

# City of Highwood, Illinois

## Annual Financial Report

April 30, 2017

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# 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, 2017, 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.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Highwood Illinois as of April 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison 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.

### ***Other Information***

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

The combining and individual fund financial statements and schedules and the other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

The Honorable Mayor  
Members of the City Council  
City of Highwood, Illinois  
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States of America. In our opinion, the combining and individual fund financial statements and schedules and the other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

*BKD, LLP*

Oakbrook Terrace, Illinois  
October 24, 2017

## **Management's Discussion and Analysis**

## **City of Highwood, Illinois**

### **Management's Discussion and Analysis April 30, 2017**

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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, 2017. Please read it in conjunction with the City of Highwood's financial statements, which begins on page 17.

#### **FINANCIAL HIGHLIGHTS**

- The City of Highwood's net position increased by a total of \$679,267. While net position of business-type activities increased by \$131,251, or 166.5 percent, net position of our governmental activities increased by \$548,016, or 43.1 percent.
- During the year, expenses were \$548,016 less than the \$6,244,277 generated in tax and other revenues for governmental programs. In the prior year, expenses were \$122,570 more than the \$5,769,522 generated in tax and other revenues for the governmental programs.
- Revenues for business-type activities increased to \$1,892,860 (or 22.0 percent) while expenses increased by 17.3 percent to \$1,761,609. The increase in the business-type activities revenue is due principally to a full fiscal year of higher water and sewer rates, which were increased during FY16. The increase in the business-type activities expenses occurred largely due to the replacement of hydrants throughout the City and the refilling of the City's water tower after it was repainted.
- Total cost of all programs increased by \$64,029 or 0.9 percent in the current year.
- The General Fund reported a surplus this year of \$421,723 which took fund balance from \$1,394,156 to \$1,815,879 at the end of the current year.
- The resources available for appropriation were \$550,499 more than budgeted for the General Fund. In addition, expenditures were under appropriations by \$98,896.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 17-19) provide information about the activities of the City of Highwood as a whole and present a longer-term view of the City of Highwood's finances. Fund financial statements begin on page 20. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City of Highwood'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, 2017

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#### 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 17-19 of this report.

The Statement of Net Position reports information on all of the City of Highwood's assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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, 2017

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

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

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

##### **Proprietary Funds**

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

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

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

## **City of Highwood, Illinois**

### **Management's Discussion and Analysis**

**April 30, 2017**

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#### **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 27 and 28 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 29-86 of this report.

##### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Highwood I.M.R.F. and Police and Firefighters' pension obligations. Required supplementary information can be found on pages 87-98 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 99-103 of this report.

## City of Highwood, Illinois

### Management's Discussion and Analysis April 30, 2017

#### 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 and deferred outflows exceeded liabilities and deferred inflows by \$2,029,058, increasing by 66.5 percent over prior years.

#### Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 4.9	\$ 4.5	\$ 1.0	\$ 1.9	\$ 5.9	\$ 6.4
Capital Assets	7.0	7.0	6.2	5.6	13.2	12.6
Deferred Outflows	0.7	1.0	-	-	0.7	1.0
<b>Total Assets and Deferred Outflows</b>	<b>12.6</b>	<b>12.5</b>	<b>7.2</b>	<b>7.5</b>	<b>19.8</b>	<b>20.0</b>
Long-Term Debt Outstanding	8.3	8.8	6.7	6.6	15.0	15.4
Other Liabilities	0.2	0.4	0.3	0.8	0.5	1.2
Deferred Inflows	2.3	2.0	-	-	2.3	2.0
<b>Total Liabilities and Deferred Inflows</b>	<b>10.8</b>	<b>11.2</b>	<b>7.0</b>	<b>7.4</b>	<b>17.8</b>	<b>18.6</b>
<b>Net Position</b>						
Net Investment in Capital						
Assets	2.6	2.2	2.5	2.2	2.2	1.6
Restricted	1.1	0.9	-	-	1.1	0.9
Unrestricted (Deficit)	(1.9)	(1.8)	(2.3)	(2.1)	(1.3)	(1.1)
<b>Total Net Position</b>	<b>\$ 1.8</b>	<b>\$ 1.3</b>	<b>\$ 0.2</b>	<b>\$ 0.1</b>	<b>\$ 2.0</b>	<b>\$ 1.4</b>

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 are still outstanding. 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, 2017

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

An additional portion of the City of Highwood's net position represents resources that are subject to external restrictions on how they may be used, mostly related to debt. The remainder represents unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors.

#### Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 1.5	\$ 1.5	\$ 1.6	\$ 1.4	\$ 3.1	\$ 2.9
Operating Grants/Contributions	0.3	0.2	0.1	0.1	0.4	0.3
Capital Grants/Contributions	-	-	0.1	-	0.1	-
General Revenues						
Property Taxes	2.0	1.7	-	-	2.0	1.7
Utility Taxes	0.3	0.3	-	-	0.3	0.3
Sales Taxes	0.8	0.7	-	-	0.8	0.7
Intergovernmental	1.3	1.3	-	-	1.3	1.3
Other General Revenues	-	-	0.1	0.1	0.1	0.1
Total Revenues	<u>6.2</u>	<u>5.7</u>	<u>1.9</u>	<u>1.6</u>	<u>8.1</u>	<u>7.3</u>
<b>Expenses</b>						
General Government	1.2	1.1	-	-	1.2	1.1
Public Safety	3.1	3.5	-	-	3.1	3.5
Public Works	1.0	1.0	-	-	1.0	1.0
Culture and Recreation	0.2	0.1	-	-	0.2	0.1
Interest and Fiscal Charges	0.2	0.1	-	-	0.2	0.1
Water	-	-	1.5	1.2	1.5	1.2
Garbage	-	-	0.3	0.3	0.3	0.3
Total Expenses	<u>5.7</u>	<u>5.8</u>	<u>1.8</u>	<u>1.5</u>	<u>7.5</u>	<u>7.3</u>
Increase (Decrease) in Net Position	0.5	(0.1)	0.1	0.1	0.6	-
Net Position - Beginning	<u>1.3</u>	<u>1.4</u>	<u>0.1</u>	<u>-</u>	<u>1.4</u>	<u>1.4</u>
Net Position - Ending	<u>\$ 1.8</u>	<u>\$ 1.3</u>	<u>\$ 0.2</u>	<u>\$ 0.1</u>	<u>\$ 2.0</u>	<u>\$ 1.4</u>

Net position of the City of Highwood governmental activities increased by 43.1 percent, or \$548,016. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, changed from (\$1.8 million) in the previous fiscal year to (\$1.9 million) in the current year, a slight decrease.

