Obligation Debt					<u>\$ 3,660,000</u>

Debt service requirements to maturity are as follows:

Year	Governmental Activities Alternative Revenue Source	
	Principal	Interest
2016	\$ 245,811	93,839
2017	284,440	86,710
2018	328,700	76,300
2019	368,733	64,217
2020	409,402	50,598
2021-2022	825,620	47,580
	<u>\$ 2,462,706</u>	<u>419,244</u>

Year	Business-Type Activities					
	2010A General Obligation Build America Bonds			2010B General Obligation Recovery Zone Economic Development Bonds		
	Principal	Gross Interest	Estimated Net Interest*	Principal	Gross Interest	Estimated Net Interest**
2016	\$ 140,000	29,052	18,883	\$ 190,926	190,926	105,009
2017	150,000	24,544	15,954	190,926	190,926	105,009
2018	150,000	17,464	11,352	190,926	190,926	105,009
2019	155,000	10,384	6,750	190,926	190,926	105,009
2020	65,000	3,068	1,994	95,000	190,926	105,009
2021-2025				880,000	832,395	457,818
2026-2030				1,045,000	552,345	303,790
2031-2034				980,000	171,000	94,050
	<u>\$ 660,000</u>	<u>84,512</u>	<u>54,933</u>	<u>\$ 3,000,000</u>	<u>2,510,370</u>	<u>1,380,703</u>

* Net interest represents a reduction due to Build America Bonds subsidy at 35% and the semi-annual subsidies are subject to sequestration by the U.S. Government.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

9. Long-Term Debt Obligations (Cont.)

** Net interest represents a reduction due to Recovery Zone Economic Development Bonds subsidy at 45% and the semi-annual subsidies are subject to sequestration by the U.S. Government.

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 was \$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.

Governmental Activities - Other Notes or Loans Payable	Date of Issue	Original Indebtedness	Final Maturity	Interest Rates	Balance April 30, 2015
LED Light Loan	11/21/2012	\$ 165,000	9/15/2017	2.85%	\$ 101,281
Fire Alarm Monitoring Equipment Loan	11/21/2012	155,000	9/15/2019	3.12%	113,466
Police Vehicles Loan	11/21/2012	99,495	10/15/2015	3.11%	34,186
Police Vehicles Loan	11/1/2013	113,000	11/1/2016	3.11%	<u>76,495</u>
					<u>\$ 325,428</u>

Business-Type Activities - Other Notes or Loans Payable	Date of Issue	Original Indebtedness	Final Maturity	Interest Rates	Balance April 30, 2015
Illinois Environmental Protection Agency (IEPA) Loan Payable of 2002	2002	\$ 1,170,000	12/30/2021	2.54%	<u>\$ 479,868</u>
Water Meter Loan	11/21/2012	\$ 380,000	9/15/2022	Various	<u>\$ 311,963</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

9. Long-Term Debt Obligations (Cont.)

Debt service requirements to maturity are as follows:

Year	Governmental Activities Loans Payable		Business-Type Activities Loans Payable	
	Principal	Interest	Principal	Interest
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	24,107	752	109,746	10,636
2021-2023			272,604	13,284
	<u>\$ 325,428</u>	<u>20,885</u>	<u>\$ 791,831</u>	<u>95,970</u>

Capital Leases Payable

Governmental Activities - Capital Leases Payable	Date of Issue	Original Indebtedness	Final Maturity	Interest Rates	Balance April 30, 2015
Public Works Capital Lease	12/10/2012	\$ 202,020	1/1/2020	3.00%	<u>\$ 142,036</u>

Debt service requirements to maturity are as follows:

Year	Governmental Activities Capital Lease Payable	
	Principal	Interest
2016	\$ 28,201	4,064
2017	29,083	3,182
2018	29,992	2,273
2019	30,929	1,336
2020	23,831	369
	<u>\$ 142,036</u>	<u>11,224</u>

Advance Refunding

In prior years, the City has defeased \$2,125,000 of the 2002 Tax Increment Financing Alternate Revenue Bonds by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in trust funds. The investments and fixed earnings for the investment are sufficient to fully service the defeased debt until the debt matures. For financial reporting purposes, the debt has been considered defeased; therefore, the above listed debt was removed from the City's financial statements. The outstanding balance as of April 30, 2015, was \$1,880,000.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

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

	Carrying Value	Statement Balance
Deposits	\$ 321,042	320,993
Illinois Funds	11,706	23,977
Totals	<u>\$ 332,748</u>	<u>344,970</u>

C. Custodial Credit Risk

Deposits

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

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, 2015, 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, 2015

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. Employee Retirement Systems

The City contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system; the Police Pension Plan, which is a single-employer pension plan; and the Firefighters’ Pension Plan, which is also a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for all three plans are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly. The Police and Firefighters’ Pension Plans do not issue separate reports on the pension plans. IMRF issues a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report may be obtained on-line at www.imrf.org.

A. Plan Descriptions

Illinois Municipal Retirement Fund

All employees (other than those covered by the Police or Firefighters’ Pension Plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.5% of their annual salary to IMRF. The City is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer annual required contribution rate for calendar 2014 was 11.44%.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

11. Employee Retirement Systems (Cont.)

A. Plan Descriptions (Cont.)

For the IMRF Sheriff's Law Enforcement Personnel (SLEP) Plan, members are required to contribute 7.50% of their annual covered salary. The employer rate for calendar year 2014 was 13.75%.

Police Pension Fund

Plan Description and Provisions

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

At April 30, 2015, the Police Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but Not Yet Receiving Them	7
Current Employees	
Vested	4
Nonvested	<u>7</u>
Total	<u>18</u>

The following is a summary of the Police Pension Plan as provided by the Illinois State Statutes:

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 2.5% of final salary for each year of service up to 30 years, to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly 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 original pension and 3% simple interest 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 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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

11. Employee Retirement Systems (Cont.)

A. Plan Descriptions (Cont.)

Police Pension Fund (Cont.)

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.

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.

Investment Policy

The deposits and investments of the pension funds are held separately from those of other City funds. In addition to the aforementioned investments in Note 3, pension funds are also permitted to invest in the following instruments:

- General accounts of Illinois-licensed life insurance companies.
- Separate accounts of Illinois-licensed insurance companies invested in stocks, bonds and real estate, limited to 10% of the fund's investments.
- Bonds issued by any county, city, township, incorporated town, municipal corporation or school district in Illinois.
- Tax anticipation warrants issued by any city, township, incorporated town or fire protection district in Illinois.
- Equity accounts up to a limit of 45% of the aggregate fair value of the fund's assets.
- Direct obligations of the State of Israel.

In addition, pension funds with net position of \$2.5 million or more may invest up to 35% of plan net position in a separate account of life insurance companies and mutual funds. If pension funds have net position of at least \$5 million and have an appointed investment advisor, the pension funds may, through that investment advisor, invest up to 35% of the plan's net position in common and preferred stocks which meet specific restrictions.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

11. Employee Retirement Systems (Cont.)

A. Plan Descriptions (Cont.)

Police Pension Fund (Cont.)

Investment Policy (Cont.)