# City of Highwood, Illinois

## Management's Discussion and Analysis April 30, 2017

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### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Net position of business-type activities increased \$131,251 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 finalized several capital projects in this fiscal year that were financed with current debt.

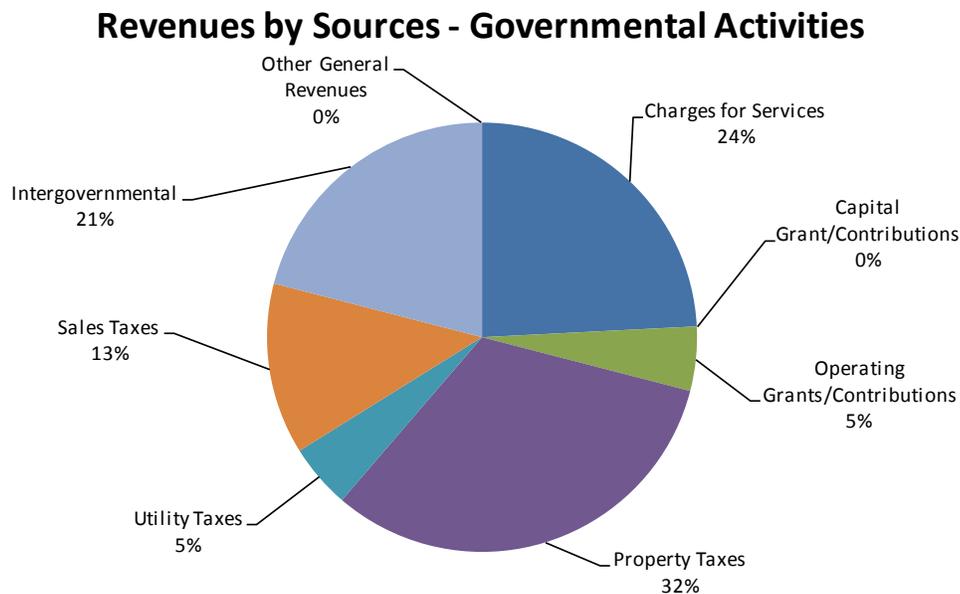
Total revenues increased by \$0.8 million compared to prior years. The increase in the current year is due to an increase in property tax income, an increase in sales tax revenue and an increase in water and sewer revenue due to the first full year of the higher rates.

### Governmental Activities

Revenues for governmental activities increased \$0.5 million due to the increase in property taxes and sales taxes. Expenses saw a slight decrease of \$0.1 million.

The cost of all governmental activities this year was \$5.7 million compared to \$5.8 million last year. Overall, governmental program revenues were \$1.8 million, including intergovernmental aid and fees for services. This was a slight increase of approximately \$57,000 from 2016 program revenues.

The following table graphically depicts the major revenue sources of the City of Highwood. It clearly identifies the reliance of property taxes, intergovernmental revenue 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**

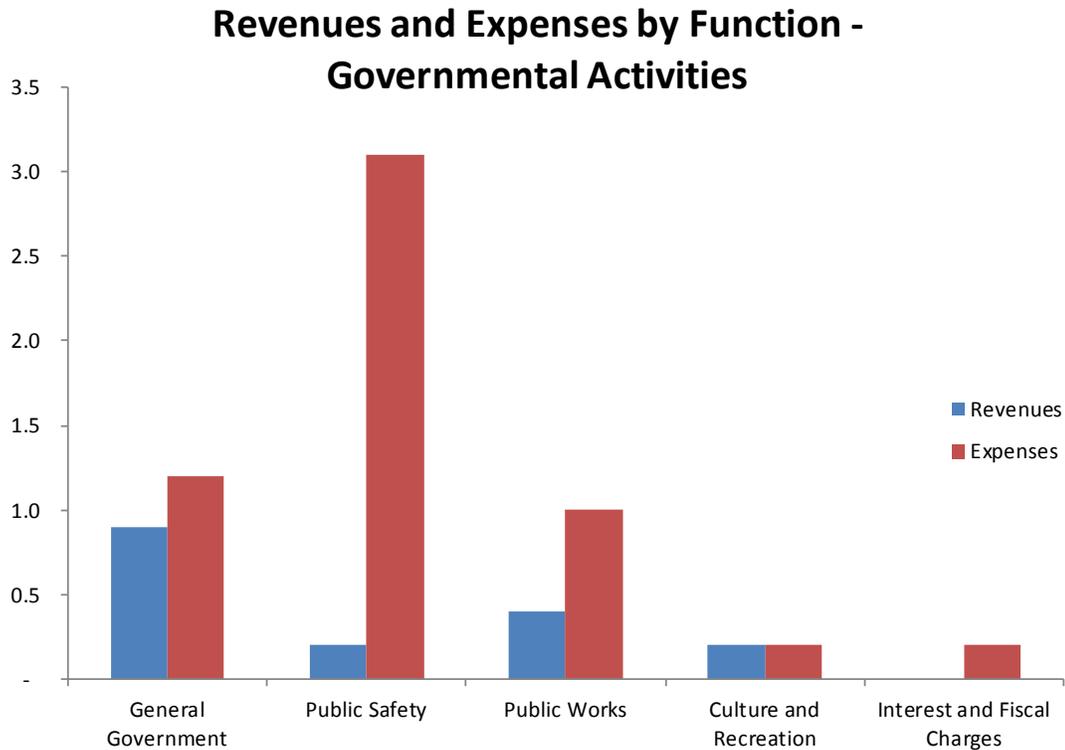
**Management’s Discussion and Analysis  
April 30, 2017**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued**

**Governmental Activities – Continued**



The ‘Expenses and Program Revenues’ Table identifies those governmental functions where program expenses greatly exceed revenues. As can be seen by the above, public safety is very 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, 2017