The Police Pension Fund's investment policy in accordance with ILCS establishes the following ranges and target allocation across asset classes:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	60.0%	2.0%
Equities		
U.S. Large Cap	28.0%	6.8%
U.S. Small Cap	8.0%	8.9%
International	4.0%	7.0%

The long-term expected rate of return of the Police Pension Fund's investments was determined using an asset allocation study conducted by the Police Pension Fund's investment manager consultant in April 2015 in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in the Fund's target asset allocation as of April 30, 2015, are listed in the table above.

Investment Rate of Return

For the year ended April, 30, 2015, the annual money-weighted rate of return on the police pension plan investments, net of pension plan investment expense, was 6.64%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deposits with Financial Institutions

None of the Police Pension Fund's deposits of \$9,383 with financial institutions were exposed to custodial credit risk, as those deposits were insured, or fully collateralized by investments held by an independent third party in the City's name.

Interest Rate Risk

The police pension's investment policy states that a maximum of 40% of the bond portfolio may have maturities of fifteen years or more. 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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

11. Employee Retirement Systems (Cont.)

A. Plan Descriptions (Cont.)

Police Pension Fund (Cont.)

Investment Rate Risk (Cont.)

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 its short-term and long-term needs.

As of April 30, 2015, the Police Pension Fund has the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	Over 10
U.S. Treasuries	\$ 185,964		185,964		
U.S. Agencies	1,149,601	75,500	266,227	706,496	101,378
Municipal Bonds	235,355	45,668	50,382	60,070	79,235
	<u>\$ 1,570,920</u>	<u>121,168</u>	<u>502,573</u>	<u>766,566</u>	<u>180,613</u>

Not Subject to Interest Rate Risk

	Fair Value
Mutual Funds	<u>\$ 1,157,920</u>

Credit Risk

The Police Pension Fund limits its exposure to credit risk by primarily investing in securities issued by the United States government and/or its agencies that are implicitly guaranteed by the United States government.

At April 30, 2015, the Police Pension's investment portfolios had the following ratings:

Type of Investment	Fair Value	Moody/s / S&P Ratings
U.S. Agencies	<u>\$ 1,149,601</u>	Aaa / AA+
Municipal Bonds	27,748	Aaa / NR
Municipal Bonds	55,700	Aa3 / NR
Municipal Bonds	20,978	NR / AA+
Municipal Bonds	55,165	NR / AA
Municipal Bonds	50,382	NR / AA-
Municipal Bonds	25,382	A3 / AA-
Total Municipal Bonds	<u>235,355</u>	

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

11. Employee Retirement Systems (Cont.)

A. Plan Descriptions (Cont.)

Police Pension Fund (Cont.)

Custodial Credit Risk

The Police Pension Fund'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 for investments is the risk that, in the event of the failure of the counterparty to the investment, the Police Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. 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.

Net Pension Liability

The components of the net pension liability of the Police Pension Fund as of April 30, 2015, calculated in accordance with GASB Statement No. 67 were as follows:

Total Pension Liability	\$ 4,452,581
Plan Fiduciary Net Position	2,744,799
City's Net Pension Liability	1,707,782
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.65%

See the Schedule of Changes in Employer's Net Pension Liability and related ratios in the Required Supplementary Information for additional information related to the funded status of the Police Pension Fund.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

11. Employee Retirement Systems (Cont.)

A. Plan Descriptions (Cont.)

Police Pension Fund (Cont.)

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2015, using the following actuarial methods and assumptions.

Actuarial Valuation Date	April 30, 2015
Actuarial Cost Method	Entry-age normal
Assumptions	
Inflation	3.00%
Salary Increases	4.00%-11.00%
Discount Rate	5.86%
Cost of Living Adjustments	3.00%
Asset Valuation Method	Market

Mortality rates are based on rates developed in the Lauterbach & Amen, LLP 2012 Mortality Table for Illinois Police Officers.

Other demographic assumptions are based on a review of assumptions in the Lauterbach & Amen Study for Illinois Police Officers.

Discount Rate

The discount rate used to measure the total pension liability was 5.86%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Police Pension Fund's fiduciary net position was projected to be depleted in 2057. Therefore, the long-term expected rate of return on pension plan investments of 6.50% was blended with the index rate of 3.62% for tax exempt general obligation municipal bonds rated AA or better at May 1, 2014, to arrive at a discount rate of 5.86% used to determine the total pension liability. The municipal bond rate index was obtained from the Bond Buyers General Obligation 20-Year Municipal Bond Index published monthly by the Board of Governors' of the Federal Reserve System.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

11. Employee Retirement Systems (Cont.)

A. Plan Descriptions (Cont.)

Police Pension Fund (Cont.)

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below represents the pension liability of the City calculated using the discount rate of 5.86% as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.86%) or one percentage point higher (6.86%) than the current rate:

	1% Decrease (4.86%)	Current Discount Rate (5.86%)	1% Increase (6.86%)
Net Pension Liability	\$ 2,411,321	1,707,782	1,135,619

Firefighters' Pension Fund

Plan Description and Provisions

Fire sworn personnel are covered by the Firefighters' Pension Plan, which is a defined benefit, single-employer pension plan. Although this is a single-employer pension plan, the defined benefits as well as the employee and employer contribution levels are mandated by Chapter 40 Illinois Compiled Statutes 5 and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund. The plan does not issue a standalone financial statement.

At April 30, 2015, the Firefighters' Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but Not Yet Receiving Them	7
Current Employees	
Vested	5
Nonvested	1
Total	13

The following is a summary of the Firefighters' Pension Plan as provided by the Illinois State Statutes:

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service. The monthly pension shall be increased by one-twelfth of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years 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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

11. Employee Retirement Systems (Cont.)

A. Plan Descriptions (Cont.)

Firefighters' Pension Fund (Cont.)

Plan Description and Provisions (Cont.)

retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement, and paid upon reaching at least the age 55, by 3% of the original pension and 3% 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 preceding calendar year.

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.

Investment Policy

The deposits and investments of the pension funds are held separately from those of other City funds. In addition to the aforementioned investments in Note 3, pension funds are also permitted to invest in the following instruments:

- General accounts of Illinois-licensed life insurance companies.
- Separate accounts of Illinois-licensed insurance companies invested in stocks, bonds and real estate, limited to 10% of the fund's investments.
- Bonds issued by any county, city, township, incorporated town, municipal corporation or school district in Illinois.
- Tax anticipation warrants issued by any city, township, incorporated town or fire protection district in Illinois.
- Equity accounts up to a limit of 45% of the aggregate fair value of the fund's assets.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

11. Employee Retirement Systems (Cont.)

A. Plan Descriptions (Cont.)

Firefighters' Pension Fund (Cont.)

Investment Policy (Cont.)

- Direct obligations of the State of Israel.

In addition, pension funds with net position of \$2.5 million or more may invest up to 35% of plan net position in a separate account of life insurance companies and mutual funds. If pension funds have net position of at least \$5 million and have an appointed investment advisor, the pension funds may, through that investment advisor, invest up to 35% of the plan's net position in common and preferred stocks which meet specific restrictions.

The Firefighters' Pension Fund's investment policy in accordance with ILCS establishes the following ranges and target allocation across asset classes:

<u>Asset Class</u>	<u>Target</u>	<u>Expected Real Rate of Return</u>
Fixed Income	60.0%	2.0%
Equities		
U.S. Large Cap	28.0%	6.8%
U.S. Small Cap	8.0%	8.9%
International	4.0%	7.0%

The long-term expected rate of return of the Firefighters' Pension Fund's investments was determined using an asset allocation study conducted by the Firefighters' Pension Fund's investment manager consultant in April 2015 in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in the Fund's target asset allocation as of April 30, 2015, are listed in the table above.

Investment Rate of Return

For the year ended April, 30, 2015, the annual money-weighted rate of return on the firefighters' pension plan investments, net of pension plan investment expense, was 6.60%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

11. Employee Retirement Systems (Cont.)

A. Plan Descriptions (Cont.)

Firefighters' Pension Fund (Cont.)

Deposits with Financial Institutions

None of the Firefighters' Pension Fund's deposits of \$23,193 with financial institutions were exposed to custodial credit risk, as those deposits were insured, or fully collateralized by investments held by an independent third party in the City's name.

Interest Rate Risk

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 its short-term and long-term needs.

As of April 30, 2015, the Firefighters' Pension Fund has the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	Over 10
U.S. Treasuries	\$ 340,366		223,581	116,785	
U.S. Agencies	1,342,792	105,837	441,528	746,105	49,322
Municipal Bonds	296,538		120,675	102,393	73,470
	<u>\$ 1,979,696</u>	<u>105,837</u>	<u>785,784</u>	<u>965,283</u>	<u>122,792</u>

Not Subject to Interest Rate Risk

	Fair Value
Mutual Funds	<u>\$ 1,388,442</u>

Credit Risk

The Firefighters' Pension Fund limits its exposure to credit risk by primarily investing in securities issued by the United States government and/or its agencies that are implicitly guaranteed by the United States government.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

11. Employee Retirement Systems (Cont.)

A. Plan Descriptions (Cont.)

Firefighters' Pension Fund (Cont.)

Credit Risk (Cont.)

At April 30, 2015, the Fire Pension's investment portfolios had the following ratings:

Type of Investment	Fair Value	Moody/s / S&P Ratings
U.S. Agencies	\$ 1,341,705	Aaa / AA+
U.S. Agencies	1,087	NR / NR
Total U.S. Agencies	1,342,792	
Municipal Bonds	30,783	Aaa / NR
Municipal Bonds	27,333	Aa1 / AA+
Municipal Bonds	87,423	Aa2 / NR
Municipal Bonds	35,415	Aa3 / NR
Municipal Bonds	47,988	NR / AA+
Municipal Bonds	46,758	NR / AA
Municipal Bonds	20,838	NR / AA-
Total Municipal Bonds	296,538	

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Police Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. 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.

Net Pension Liability

The components of the net pension liability of the Firefighters' Pension Fund as of April 30, 2015, calculated in accordance with GASB Statement No. 67 were as follows:

Total Pension Liability	\$ 4,093,301
Plan Fiduciary Net Position	3,405,437
City's Net Pension Liability	687,864
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.20%

See the Schedule of Changes in Employer's Net Pension Liability and related ratios in the Required Supplementary Information for additional information related to the funded status of the Firefighters' Pension Fund.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

11. Employee Retirement Systems (Cont.)

A. Plan Descriptions (Cont.)

Firefighters' Pension Fund (Cont.)

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2015, using the following actuarial methods and assumptions.

Actuarial Valuation Date	April 30, 2015
Actuarial Cost Method	Entry-age normal
Assumptions	
Inflation	3.00%
Salary Increases	4.00%-12.00%
Discount Rate	5.74%
Cost of Living Adjustments	3.00%
Asset Valuation Method	Market

Mortality rates are based on rates developed in the Lauterbach & Amen, LLP 2012 Mortality Table for Illinois Firefighters.

Other demographic assumptions are based on a review of assumptions in the Lauterbach & Amen Study for Illinois Firefighters.

Discount Rate

The discount rate used to measure the total pension liability was 5.74%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Firefighters' Pension Fund's fiduciary net position was projected to be depleted in 2056. Therefore, the long-term expected rate of return on pension plan investments of 6.50% was blended with the index rate of 3.62% for tax exempt general obligation municipal bonds rated AA or better at May 1, 2014, to arrive at a discount rate of 5.74% used to determine the total pension liability. The municipal bond rate index was obtained from the Bond Buyers General Obligation 20-Year Municipal Bond Index published monthly by the Board of Governors' of the Federal Reserve System.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

11. Employee Retirement Systems (Cont.)

A. Plan Descriptions (Cont.)

Firefighters' Pension Fund (Cont.)

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below represents the pension liability of the City calculated using the discount rate of 5.74% as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.74%) or one percentage point higher (6.74%) than the current rate:

	1% Decrease (4.74%)	Current Discount Rate (5.74%)	1% Increase (6.74%)
Net Pension Liability	\$ 1,350,355	687,864	148,657

B. Significant Investments

It is the policy of the Police Pension and Firefighters' Pension Funds to diversify their investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting in overconcentration in a security, maturity, issuer, or class of securities. According to the Pension Funds' investment policy, the Pension Funds will diversify their investments by security type and institution.

At April 30, 2015, the Police Pension investments (other than U.S. government and U.S. government-guaranteed obligations) include a Vanguard 500Index Mutual Fund and T. Rowe Price Growth Mutual Fund, which each represent 5% or more of plan's net position. The Firefighters' Pension Investments did not include investments (other than U.S. government and U.S. government-guaranteed obligations) that individually exceeded 5% or more of plan's net position.

C. Annual Pension Costs

Employer contributions have been determined as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial Valuation Date	12/31/2012	4/30/2013	4/30/2013
Actuarial Cost Method	Entry-age Normal	Entry-age Normal	Entry-age Normal
Asset Valuation Method	5 year Smoothed Market	5 year Smoothed Market	5 year Smoothed Market
Amortization Method	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll
Amortization Period	29 years, open	28 years, closed	28 years, closed

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2015

11. Employee Retirement Systems (Cont.)

C. Annual Pension Costs (Cont.)

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Significant Actuarial Assumptions			
(a) Investment Rate of Return Present and Future Assets	7.50%	6.50%	6.50%
(b) Projected Salary Increase Attributable to Inflation	4.00%	4.50%	5.00%
(c) Additional Projected Salary Increases Attributable to Seniority/Merit	0.4% to 10.0%	3.00%	3.00%
(d) Postretirement Benefit Increases	3.00%	3.00%	3.00%
(e) Remaining Amortization Period	29 years	28 years	28 years

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

	Police Pension	Firefighters' Pension
Annual Required Contribution (ARC)	\$ 250,904	138,674
Interest on Net Pension Obligation	1,591	(1,647)
Adjustments to the ARC	(1,921)	1,988
Annual Pension Cost (APC)	250,574	139,015
Contributions Made	250,138	137,914
Change in the Net Pension Obligation	436	1,101
Net Pension Obligation (Asset) at May 1, 2014	24,482	(25,343)
Net Pension Obligation (Asset) at April 30, 2015	\$ 24,918	(24,242)

For the SLEP Plan, the annual pension cost was \$0 for the calendar year 2014. The required contribution for 2014 was determined as part of the December 31, 2012, actuarial valuation using the entry age normal actuarial cost method.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