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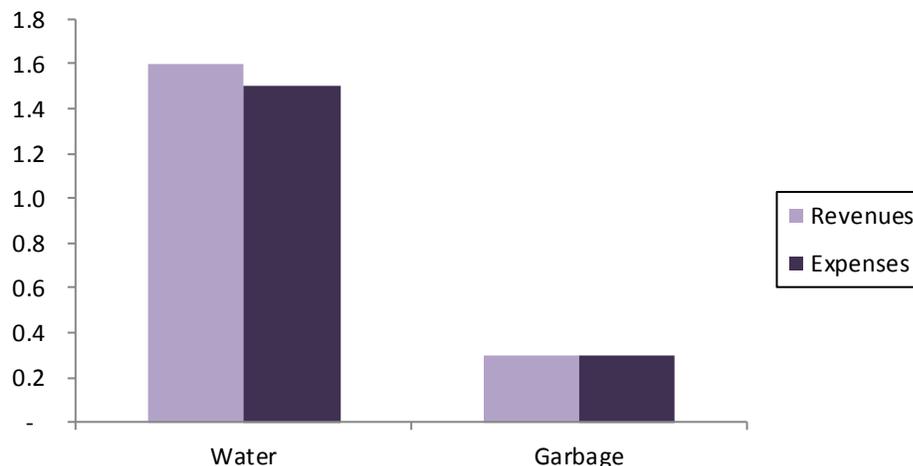
#### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

##### Business-type activities

Revenues of the City's business-type activities increased by approximately 22.0 percent (\$1.6 million in 2016 compared to \$1.9 in 2017) and expenses increased by 17.3 percent (\$1.8 million in 2017 compared to \$1.5 million in 2016). Key factors behind these results include:

- The waterworks and sewerage system is dependent upon the sale of water. In the City of Highwood, our costs related to the water and sewer system tend to be consistent year to year due to the fact that our water sold is based on water pumped out of Lake Michigan. City staff analyze operating expenses, project system capital projects and aim to set aside funds to replace portions of the system as needed. Due to this analysis, water and sewer rates were raised during FY16; FY17 is the first full year of the higher rates and is the largest contributor to the 22.0% revenue increase. The increase in expenses is due to upgrades to various areas of the City's water and sewer system.
- The Garbage Fund operated at a surplus of \$20,593 for the fiscal year due to slightly higher refuse billing revenue. This was the fifth and final 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, 2017

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#### 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 \$2.6 million which is an increase of \$463,122 over prior year. Although there was a net increase in fund balances, individual funds had different results. The General Fund has an increase of \$421,723 over the prior year. The TIF Fund had an increase of \$97,873; the Capital Projects Fund had a decrease of (\$143,823); the Debt Service Fund had an increase of \$32,766; the MFT Fund increased \$13,763; and the E-911 Fund had an increase of \$40,820.

##### 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 \$110,658, decreasing the deficit net position to (\$101,617).

#### GENERAL FUND BUDGETARY HIGHLIGHTS

Actual charges to appropriations (expenditures) were \$98,896 under the budget amounts. The majority of this can be attributed to Legal Department expenses being lower than expected.

In addition, resources available for appropriation were \$550,499 above the final budgeted amount. A large portion of this was due to non-home rule sales tax revenue exceeding budgeted revenue by nearly \$150,000. The City also received a Lighting Grant for \$88,000 that was not included in budgeted revenues. Finally, as in the prior year, the City noted increases in Charges for Services – particularly Rental Fees and Park Recreation Fees.

## City of Highwood, Illinois

### Management's Discussion and Analysis April 30, 2017

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#### 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, 2017 was \$7.0 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.

##### Capital Assets - Net of Depreciation (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 2.6	\$ 2.6	\$ -	\$ -	\$ 2.6	\$ 2.6
CIP	-	2.5	-	2.3	-	4.8
Land Improvements	-	-	0.2	-	0.2	-
Buildings	0.7	0.6	1.8	1.9	2.5	2.5
Machinery and Equipment	0.5	0.7	0.1	0.1	0.6	0.8
Infrastructure	3.2	0.8	4.1	1.3	7.3	2.1
Total	\$ 7.0	\$ 7.2	\$ 6.2	\$ 5.6	\$ 13.2	\$ 12.8

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, 2017

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#### CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

##### Debt

At year-end, the City of Highwood had total outstanding long-term debt of \$15.0 million as compared to \$15.4 million the previous year, a decrease of 2.7 percent. The City obtained one new IEPA loan in the current fiscal year for \$571,500, however this increase was offset by the IEPA forgiving approximately \$90,000 of this loan and by payments on overall debt, resulting in a net decrease. The following is a comparative statement of outstanding debt:

##### General Obligation and Revenue Bonds (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Bonds	\$ 4.2	\$ 4.6	\$ 3.4	\$ 3.5	\$ 7.6	\$ 8.1
Capital Lease Payables	0.1	0.1	-	-	0.1	0.1
Loan Payable	0.1	0.2	0.2	0.3	0.3	0.5
IEPA Loans	-	-	3.0	2.7	3.0	2.7
Other Liabilities	3.9	3.9	0.1	0.1	4.0	4.0
Total	\$ 8.3	\$ 8.8	\$ 6.7	\$ 6.6	\$ 15.0	\$ 15.4

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 2017 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.

In the prior fiscal year, the City and the Firefighters' union had agreed to dissolve the fire department, which was effective June 30, 2016. The City now contracts firefighting services out to the City of Highland Park.

The Police FOP union contract expires June 30, 2021 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, 2017**

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**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 and also relies heavily on intergovernmental and sales taxes. The City continues to find revenues streams which do not create undue burden on these reliable revenue bases.