11. Employee Retirement Systems (Cont.)

C. Annual Pension Costs (Cont.)

The Net Pension Obligation at April 30, 2015, has been calculated as follows:

	Fiscal Year	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual Pension Cost	2015	\$ 79,184	250,574	139,015
	2014	83,636	186,224	124,986
	2013	68,653	150,630	133,712
Percent Contributed	2015	100.0%	99.8%	99.2%
	2014	100.0%	112.4%	118.6%
	2013	100.0%	96.3%	94.2%
Net Pension Obligation (Asset)	2015		24,918	(24,242)
	2014		24,482	(25,343)
	2013		46,452	(2,078)

D. Funded Status

Illinois Municipal Retirement Fund

As of December 31, 2014, the most recent actuarial valuation date, the Regular Plan was 78.44% funded. The actuarial accrued liability for benefits was \$2,313,222 and the actuarial value of assets was \$1,814,598, resulting in underfunded actuarial accrued liability (UAAL) of \$498,624. The covered payroll (annual payroll of active employees covered by the plan) was \$692,168 and the ratio of the UAAL to the covered payroll was 72.04%. In conjunction with the December 2013 actuarial valuation, the market value of investments 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 unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 29 year basis.

As of December 31, 2014, the most recent actuarial valuation date, the SLEP Plan was 146.26% funded. Actuarial accrued liability was \$40,554 and actuarial value of assets was \$59,315, resulting in an underfunded actuarial liability of (\$18,761). The covered payroll (annual payroll of active employees covered by the plan) was \$0 and the ratio of the UAAL to covered payroll was 0%.

Police Pension

As of April 30, 2014, the most recent data available, the Police Pension Plan was 67.33% funded. The actuarial accrued liability was \$4,104,967 and the actuarial value of assets was \$2,763,745, resulting in an underfunded actuarial accrued liability of \$1,341,222. The covered payroll for 2014 was \$644,732 and the ratio of the UAAL to covered payroll was thus 208.03%.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

11. Employee Retirement Systems (Cont.)

D. Funded Status (Cont.)

Firefighters' Pension

As of April 30, 2014, the most recent actuarial valuation date, the Firefighters' Pension Plan was 92.23% funded. The actuarial accrued liability was \$3,438,709 and the actuarial value of assets was \$3,171,589, resulting in an underfunded actuarial accrued liability of \$267,120. The covered payroll for 2014 was \$331,447 and the ratio of the UAAL to covered payroll was thus 80.59%.

The Schedule of Funding Progress for the Regular, SLEP, Police, and Firefighters' plans, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Summary of Significant Accounting Policies and Plan Asset Matters

Police Pension and Firefighters' Pension

i. Basis of Accounting

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

ii. Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Investment income is recognized as earned.

Gains and losses on sales and exchanges of fixed-income securities are recognized on the transaction date. Equity securities are reported at cost subject to adjustment for market declines judged to be other than temporary (lower of cost or market).

iii. Related Party Transactions

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

F. Significant Actuarial Assumption

Police Pension and Firefighters' Pension

The actuarial cost method for the above plans is entry age normal and the amortization method is a level percentage of payroll, closed period. The asset valuation method is fair market value.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2015

11. Employee Retirement Systems (Cont.)

G. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Six-year trend information may be found in the required supplemental information section of the government's annual financial report.

12. Pension Trust Funds - Financial Data

A. Schedule of Fiduciary Net Plan Position as of April 30, 2015

	Police Pension	Firefighters' Pension	Total
Assets			
Cash and Cash Equivalents	\$ 9,383	23,193	32,576
Investments			
U.S. Treasury Securities	185,964	340,366	526,330
U.S. Agency Securities	1,149,601	1,342,792	2,492,393
Mutual Funds	1,157,920	1,388,442	2,546,362
Municipal Bonds	235,355	296,538	531,893
Receivables			
Accrued Interest	13,248	17,488	30,736
Prepaid Expenses	1,296		1,296
	<hr/>		
Total Assets	2,752,767	3,408,819	6,161,586
Liabilities			
Accounts Payable	7,968	3,382	11,350
	<hr/>		
Net Position			
Held in Trust for Pension Benefits	\$ 2,744,799	3,405,437	6,150,236
	<hr/> <hr/>		

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

12. Pension Trust Funds - Financial Data (Cont.)

B. Schedule of Changes in Fiduciary Net Plan Position as of April 30, 2015

	Police Pension	Firefighters' Pension	Total
Additions			
Contributions			
Employer	\$ 250,138	137,914	388,052
Plan Members	68,892	40,458	109,350
	<u>319,030</u>	<u>178,372</u>	<u>497,402</u>
Investment Income			
Investment Income	107,156	127,892	235,048
Gains on Investments	81,726	94,818	176,544
	<u>188,882</u>	<u>222,710</u>	<u>411,592</u>
Less Investment Expense	(11,163)	(13,252)	(24,415)
	<u>177,719</u>	<u>209,458</u>	<u>387,177</u>
Total Additions	<u>496,749</u>	<u>387,830</u>	<u>884,579</u>
Deductions			
Benefits	143,620	25,089	168,709
Administration	39,043	26,227	65,270
Refunds of Contributions	44,050	30,146	74,196
Transfers to Other Pension Plans	89,022		89,022
	<u>315,735</u>	<u>81,462</u>	<u>397,197</u>
Change in Net Position	181,014	306,368	487,382
Net Position			
Beginning	<u>2,563,785</u>	<u>3,099,069</u>	<u>5,662,854</u>
Ending	<u>\$ 2,744,799</u>	<u>3,405,437</u>	<u>6,150,236</u>

13. 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.

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,

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

13. Risk Management (Cont.)

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.

14. 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 April 30, 2015, the building was still under construction and thus, had not yet received its certificate of occupancy. As of April 30, 2015, the City has not paid any reimbursements associated with the project; however, occupancy is expected within the next fiscal year.

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

15. 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.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2015

16. Subsequent Events

As of April 30, 2015, the City was in negotiations with the firefighter's union to dissolve the fire department. Subsequent to year end, the City and Union agreed to dissolution effective by June 30, 2016.

On May 28, 2015, the City entered into two separate loan agreements with the Illinois Environmental Protection Agency (IEPA) for loans in the amount of \$2,610,846 and \$249,578. The funds will be used to finance the replacement of water mains, improve parts of the water distribution system within the City, sewer lining improvements and rehabilitate parts of the sewer collection system. The loans will be paid over 20 years with an estimated final maturity of October 15, 2035.

On August 27, 2015, the City issued \$2,355,000 of General Obligation Bonds, Series 2015 to finance various capital projects throughout the City, including water, sewer, road and storm improvements within the City. The City expects to complete the Project by November 2015. The Bonds will be paid over 15 years with a final maturity of December 1, 2030.

17. Future Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements, which are expected to have a material impact on the City's financial statements in future periods:

Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The City will be required to implement this Statement for the year ending April 30, 2016.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement is an amendment of GASB Statement 68, was issued to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities. The City is required to implement this Statement for the fiscal year ending April 30, 2016.

Statement No. 72, *Fair Value Measurement and Application*. This Statement was issued to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The City is required to implement this Statement for the fiscal year ending April 30, 2017.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement revises existing standards of financial reporting for postemployment benefits other than pensions. This Statement replaces the requirements of Statement Nos. 45 and 57. The City will be required to implement this Statement for the year ending April 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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, 2015

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Property Taxes	\$ 1,119,319	1,121,276	1,957
Other Taxes	965,000	1,048,180	83,180
Licenses and Permits	357,500	378,800	21,300
Intergovernmental	1,163,648	1,221,746	58,098
Charges for Services	886,050	993,298	107,248
Fines and Forfeits	112,000	82,601	(29,399)
Interest	1,055	1,545	490
Miscellaneous	17,500	46,958	29,458
Total Revenues	<u>4,622,072</u>	<u>4,894,404</u>	<u>272,332</u>
Expenditures			
Current			
General Government	1,030,335	885,991	(144,344)
Public Safety	2,719,906	2,815,463	95,557
Public Works	571,828	601,408	29,580
Culture and Recreation	149,985	146,989	(2,996)
Capital Outlay	149,000	183,860	34,860
Debt Service			
Principal	130,658	149,589	18,931
Interest	10,369	18,554	8,185
Total Expenditures	<u>4,762,081</u>	<u>4,801,854</u>	<u>39,773</u>
Excess (Deficiency) of Revenues over Expenditures	(140,009)	92,550	232,559
Other Financing Sources			
Proceeds from Sale of Capital Assets	120,000	106,310	(13,690)
Net Change in Fund Balance	<u>\$ (20,009)</u>	198,860	<u>218,869</u>
Fund Balance			
May 1		<u>925,991</u>	
April 30		<u>1,124,851</u>	

CITY OF HIGHWOOD, ILLINOIS

Notes to the Required Supplementary Information
April 30, 2015

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, 2015, the General Fund, Waterworks and Sewerage Fund and Motor Fuel Tax Fund had expenditures that exceeded its appropriations in the amounts of \$39,773, \$73,361 and \$75,002, respectively.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Illinois Municipal Retirement Fund

Schedule of Funding Progress

April 30, 2015

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
12/31/2014	\$ 1,814,598	2,313,222	498,624	78.44 %	692,168	72.04 %
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

On a market basis, the actuarial value of assets as of December 31, 2014, is \$2,186,571. On a market basis, the funded ratio would be 94.52%.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

IMRF Sheriff's Law Enforcement Personnel Fund

Schedule of Funding Progress

April 30, 2015

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
12/31/2014	\$ 59,315	40,554	(18,761)	146.26 %		%
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)

On a market basis, the actuarial value of assets as of December 31, 2014, is \$65,105. On a market basis, the funded ratio would be 160.54%.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Police Pension Fund

Schedule of Funding Progress

April 30, 2015

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
4/30/2014	\$ 2,763,745	4,104,967	1,341,222	67.33 %	644,732	208.03 %
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

Note:

Most recent available information as of April 30, 2014.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Firefighters' Pension Fund

Schedule of Funding Progress

April 30, 2015

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
4/30/2014	\$ 3,171,589	3,438,709	267,120	92.23 %	331,447	80.59 %
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

Note:

Most recent available information as of April 30, 2014.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Schedule of City Contributions

Illinois Municipal Retirement Fund

April 30, 2015

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
4/30/2015	\$ 79,184	\$ 79,184	100.00%
4/30/2014	83,636	83,636	100.00%
4/30/2013	68,653	68,653	100.00%
4/30/2012	62,544	62,544	100.00%
4/30/2011	80,887	80,887	100.00%
4/30/2010	52,694	52,694	100.00%

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Schedule of City Contributions

Sheriff's Law Enforcement Personnel

April 30, 2015

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
4/30/2015	\$		100.00%
4/30/2014			100.00%
4/30/2013			100.00%
4/30/2012			100.00%
4/30/2011	6,227	6,227	100.00%
4/30/2010	9,321	9,321	100.00%

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Schedule of City Contributions - GASB No. 27

Police Pension Fund

April 30, 2015

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed	Net Pension Obligation
4/30/2015	\$ 250,138	\$ 250,904	99.69%	\$ 24,918
4/30/2014	209,273	186,224	112.38%	24,482
4/30/2013	145,071	150,630	96.31%	46,452
4/30/2012	166,641	167,270	99.62%	39,876
4/30/2011	166,568	199,483	83.50%	38,189
4/30/2010	190,729	189,969	100.40%	5,226

The information directly above is presented in accordance with GASB Statement No. 27. The information was determined as part of the actuarial valuation of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal, the amortization percentage was level percent of pay, closed and the amortization period was 28 years; the asset valuation method was at market value and the significant actuarial assumptions were an investment rate of return at 6.50% annually, projected salary increases assumption of 4.00% to 11.00% compounded annually.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Schedule of City Contributions - GASB No. 27

Firefighters' Pension Fund

April 30, 2015

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed	Net Pension Obligation (Asset)
4/30/2015	\$ 137,914	\$ 138,674	99.45%	\$ (24,242)
4/30/2014	148,193	124,986	118.57%	(25,343)
4/30/2013	125,888	133,712	94.15%	(2,078)
4/30/2012	144,500	125,685	114.97%	(9,656)
4/30/2011	143,589	143,733	99.90%	8,912
4/30/2010	117,946	117,593	100.30%	8,804

The information directly above is presented in accordance with GASB Statement No. 27. The information was determined as part of the actuarial valuation of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal, the amortization percentage was level percent of pay, closed and the amortization period was 28 years, the asset valuation method was at market value and the significant actuarial assumptions were an investment rate of return at 6.50% annually, projected salary increases assumption of 4.00% to 12.00% compounded annually.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Schedule of City Contributions - GASB No. 67

Police Pension Fund

April 30, 2015

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2015	\$ 250,904	250,138	(766)	725,533	34.48%

Notes to the Required Supplementary Information

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	7.51 Years
Asset Valuation Method	Market Value
Inflation	3.00%
Salary Increases	4.00% - 11.00%
Investment Rate of Return	6.50%
Retirement Age	See the Notes to the Financial Statements
Mortality	Mortality rates were based on the RP-2000 Combined Healthy Mortality Table.

GASB Statement No. 67 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule. The pronouncement was enacted in fiscal year 2015.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Schedule of City Contributions - GASB No. 67

Firefighters' Pension Fund

April 30, 2015

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2015	\$ 138,674	137,914	(760)	386,071	35.72%

Notes to the Required Supplementary Information

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	3.74 Years
Asset Valuation Method	Market Value
Inflation	3.00%
Salary Increases	4.00% - 12.00%
Investment Rate of Return	6.50%
Retirement Age	See the Notes to the Financial Statements
Mortality	Mortality rates were based on the RP-2000 Combined Healthy Mortality Table.