**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, 2017**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>Assets</b>				
Cash and investments	\$ 2,141,833	\$ 283,084	\$ 2,424,917	\$ 232,247
Receivables, net				
Taxes	2,104,363	-	2,104,363	247,654
Intergovernmental	353,932	571,500	925,432	-
Accounts	-	295,363	295,363	-
Other	61,599	-	61,599	-
Due from agency fund	4	-	4	-
Prepaid expenses	15,053	37,624	52,677	10,378
Due from general government	-	-	-	362
Other current assets	112,057	-	112,057	-
Internal balances	125,550	(125,550)	-	-
Restricted assets				
Cash and investments	16,511	22,450	38,961	-
Capital assets				
Land	2,650,350	-	2,650,350	-
Construction in progress	-	-	-	221,870
Other capital assets, net of depreciation	4,385,714	6,159,228	10,544,942	170,500
Total assets	<u>11,966,966</u>	<u>7,243,699</u>	<u>19,210,665</u>	<u>883,011</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows of resources - pensions	693,793	49,282	743,075	24,000
Unamortized loss on refunding	8,123	-	8,123	-
Total deferred outflows of resources	<u>701,916</u>	<u>49,282</u>	<u>751,198</u>	<u>24,000</u>
<b>Liabilities</b>				
Accounts payable	118,940	230,052	348,992	88,401
Accrued liabilities and deposits	28,384	5,873	34,257	3,538
Other accrued liabilities	30,682	29,430	60,112	-
Unearned rent	98,993	-	98,993	-
Accrued interest payable	52,341	104,434	156,775	-
Due to component unit	362	-	362	-
Noncurrent liabilities				
Due within one year	587,824	373,582	961,406	-
Due in more than one year	7,678,206	6,334,295	14,012,501	49,641
Total liabilities	<u>8,595,732</u>	<u>7,077,666</u>	<u>15,673,398</u>	<u>141,580</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows of resources - pensions	243,346	5,220	248,566	2,543
Deferred property taxes	2,010,841	-	2,010,841	247,604
Total deferred inflows of resources	<u>2,254,187</u>	<u>5,220</u>	<u>2,259,407</u>	<u>250,147</u>
<b>Net Position</b>				
Net investment in capital assets	2,625,307	2,518,190	2,202,285	392,370
Restricted for				
Debt service	871,196	-	871,196	-
Road construction and maintenance	84,142	-	84,142	-
Public safety	136,199	-	136,199	-
Grant programs	-	-	-	-
Unrestricted	(1,897,881)	(2,308,095)	(1,264,764)	122,914
Total net position	<u>\$ 1,818,963</u>	<u>\$ 210,095</u>	<u>\$ 2,029,058</u>	<u>\$ 515,284</u>

# City of Highwood, Illinois

## Statement of Activities

April 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 1,198,812	\$ 947,473	\$ -	\$ -
Public safety	3,121,130	208,352	-	-
Public works	1,030,022	158,885	274,312	-
Culture, education and recreation	165,217	168,014	-	-
Interest and fiscal charges	181,080	-	-	-
Total governmental activities	5,696,261	1,482,724	274,312	-
<b>Business-Type Activities</b>				
Water and sewer	1,470,199	1,370,243	92,029	89,197
Garbage	291,410	261,260	-	-
Total business-type activities	1,761,609	1,631,503	92,029	89,197
Total primary government	\$ 7,457,870	\$ 3,114,227	\$ 366,341	\$ 89,197
<b>Component Unit</b>				
Highwood Library	\$ 244,029	\$ 2,904	\$ 6,941	\$ -

**General Revenues**

- Property taxes
- Utility taxes
- Home rule sales taxes
- Intergovernmental - sales taxes
- Intergovernmental - other taxes
- Unrestricted investment earnings
- Miscellaneous
- Total general revenues

**Change in Net Position**

**Net Position**

May 1

April 30

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (251,339)	\$ -	\$ (251,339)	\$ -
(2,912,778)	-	(2,912,778)	-
(596,825)	-	(596,825)	-
2,797	-	2,797	-
(181,080)	-	(181,080)	-
<u>(3,939,225)</u>	<u>-</u>	<u>(3,939,225)</u>	<u>-</u>
-	81,270	81,270	-
<u>-</u>	<u>(30,150)</u>	<u>(30,150)</u>	<u>-</u>
<u>-</u>	<u>51,120</u>	<u>51,120</u>	<u>-</u>
<u>(3,939,225)</u>	<u>51,120</u>	<u>(3,888,105)</u>	<u>-</u>
<u>(234,184)</u>	<u>-</u>	<u>-</u>	<u>(234,184)</u>
1,980,604	-	1,980,604	237,748
319,017	-	319,017	-
812,393	-	812,393	-
557,568	-	557,568	-
782,920	-	782,920	-
8,168	2,202	10,370	1,349
26,571	77,929	104,500	2,490
<u>4,487,241</u>	<u>80,131</u>	<u>4,567,372</u>	<u>241,587</u>
<u>548,016</u>	<u>131,251</u>	<u>679,267</u>	<u>7,403</u>
<u>1,270,947</u>	<u>78,844</u>	<u>1,349,791</u>	<u>507,881</u>
<u>\$ 1,818,963</u>	<u>\$ 210,095</u>	<u>\$ 2,029,058</u>	<u>\$ 515,284</u>

**City of Highwood, Illinois**  
**Governmental Funds Balance Sheet**  
**April 30, 2017**

	General Fund	Downtown Redevelopment TIF Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 1,143,637	\$ 843,822	\$ -	\$ 154,374	\$ 2,141,833
Cash and investments - restricted	16,511	-	-	-	16,511
Receivables					
Property tax	1,271,195	538,679	-	200,967	2,010,841
Other taxes	81,688	-	-	11,834	93,522
Intergovernmental	353,932	-	-	-	353,932
Other receivables, net	61,599	-	-	-	61,599
Prepaid items	15,053	-	-	-	15,053
Other asset - E911 Escrow Account	-	-	-	112,057	112,057
Due from other funds	390,859	-	-	-	390,859
Due from fiduciary funds	4	-	-	-	4
	<u>3,334,478</u>	<u>1,382,501</u>	<u>-</u>	<u>479,232</u>	<u>5,196,211</u>
Total assets	<u>\$ 3,334,478</u>	<u>\$ 1,382,501</u>	<u>\$ -</u>	<u>\$ 479,232</u>	<u>\$ 5,196,211</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Accounts payable	\$ 88,983	\$ 750	\$ -	\$ 29,207	\$ 118,940
Accrued payroll	28,384	-	-	-	28,384
Other current liabilities	30,682	-	-	-	30,682
Due to other funds	-	-	265,309	-	265,309
Due to public library	362	-	-	-	362
Unearned rent	98,993	-	-	-	98,993
	<u>247,404</u>	<u>750</u>	<u>265,309</u>	<u>29,207</u>	<u>542,670</u>
Total liabilities	<u>247,404</u>	<u>750</u>	<u>265,309</u>	<u>29,207</u>	<u>542,670</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	<u>1,271,195</u>	<u>538,679</u>	<u>-</u>	<u>200,967</u>	<u>2,010,841</u>
<b>Fund Balances</b>					
Nonspendable					
Prepaid items	15,053	-	-	-	15,053
Restricted					
Debt service	-	843,072	-	50,529	893,601
Road construction and maintenance	-	-	-	84,142	84,142
Public safety	21,812	-	-	114,387	136,199
Unassigned	<u>1,779,014</u>	<u>-</u>	<u>(265,309)</u>	<u>-</u>	<u>1,513,705</u>
Total fund balances	<u>1,815,879</u>	<u>843,072</u>	<u>(265,309)</u>	<u>249,058</u>	<u>2,642,700</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,334,478</u>	<u>\$ 1,382,501</u>	<u>\$ -</u>	<u>\$ 479,232</u>	<u>\$ 5,196,211</u>

**City of Highwood, Illinois**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Position**  
**April 30, 2017**

<b>Total Fund Balances - Governmental Funds</b>		\$ 2,642,700
<p>Amounts reported for governmental activities in the statement of net position are different because</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		7,036,064
<p>Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Bonds, notes, loans and capital leases payable	(4,342,078)	
Compensated absences	(77,242)	
Net pension liability	(3,769,908)	
Accrued interest	(52,341)	(8,241,569)
<p>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.</p>		(76,802)
<p>Deferred outflows of resources related to pensions are recorded on the statement of net position.</p>		693,793
<p>Deferred inflows of resources related to pensions are recorded on the statement of net position.</p>		(243,346)
<p>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.</p>		8,123
<b>Net Position of Governmental Activities</b>		<b>\$ 1,818,963</b>

**City of Highwood, Illinois**  
**Governmental Funds Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended April 30, 2017**

	General Fund	Downtown Redevelopment TIF Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property tax	\$ 1,227,786	\$ 516,550	\$ -	\$ -	\$ 1,744,336
Other taxes	1,131,410	-	-	49,656	1,181,066
Intergovernmental	1,428,146	-	-	136,998	1,565,144
Licenses and permits	369,193	-	-	-	369,193
Fines, forfeitures and penalties	74,421	-	-	-	74,421
Public charges for services	1,016,861	-	-	236,268	1,253,129
Investment income	6,090	976	-	1,102	8,168
Miscellaneous	48,820	-	-	-	48,820
Total revenues	<u>5,302,727</u>	<u>517,526</u>	<u>-</u>	<u>424,024</u>	<u>6,244,277</u>
<b>Expenditures</b>					
Current					
General government	1,129,866	22,196	-	474	1,152,536
Public safety	2,677,057	-	-	9,020	2,686,077
Public works	589,695	-	-	124,153	713,848
Culture, recreation and education	162,267	-	-	-	162,267
Capital outlay	32,577	2,225	343,823	-	378,625
Debt service					
Principal	101,723	331,939	-	135,000	568,662
Interest	7,965	62,418	-	68,028	138,411
Fiscal agent fees	-	875	-	-	875
Total expenditures	<u>4,701,150</u>	<u>419,653</u>	<u>343,823</u>	<u>336,675</u>	<u>5,801,301</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>601,577</u>	<u>97,873</u>	<u>(343,823)</u>	<u>87,349</u>	<u>442,976</u>
<b>Other Financing Sources</b>					
Transfers in	-	-	200,000	-	200,000
Transfers out	(200,000)	-	-	-	(200,000)
Proceeds from the sale of capital assets	20,146	-	-	-	20,146
Total other financing sources	<u>(179,854)</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>20,146</u>
<b>Net Change in Fund Balance</b>	421,723	97,873	(143,823)	87,349	463,122
<b>Fund Balance</b>					
May 1	<u>1,394,156</u>	<u>745,199</u>	<u>(121,486)</u>	<u>161,709</u>	<u>2,179,578</u>
April 30	<u>\$ 1,815,879</u>	<u>\$ 843,072</u>	<u>\$ (265,309)</u>	<u>\$ 249,058</u>	<u>\$ 2,642,700</u>

**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, 2017**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 463,122
<p>Amounts reported for governmental activities in the statement of activities are different because</p>	
<p>Governmental funds report capital outlay as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.</p>	
<p style="padding-left: 40px;">Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements.</p>	288,514
<p style="padding-left: 40px;">Depreciation is reported in the government-wide financial statements.</p>	(383,688)
<p>Cash received related to sale of capital assets is recognized as other financing sources in the fund financial statements but is not reported as revenue in the statement of activities.</p>	(20,146)
<p>Losses on sales of capital asset are not recognized in the fund financial statements but are recognized as functional expenses within the statement of activities.</p>	(7,729)
<p>Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	568,662
<p>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.</p>	(25,560)
<p>The amortization of premiums on bonds and losses on refunding are not a use of financial resources in the governmental funds.</p>	12,027
<p>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.</p>	
<p>Changes in</p>	
Compensated absences	11,065
Net pension liabilities and pension related deferred inflows/outflows	(329,990)
Accrued interest on debt	(28,261)
	(347,186)
<b>Change in Net Position</b>	<b>\$ 548,016</b>