GASB Statement No. 67 requires the presentation of 10 fiscal years of data, however, the fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule. The pronouncement was enacted in fiscal year 2015.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Schedule of Changes in City's Net Pension Liability

Police Pension Fund

April 30, 2015

Total Pension Liability	
Service Cost	\$ 265,577
Interest on the Total Pension Liability	239,435
Changes in Benefit Terms	
Differences Between Expected and Actual Experience	
Changes of Assumptions	
Benefit Payments	<u>(276,692)</u>
Net Change in Total Pension Liability	228,320
Total Pension Liability - Beginning of Period	<u>4,224,261</u>
Total Pension Liability - End of Period	<u>\$ 4,452,581</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 250,138
Contributions - Members	68,892
Contributions - Other	
Net Investment Income	177,719
Benefit Payments	(276,692)
Administrative Expense	<u>(39,043)</u>
Net Change in Plan Fiduciary Net Position	181,014
Plan Net Position - Beginning of Period	<u>2,563,785</u>
Plan Net Position - End of Period	<u>\$ 2,744,799</u>
Employer's Net Pension Liability	<u>\$ 1,707,782</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.65%
Covered Employee Payroll	\$ 725,533
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	235.38%

GASB Statement No. 67 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule. The pronouncement was enacted in fiscal year 2015.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Schedule of Changes in City's Net Pension Liability

Firefighters' Pension Fund

April 30, 2015

Total Pension Liability	
Service Cost	\$ 124,679
Interest on the Total Pension Liability	216,932
Changes in Benefit Terms	
Differences Between Expected and Actual Experience	
Changes of Assumptions	
Benefit Payments	<u>(55,235)</u>
Net Change in Total Pension Liability	286,376
Total Pension Liability - Beginning of Period	<u>3,806,925</u>
Total Pension Liability - End of Period	<u><u>\$ 4,093,301</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 137,914
Contributions - Members	40,458
Contributions - Other	
Net Investment Income	209,458
Benefit Payments	(55,235)
Administrative Expense	<u>(26,227)</u>
Net Change in Plan Fiduciary Net Position	306,368
Plan Net Position - Beginning of Period	<u>3,099,069</u>
Plan Net Position - End of Period	<u><u>\$ 3,405,437</u></u>
Employer's Net Pension Liability	<u><u>\$ 687,864</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.20%
Covered Employee Payroll	\$ 386,071
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	178.17%

GASB Statement No. 67 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule. The pronouncement was enacted in fiscal year 2015.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Schedule of Investment Returns

Police Pension

April 30, 2015

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2015	6.64%

GASB Statement No. 67 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule. The pronouncement was enacted in fiscal year 2015.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Schedule of Investment Returns

Firefighters' Pension

April 30, 2015

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2015	6.60%

GASB Statement No. 67 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule. The pronouncement was enacted in fiscal year 2015.

**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, 2015

	Original and Final Budget	Actual
Taxes		
Property Tax	\$ 1,119,319	1,121,276
Non-Home Rule Sales Tax	585,000	628,755
Utility Taxes	380,000	419,425
	<u>2,084,319</u>	<u>2,169,456</u>
Licenses and Permits		
Licenses	302,500	320,383
Permits	55,000	58,417
	<u>357,500</u>	<u>378,800</u>
Intergovernmental		
Income Tax	528,609	554,338
Sales Tax	500,000	515,509
Replacement Tax	8,430	5,990
Fire Insurance Tax (2% Fire Dues)	7,400	7,169
Local Use Tax	96,209	117,571
Municipal Gas Tax	23,000	21,169
	<u>1,163,648</u>	<u>1,221,746</u>
Charges for Services		
Developers Fees		
Parking Fees	45,000	49,016
Cable Franchise Fees	46,000	48,769
Zoning and Planning Fees	52,000	72,140
Rental Fees	372,000	368,604
Ambulance Fees	55,000	59,966
Alarm Systems and Calls	105,600	115,225
Seized Autos	40,000	24,750
Refunds and Reimbursements	24,000	65,086
Park Recreation Fees	129,000	176,935
2H Agreement	2,800	
Miscellaneous Fees and Fines	14,650	12,807
	<u>886,050</u>	<u>993,298</u>
Fines and Forfeits		
Police Fines	37,000	29,976
Court Fines	75,000	52,625
	<u>112,000</u>	<u>82,601</u>
Interest		
Investment Income	1,055	1,545
Miscellaneous		
Special Event Revenue		1,775
Donations	8,000	26,686
Miscellaneous Income	9,500	18,497
	<u>17,500</u>	<u>46,958</u>
Total Revenue	<u>\$ 4,622,072</u>	<u>4,894,404</u>

CITY OF HIGHWOOD, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual

Year Ended April 30, 2015

	Original and Final Budget	Actual
General Government		
Administration		
Personnel	\$ 483,366	473,033
Contractual Services	206,890	164,219
Materials and Supplies	10,500	6,584
Special Events	5,000	4,456
Miscellaneous	8,110	20,019
	<u>713,866</u>	<u>668,311</u>
Legal		
Contractual Services	<u>217,600</u>	<u>136,893</u>
Building, Zoning and Health Department		
Personnel	71,119	31,793
Contractual Services	22,500	46,154
Materials and Supplies	1,750	2,840
Miscellaneous	3,500	
	<u>98,869</u>	<u>80,787</u>
Capital Outlay		
Equipment - General Administration	<u>25,500</u>	<u>15,512</u>
Total General Government	<u>1,055,835</u>	<u>901,503</u>
Public Safety		
Police Department		
Personnel	1,076,955	1,211,137
Contractual Services	195,489	258,578
Materials and Supplies	47,100	40,959
Miscellaneous		1,260
	<u>1,319,544</u>	<u>1,511,934</u>
Fire Department		
Personnel	1,147,662	1,071,080
Contractual Services	206,300	193,354
Materials and Supplies	38,900	36,768
Miscellaneous	7,500	2,327
	<u>1,400,362</u>	<u>1,303,529</u>
Capital Outlay		
Police - Equipment	22,500	20,343
Fire	5,500	66,924
	<u>28,000</u>	<u>87,267</u>
Total Public Safety	<u>2,747,906</u>	<u>2,902,730</u>

(Cont.)

CITY OF HIGHWOOD, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual (Cont.)

Year Ended April 30, 2015

	Original and Final Budget	Actual
Public Works		
Highways and Streets		
Personnel	282,828	293,708
Contractual Services	197,750	208,993
Street Light Maintenance	30,000	39,968
Materials and Supplies	44,750	42,311
Miscellaneous	16,500	16,428
	<u>571,828</u>	<u>601,408</u>
Capital Outlay		
Public Works	95,000	72,865
	<u>95,000</u>	<u>72,865</u>
Total Public Works	<u>666,828</u>	<u>674,273</u>
Culture and Recreation		
Parks and Recreation		
Personnel	54,910	49,921
Contractual Services	48,450	41,363
Supplies and Materials	2,125	50
Special Events	42,000	52,538
Miscellaneous	2,500	3,117
	<u>149,985</u>	<u>146,989</u>
Capital Outlay		
Culture and Recreation	500	8,216
	<u>500</u>	<u>8,216</u>
Total Culture and Recreation	<u>150,485</u>	<u>155,205</u>
Debt Service		
Principal	130,658	149,589
Interest	10,369	18,554
	<u>141,027</u>	<u>168,143</u>
Total Debt Service	<u>141,027</u>	<u>168,143</u>
Total Expenditures	<u>\$ 4,762,081</u>	<u>4,801,854</u>