**City of Highwood, Illinois**  
**Proprietary Funds Statement of Net Position**  
**April 30, 2017**

	<b>Waterworks and Sewerage Fund</b>	<b>Nonmajor Enterprise Fund - Garbage Fund</b>	<b>Total</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and investments	\$ -	\$ 283,084	\$ 283,084
Receivables			
Accounts, net	264,554	30,809	295,363
Intergovernmental	571,500	-	571,500
Due from other funds	110,128	-	110,128
Prepaid items	37,624	-	37,624
Restricted assets			
Cash and investments	22,450	-	22,450
Total current assets	<u>1,006,256</u>	<u>313,893</u>	<u>1,320,149</u>
<b>Noncurrent Assets</b>			
Capital assets			
Property and equipment	11,346,391	198,289	11,544,680
Less: accumulated depreciation	<u>(5,385,452)</u>	<u>-</u>	<u>(5,385,452)</u>
Total noncurrent assets	<u>5,960,939</u>	<u>198,289</u>	<u>6,159,228</u>
Total assets	<u>6,967,195</u>	<u>512,182</u>	<u>7,479,377</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources - pensions	<u>49,282</u>	<u>-</u>	<u>49,282</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	30,900	199,152	230,052
Accrued payroll	4,749	1,124	5,873
Other current liabilities	29,236	194	29,430
Due to other funds	235,678	-	235,678
Interest payable	<u>104,434</u>	<u>-</u>	<u>104,434</u>
Total current liabilities	<u>404,997</u>	<u>200,470</u>	<u>605,467</u>
<b>Noncurrent Liabilities</b>			
Long-term debt			
Due within one year	373,582	-	373,582
Due in more than one year	<u>6,334,295</u>	<u>-</u>	<u>6,334,295</u>
Total noncurrent liabilities	<u>6,707,877</u>	<u>-</u>	<u>6,707,877</u>
Total liabilities	<u>7,112,874</u>	<u>200,470</u>	<u>7,313,344</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources - pensions	<u>5,220</u>	<u>-</u>	<u>5,220</u>
<b>Net Position</b>			
Net investment in capital assets	2,319,901	198,289	2,518,190
Unrestricted (deficit)	<u>(2,421,518)</u>	<u>113,423</u>	<u>(2,308,095)</u>
Total net position (deficit)	<u>\$ (101,617)</u>	<u>\$ 311,712</u>	<u>\$ 210,095</u>

**City of Highwood, Illinois**  
**Proprietary Funds Statement of Revenues,**  
**Expenses and Changes in Net Position**  
**Year Ended April 30, 2017**

	<b>Waterworks and Sewerage Fund</b>	<b>Nonmajor Enterprise Fund - Garbage Fund</b>	<b>Total</b>
<b>Operating Revenues</b>			
Public charges for services	\$ 1,370,243	\$ 261,260	\$ 1,631,503
<b>Operating Expenses</b>			
Personnel	269,817	73,660	343,477
Contractual services	647,547	216,611	864,158
Materials and supplies	20,643	1,139	21,782
Capital outlay	89,770	-	89,770
Depreciation	181,879	-	181,879
Total operating expenses	<u>1,209,656</u>	<u>291,410</u>	<u>1,501,066</u>
<b>Operating Income (Loss)</b>	<u>160,587</u>	<u>(30,150)</u>	<u>130,437</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	1,470	732	2,202
Interest subsidy	92,029	-	92,029
Miscellaneous revenue	27,918	50,011	77,929
Grant revenue	89,197	-	89,197
Interest expense	(259,193)	-	(259,193)
Fiscal agent fees	(1,350)	-	(1,350)
Total nonoperating revenues (expenses)	<u>(49,929)</u>	<u>50,743</u>	<u>814</u>
<b>Change in Net Position</b>	110,658	20,593	131,251
<b>Net Position</b>			
May 1	<u>(212,275)</u>	<u>291,119</u>	<u>78,844</u>
April 30	<u>\$ (101,617)</u>	<u>\$ 311,712</u>	<u>\$ 210,095</u>

**City of Highwood, Illinois**  
**Proprietary Funds Statement of Cash Flows**  
**Year Ended April 30, 2017**

	<b>Waterworks and Sewerage Fund</b>	<b>Nonmajor Enterprise Fund - Garbage Fund</b>	<b>Total</b>
<b>Operating Activities</b>			
Received from customers	\$ 1,374,293	\$ 239,690	\$ 1,613,983
Paid to suppliers for grounds and services	(1,434,600)	(41,747)	(1,476,347)
Paid to employees for services	(273,114)	(73,199)	(346,313)
Other miscellaneous revenue	26,568	50,011	76,579
<b>Net Cash Provided by (Used for)</b>			
<b>Operating Activities</b>	<u>(306,853)</u>	<u>174,755</u>	<u>(132,098)</u>
<b>Investing Activities</b>			
Investment income	1,470	732	2,202
<b>Noncapital Financing Activities</b>			
Interfund transactions	217,915	-	217,915
<b>Capital and Related Financing Activities</b>			
Proceeds from loans	573,972	-	573,972
Grants for the purchase of capital assets	136,170	-	136,170
Debt retired	(421,454)	-	(421,454)
Interest paid	(188,138)	-	(188,138)
Purchases of capital assets	(580,250)	(198,289)	(778,539)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<u>(479,700)</u>	<u>(198,289)</u>	<u>(677,989)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(567,168)	(22,802)	(589,970)
<b>Cash and Cash Equivalents</b>			
May 1	589,618	305,886	895,504
April 30	<u>\$ 22,450</u>	<u>\$ 283,084</u>	<u>\$ 305,534</u>
<b>Represented by</b>			
Unrestricted	\$ -	\$ 283,084	\$ 283,084
Restricted	22,450	-	22,450
	<u>\$ 22,450</u>	<u>\$ 283,084</u>	<u>\$ 305,534</u>

**City of Highwood, Illinois**  
**Proprietary Funds Statement of Cash Flows**  
**Year Ended April 30, 2017**

	<b>Waterworks and Sewerage Fund</b>	<b>Nonmajor Enterprise Fund - Garbage Fund</b>	<b>Total</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>			
<b>Provided by Operating Activities</b>			
Operating income (loss)	\$ 160,587	\$ (30,150)	\$ 130,437
Items not requiring cash			
Depreciation	181,879	-	181,879
Other miscellaneous revenue	26,568	50,011	76,579
Deferred outflows of resources - pension	9,601	-	9,601
Net pension liability	(3,645)	-	(3,645)
Deferred inflows of resources - pension	(8,326)	-	(8,326)
Changes in assets and liabilities			
Accounts receivable	4,050	(21,570)	(17,520)
Prepaid expenses	(35,573)	-	(35,573)
Accounts payable	(647,512)	175,879	(471,633)
Accrued payroll	1,897	461	2,358
Other liabilities	6,445	124	6,569
Compensated absences	(2,824)	-	(2,824)
	<u>(306,853)</u>	<u>174,755</u>	<u>(132,098)</u>
Net cash provided by (used for) operating activities	<u>\$ (306,853)</u>	<u>\$ 174,755</u>	<u>\$ (132,098)</u>
<b>Noncash Capital Financing Activities</b>			
Capital assets not yet paid and included in accounts payable			<u>\$ 198,289</u>

**City of Highwood, Illinois**  
**Fiduciary Funds Statement of Fiduciary Net Position**  
**April 30, 2017**

	<b>Pension Trust Funds</b>	<b>Agency Fund</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 29,640	\$ 4,908
Investments		
U.S. treasuries	622,002	-
U.S. agencies	2,802,944	-
Mutual funds	2,910,077	-
Municipal bonds	424,872	-
Receivables, net		
Accrued interest	29,745	-
Prepaid expenses	845	-
Total assets	6,820,125	4,908
<b>Liabilities</b>		
Accounts payable	8,030	-
Deposits	-	892
Due to other organizations	-	4,012
Due to city	-	4
Total liabilities	8,030	4,908
<b>Net Position</b>		
Restricted for pensions	\$ 6,812,095	\$ -

**City of Highwood, Illinois**  
**Statement of Changes in Fiduciary Net Position**  
**Year End April 30, 2017**

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions	
Employer	\$ 360,925
Plan members	70,003
Repayment of refunds	46,018
Total contributions	476,946
<b>Investment Income</b>	
Investment income	198,732
Gains on investments	280,182
Investment expense	(26,702)
Total investment income	452,212
Total additions	929,158
<b>Deductions</b>	
Benefits	310,650
Administration	70,402
Refunds of contributions	4,369
Total deductions	385,421
<b>Change in Net Position</b>	543,737
<b>Net Position Restricted for Pensions</b>	
May 1	6,268,358
April 30	\$ 6,812,095

# City of Highwood, Illinois

## Notes to Financial Statements

April 30, 2017

### Note 1: Summary of Significant Accounting Policies

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

The 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).

#### ***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.

#### ***Fiduciary Component Units***

The Police Pension Employees Retirement System (PPERS or Police Pension Fund) is established for the City's police employees. PPERS functions for the benefit of these employees and is

# City of Highwood, Illinois

## Notes to Financial Statements

April 30, 2017

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.

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, 2017. The Library does not issue separate financial statements.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

***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.

***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.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

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 **Downtown Redevelopment TIF** accounts for resources accumulated and payments made for development within the TIF District.

The **Capital Projects Fund** accounts for the acquisition or construction of general capital assets.

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

Debt Service Funds – specifically established to account for and service the long-term obligations of the governmental funds' debt.

Debt Service Fund

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

Garbage Fund

In addition, the City reports the following 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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

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

***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. 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.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

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.

***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, deferred outflows of resources, liabilities and deferred inflows of resources 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.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

***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 2016 attached as an enforceable lien on January 1, 2016, 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). Property taxes for levy year 2016 still outstanding as of April 30, 2017, are recorded as receivables. The 2017 tax levy, which attached as an enforceable lien on the property as of January 1, 2017, has not been recorded as a receivable and deferral as of April 30, 2017, as the tax has not yet been levied by the City and will not be levied until December 2017 and, therefore, the levy is not measurable at April 30, 2017. Receivable at April 30, 2017, is related to remaining distributions on 2016 levy.

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 2016 property tax levy is recognized as a receivable and deferral in fiscal 2017, 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, 2017, the property taxes receivable and deferred inflows consisted of the estimated amount collectible from the 2016 levy.

***Interfunds***

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to

# City of Highwood, Illinois

## Notes to Financial Statements

April 30, 2017

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	50 years
Land improvements	20 years
Equipment and vehicles	3 - 20 years
Infrastructure	15 - 50 years

#### **Fund Financial Statements**

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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

***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, 2017, 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 reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of liability) until then. The City has two items that qualify for reporting in this category; they are the unamortized loss on refunding of bonds and deferred outflows for pensions 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 deferred outflows related to pensions represents pension items that will be recognized as pension expense/reduction of liability in future periods.

The City reports deferred inflows of resources on its statement of net position and on its balance sheet – governmental funds. Deferred inflows of resources represent an acquisition of net position that applies to a future reporting 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. Accordingly, the items, unavailable/unearned property taxes and deferred inflows for pensions, are reported in the statement of net position and the governmental funds balance sheet, as noted. The unavailable/deferred property taxes are recognized as an inflow of resources in the period that the amount becomes available and/or were intended to finance. The deferred inflows related to pensions represents pension items that will be recognized as reductions in pension expense in future periods.

***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

# City of Highwood, Illinois

## Notes to Financial Statements

April 30, 2017

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.

### ***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.

### ***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Police, Firefighters, IMRF, and SLEP pension plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### ***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.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

- 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.
- (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.

***Implementation of New Accounting Standard***

In 2017, the City adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which requires state and local governments to measure investments at fair value. GASB’s goal is to enhance comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

valuation techniques. This standard expands fair value disclosures to provide comprehensive information for financial statement users about the impact of fair value measurements on a government's financial position. See Note 11 for the related disclosures as they relate to the Police and Firefighters' Pension Plans.

**Note 2: Stewardship, Compliance and Accountability**

***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, debt service, special revenue, capital projects 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.

***Deficit Balances***

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

The following funds had a deficit fund balance as of April 30, 2017:

Fund	Deficit Fund Balance
Waterworks and sewage fund	\$ 101,617
Capital project fund	265,309

The City plans to alleviate the fund deficits through fund transfers from the General Fund, sufficient to fund operations until the deficit is alleviated.