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, 2015

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Taxes			
Property Taxes	\$ 485,000	379,129	(105,871)
Investment Income	400	1,483	1,083
Total Revenues	<u>485,400</u>	<u>380,612</u>	<u>(104,788)</u>
Expenditures			
General Government			
Accounting Fees	5,000	5,000	
Legal Fees	10,000	5,816	(4,184)
Special Events Marketing	10,000	6,632	(3,368)
Capital Outlay	132,550	67,379	(65,171)
Debt Service			
Principal	232,850	245,000	12,150
Interest	95,000	67,650	(27,350)
Fiscal Agent Fees		915	915
Total Expenditures	<u>485,400</u>	<u>398,392</u>	<u>(87,008)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(17,780)</u>	<u>(17,780)</u>
Fund Balance			
Beginning of Year		<u>692,229</u>	
End of Year		<u>674,449</u>	

NONMAJOR GOVERNMENTAL FUNDS

CITY OF HIGHWOOD, ILLINOIS

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2015

	<u>Special Revenue Funds</u>		Total Nonmajor Government Funds
	Motor Fuel Tax Fund	E-911 Fund	
Assets			
Cash and Investments	\$ 276,206	25,500	301,706
Accounts Receivable	12,571	3,649	16,220
Due from Other Funds		24,380	24,380
Total Assets	<u>\$ 288,777</u>	<u>53,529</u>	<u>342,306</u>
Liabilities			
Accounts Payable	18,257	10,841	29,098
Due to Other Funds	129,154	1,072	130,226
Total Liabilities	<u>147,411</u>	<u>11,913</u>	<u>159,324</u>
Fund Balances			
Restricted			
Road Construction and Maintenance	141,366		141,366
Public Safety		41,616	41,616
Total Fund Balances	<u>141,366</u>	<u>41,616</u>	<u>182,982</u>
Total Liabilities and Fund Balances	<u>\$ 288,777</u>	<u>53,529</u>	<u>342,306</u>

CITY OF HIGHWOOD, ILLINOIS

Nonmajor Governmental Funds

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

Year Ended April 30, 2015

	Special Revenue Funds		Total Nonmajor Government Funds
	Motor Fuel Tax Fund	E-911 Fund	
Revenues			
Other Taxes	\$	44,661	44,661
Intergovernmental	183,291		183,291
Investment Income	143	63	206
Total Revenues	<u>183,434</u>	<u>44,724</u>	<u>228,158</u>
Expenditures			
Current			
Public Safety		30,665	30,665
Public Works	241,002		241,002
Capital Outlay		1,085	1,085
Total Expenditures	<u>241,002</u>	<u>31,750</u>	<u>272,752</u>
Net Change in Fund Balance	(57,568)	12,974	(44,594)
Fund Balance			
May 1	<u>198,934</u>	<u>28,642</u>	<u>227,576</u>
April 30	<u>\$ 141,366</u>	<u>41,616</u>	<u>182,982</u>

SPECIAL REVENUE FUNDS

CITY OF HIGHWOOD, ILLINOIS

Motor Fuel Tax Fund

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

Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Intergovernmental			
Motor Fuel Tax	\$ 128,369	183,291	54,922
Investment Income	100	143	43
Total Revenues	<u>128,469</u>	<u>183,434</u>	<u>54,965</u>
Expenditures			
Public Works			
Street Improvements	166,000	241,002	75,002
Total Expenditures	<u>166,000</u>	<u>241,002</u>	<u>75,002</u>
Net Change in Fund Balance	<u>\$ (37,531)</u>	(57,568)	<u>(20,037)</u>
Fund Balance			
May 1		<u>198,934</u>	
April 30		<u><u>141,366</u></u>	

CITY OF HIGHWOOD, ILLINOIS

E-911 Fund

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

Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Taxes			
911 Surcharge	\$ 52,500	44,661	(7,839)
Investment Income	100	63	(37)
Total Revenues	<u>52,600</u>	<u>44,724</u>	<u>(7,876)</u>
Expenditures			
Public Safety			
Materials and Supplies	15,000	5,393	(9,607)
Emergency Communication (911)	50,421	25,272	(25,149)
Capital Outlay			
Equipment		1,085	1,085
Total Expenditures	<u>65,421</u>	<u>31,750</u>	<u>(33,671)</u>
Net Change in Fund Balance	<u>\$ (12,821)</u>	12,974	<u>25,795</u>
Fund Balance			
May 1		<u>28,642</u>	
April 30		<u><u>41,616</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, 2015

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues			
Charges for Services	\$ 931,000	1,002,942	71,942
Operating Expenses			
Personnel	269,109	255,026	(14,083)
Contractual Services	386,310	331,691	(54,619)
Materials and Supplies	41,100	33,847	(7,253)
Capital Outlay		52,316	52,316
Contingencies	-	97,000	97,000
Total Operating Expenses	696,519	769,880	73,361
Operating Income	234,481	233,062	(1,419)
Nonoperating Revenues (Expenses)			
Interest Income	1,000	1,383	383
Interest Subsidy		97,663	97,663
Miscellaneous Income	75,000	6,854	(68,146)
Miscellaneous Expense	(1,000)		1,000
Principal Payments	(248,748)	(232,895)	15,853
Interest Expense	(236,122)	(248,782)	(12,660)
Fiscal Agent Fees	(5,000)	(1,628)	3,372
Total Nonoperating Revenues (Expenses)	(414,870)	(377,405)	37,465
Changes in Net Position - Budgetary Basis	\$ (180,389)	(144,343)	36,046
Reconciliation of Budget Basis Change in Net Position to GAAP Basis Change in Net Position			
Change in Net Position - Budgetary Basis	\$ (180,389)	(144,343)	36,046
Plus: Principal Payments	248,748	232,895	(15,853)
Change in Net Position - GAAP Basis	\$ 68,359	88,552	20,193
Net Position			
May 1		3,708,786	
April 30		3,797,338	

CITY OF HIGHWOOD, ILLINOIS

Garbage Fund

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

Year Ended April 30, 2015

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues			
Charges for Services			
Refuse and Garbage Collection	\$ 259,000	251,746	(7,254)
Operating Expenses			
Personnel	54,279	41,704	(12,575)
Contractual Services	248,460	216,779	(31,681)
Materials and Supplies	10,000	1,417	(8,583)
Total Operating Expenses	<u>312,739</u>	<u>259,900</u>	<u>(52,839)</u>
Operating Income (Loss)	<u>(53,739)</u>	<u>(8,154)</u>	<u>45,585</u>
Nonoperating Revenues			
Interest Income	180	218	38
Miscellaneous Revenue	40,000	55,383	15,383
Total Nonoperating Revenues	<u>40,180</u>	<u>55,601</u>	<u>15,421</u>
Change in Net Position	<u>\$ (13,559)</u>	47,447	<u>61,006</u>
Net Position			
May 1		<u>197,939</u>	
April 30		<u><u>245,386</u></u>	

FIDUCIARY FUNDS

CITY OF HIGHWOOD, ILLINOIS

Fiduciary Funds

Combining Statement of Fiduciary Net Position - Pension Trust Funds

April 30, 2015

	Police Pension Fund	Firefighters' Pension Fund	Total
Assets			
Cash and Cash Equivalents	\$ 9,383	23,193	32,576
Investments			
U.S. Treasuries	185,964	340,366	526,330
U.S. Agencies	1,149,601	1,342,792	2,492,393
Mutual Funds	1,157,920	1,388,442	2,546,362
Municipal Bonds	235,355	296,538	531,893
Receivables			
Accrued Interest	13,248	17,488	30,736
Prepaid Expenses	1,296		1,296
Total Assets	2,752,767	3,408,819	6,161,586
Liabilities			
Accounts Payable	7,968	3,382	11,350
Net Position			
Held in Trust for Pension Benefits	\$ 2,744,799	3,405,437	6,150,236

CITY OF HIGHWOOD, ILLINOIS

Fiduciary Funds

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

Year Ended April 30, 2015

	Police Pension Fund	Firefighters' Pension Fund	Total
Additions			
Contributions			
Employer	\$ 250,138	137,914	388,052
Plan Members	68,892	40,458	109,350
Total Contributions	319,030	178,372	497,402
Investment Income			
Investment Income	107,156	127,892	235,048
Gains (Loss) on Investments	81,726	94,818	176,544
Less Investment Expenses	(11,163)	(13,252)	(24,415)
Net Investment Income	177,719	209,458	387,177
Total Additions	496,749	387,830	884,579
Deductions			
Benefits	143,620	25,089	168,709
Administration	39,043	26,227	65,270
Refunds of Contributions	44,050	30,146	74,196
Transfers to Other Pension Plans	89,022		89,022
Total Deductions	315,735	81,462	397,197
Changes in Net Position	181,014	306,368	487,382
Net Position			
May 1	2,563,785	3,099,069	5,662,854
April 30	\$ 2,744,799	3,405,437	6,150,236

COMPONENT UNIT - LIBRARY

CITY OF HIGHWOOD, ILLINOIS

Component Unit - Library

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

April 30, 2015

	General Fund	<u>Adjustments</u> Capital-Related Items*	Statement of Net Position
Assets			
Cash and Cash Equivalents	\$ 332,748		332,748
Receivables			
Property Taxes	231,501		231,501
Prepaid Items	10,686		10,686
Due from Primary Government			
Capital Assets		377,544	377,544
Total Assets	\$ 574,935	377,544	952,479
Liabilities			
Accrued Payroll	\$ 7,119		7,119
Due to Primary Government	3,203		3,203
Total Liabilities	10,322	-	10,322
Deferred Inflows of Resources			
Unavailable Property Taxes	238,257		238,257
Fund Balances/Net Position			
Net Investment in Capital Assets		377,544	377,544
Unassigned/Unrestricted	326,356		326,356
Total Fund Balances/Net Position	326,356	377,544	703,900
Total Liabilities, Deferred Inflows of Resources, and Fund Balances/Net Position	\$ 574,935	377,544	952,479

* Capital activities have not been accounted for in fiscal 2011 thru 2015.

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, 2015

	General Fund	<u>Adjustments</u> Capital-Related Items*	Statement of Activities
Revenues			
Property Taxes	\$ 232,561		232,561
Intergovernmental	8,641		8,641
Charges for Services	3,313		3,313
Fines	2,667		2,667
Investment Income	954		954
Miscellaneous	613		613
Total Revenues	<u>248,749</u>	-	<u>248,749</u>
Expenditures			
Civic and Cultural	246,928		246,928
Capital Outlay	6,651		6,651
Total Expenditures	<u>253,579</u>	-	<u>253,579</u>
Net Change in Fund Balances/Net Position	(4,830)	-	(4,830)
Fund Balances/Net Position			
May 1	<u>331,186</u>	<u>377,544</u>	<u>708,730</u>
April 30	<u>\$ 326,356</u>	<u>377,544</u>	<u>703,900</u>

* Capital activities have not been accounted for in fiscal 2011 thru 2015.

SUPPLEMENTAL DATA

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

General Obligation Build America
Bonds of 2010A

April 30, 2015

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Gross Interest</u>	<u>Net Interest *</u>	<u>Total</u>
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>\$ 660,000</u>	<u>84,512</u>	<u>54,933</u>	<u>714,933</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, 2015

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
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>2,510,370</u>	<u>1,380,703</u>	<u>4,380,703</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, 2015

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>
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>\$ 479,868</u>	<u>46,864</u>	<u>526,732</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Tax Increment Financing General
Obligation Refunding Bonds, Series 2013

April 30, 2015

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>
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>\$ 1,880,000</u>	<u>311,950</u>	<u>2,191,950</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Tax Increment Financing Alternate Revenue
Capital Appreciation Bonds of 2002

April 30, 2015

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

<u>Fiscal Year</u>	<u>Beginning Principal Balance</u>	<u>Accretion</u>	<u>Principal Payment</u>	<u>Ending Principal Balance</u>
2016	\$ 582,706	29,189	100,000	511,895
2017	511,895	25,560	105,000	432,455
2018	432,455	21,300	115,000	338,755
2019	338,755	16,267	120,000	235,022
2020	235,022	10,598	125,000	120,620
2021	120,620	4,380	125,000	
		<u>\$ 107,294</u>	<u>690,000</u>	

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

LED Light Loan Payable

April 30, 2015

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>
2016	\$ 32,816	2,887	35,703
2017	33,752	1,951	35,703
2018	34,713	989	35,702
	<u>\$ 101,281</u>	<u>5,827</u>	<u>107,108</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Fire Alarm Monitoring Equipment Loan

April 30, 2015

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>
2016	\$ 21,321	3,540	24,861
2017	21,986	2,875	24,861
2018	22,673	2,189	24,862
2019	23,379	1,482	24,861
2020	24,107	752	24,859
	<u>\$ 113,466</u>	<u>10,838</u>	<u>124,304</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Water Meter Loan

April 30, 2015

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>
2016	\$ 34,627	10,507	45,134
2017	35,793	9,341	45,134
2018	36,998	8,135	45,133
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	1,470	45,133
	<u>\$ 311,963</u>	<u>49,106</u>	<u>361,069</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Police Vehicles Loan Payable - 2012

April 30, 2015

Date of Issue	October 5, 2012
Date of Maturity	October 5, 2015
Authorized Issue	\$ 99,495
Interest Rates	3.11%
Interest Dates	October 5
Principal Maturity Date	October 5
Payable at	Municipal Funding Solutions, LLC

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 34,186	1,063	35,249

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Police Vehicles Loan Payable - 2013

April 30, 2015

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>
2016	\$ 37,655	2,094	39,749
2017	38,840	1,063	39,903
	<u>\$ 76,495</u>	<u>3,157</u>	<u>79,652</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Public Works Capital Lease

April 30, 2015

Date of Issue December 10, 2012
Date of Maturity January 1, 2020
Authorized Issue \$ 202,020
Interest Rates 3.00%
Interest Dates January 1, April 1, July 1, and October 1
Principal Maturity Date January 1, April 1, July 1, and October 1
Payable at Government Capital Corporation

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 28,201	4,064	32,265
2017	29,083	3,182	32,265
2018	29,992	2,273	32,265
2019	30,929	1,336	32,265
2020	23,831	369	24,200
	<u>\$ 142,036</u>	<u>11,224</u>	<u>153,260</u>