# City of Highwood, Illinois

## Notes to Financial Statements

April 30, 2017

### Note 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:

	<b>Carrying Value</b>	<b>Bank/Broker Statement Balances</b>
Deposits	\$ 1,349,656	\$ 1,247,594
Illinois funds (investments)	1,113,322	1,223,612
Petty cash	900	900
	<b>\$ 2,463,878</b>	<b>\$ 2,472,106</b>

Reconciliation to financial statements:

	<b>Government-Wide Statement of Net Position</b>	<b>Agency Fund</b>	<b>Totals</b>
Cash and investments - unrestricted	\$ 2,424,917	\$ -	\$ 2,424,917
Cash and investments - restricted	38,961	-	38,961
Cash	-	4,908	4,908
	<b>\$ 2,463,878</b>	<b>\$ 4,908</b>	<b>\$ 2,468,786</b>

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 &

**City of Highwood, Illinois**  
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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, 2017, 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.

**City of Highwood, Illinois**  
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**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.

**Note 4: Receivables**

	Governmental Funds			Proprietary Funds		Total
	General Fund	Downtown Redevelopment TIF Fund	Nonmajor Funds	Waterworks and Sewerage Fund	Nonmajor Garbage Fund	
Receivables						
Property taxes	\$ 1,271,195	\$ 538,679	\$ 200,967	\$ -	\$ -	\$ 2,010,841
Other taxes						
Sales tax	81,688	-	-	-	-	81,688
Intergovernmental						
Sales tax	120,444	-	-	-	-	120,444
Telecom	18,235	-	-	-	-	18,235
Use tax	21,416	-	-	-	-	21,416
Income tax	192,299	-	-	-	-	192,299
Replacement tax	1,538	-	-	-	-	1,538
Motor fuel tax	-	-	11,834	-	-	11,834
IEPA loan	-	-	-	571,500	-	571,500
Accounts, net	61,599	-	-	264,554	30,809	356,962
	\$ 1,768,414	\$ 538,679	\$ 212,801	\$ 836,054	\$ 30,809	\$ 3,386,757

All of the receivables on the balance sheet are expected to be collected within one year. As of April 30, 2017, the General, Waterworks and Sewerage, and Garbage Funds have recorded allowance for uncollectible accounts of \$31,050; \$40,427; and \$2,415, respectively.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
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**Note 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, 2017.

Following is a list of restricted assets at April 30, 2017:

	<b>Restricted Assets</b>	<b>Noncurrent Liabilities Payable From Restricted Assets</b>	<b>Restricted Net Position</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Governmental activities			
Deposits in escrow	\$ 16,511	\$ (16,511)	\$ -
Business-type activities			
Unspent bond proceeds	<u>22,450</u>	<u>(22,450)</u>	<u>-</u>
Total	<u><u>\$ 38,961</u></u>	<u><u>\$ (38,961)</u></u>	<u><u>\$ -</u></u>

**City of Highwood, Illinois**  
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**Note 6: Capital Assets**

***Governmental Activities***

A summary of changes in capital assets for the governmental activities of the City is as follows:

	<b>Balances May 1</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balances April 30</b>
Capital assets not being depreciated				
Land	\$ 2,650,350	\$ -	\$ -	\$ 2,650,350
Construction in progress	2,468,516	120,000	2,588,516	-
	<u>5,118,866</u>	<u>120,000</u>	<u>2,588,516</u>	<u>2,650,350</u>
Capital assets being depreciated				
Land improvements	741,240	-	-	741,240
Buildings	2,180,900	143,547	-	2,324,447
Equipment and vehicles	2,298,900	24,967	364,100	1,959,767
Infrastructure	10,880,000	2,588,516	-	13,468,516
	<u>16,101,040</u>	<u>2,757,030</u>	<u>364,100</u>	<u>18,493,970</u>
Less accumulated depreciation for				
Land improvements	741,240	-	-	741,240
Buildings	1,601,073	41,863	-	1,642,936
Equipment and vehicles	1,634,197	143,272	336,225	1,441,244
Infrastructure	10,084,283	198,553	-	10,282,836
	<u>14,060,793</u>	<u>383,688</u>	<u>336,225</u>	<u>14,108,256</u>
Total capital assets being depreciated, net	<u>2,040,247</u>	<u>2,373,342</u>	<u>27,875</u>	<u>4,385,714</u>
Governmental activities capital assets, net	<u>\$ 7,159,113</u>	<u>\$ 2,493,342</u>	<u>\$ 2,616,391</u>	<u>\$ 7,036,064</u>

**City of Highwood, Illinois**  
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***Business-Type Activities***

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

	<b>Balances May 1</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balances April 30</b>
Capital assets not being depreciated				
construction in progress	\$ 2,254,141	\$ -	\$ 2,254,141	\$ -
Capital assets being depreciated				
Land improvements	41,900	198,289	-	240,189
Buildings	3,851,500	-	-	3,851,500
Machinery and equipment	350,600	-	-	350,600
Waterworks and sewerage system	4,268,000	2,834,391	-	7,102,391
	<u>8,512,000</u>	<u>3,032,680</u>	<u>-</u>	<u>11,544,680</u>
Less accumulated depreciation for				
Land improvements	41,900	-	-	41,900
Buildings	1,984,935	58,450	-	2,043,385
Machinery and equipment	260,638	9,725	-	270,363
Waterworks and sewerage system	2,916,100	113,704	-	3,029,804
	<u>5,203,573</u>	<u>181,879</u>	<u>-</u>	<u>5,385,452</u>
Total capital assets being depreciated, net	<u>3,308,427</u>	<u>2,850,801</u>	<u>-</u>	<u>6,159,228</u>
Business-type activities capital assets, net	<u>\$ 5,562,568</u>	<u>\$ 2,850,801</u>	<u>\$ 2,254,141</u>	<u>\$ 6,159,228</u>

**City of Highwood, Illinois**  
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***Depreciation Expense***

Depreciation expense was charges to functions/programs of the primary government as follows:

Governmental activities

General government	\$ 41,056
Public safety	111,650
Public works	229,636
Culture, education and recreation	<u>1,346</u>

\$ 383,688

Business-type activities

Water	\$ 127,088
Sewer	<u>54,791</u>

\$ 181,879

**Note 7: Interfund Transactions**

***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**  
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The following is a schedule of interfund receivables and payables:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General fund	Capital Projects	\$ 155,181
General fund	Water	235,678
Water fund	Capital Projects	110,128
Total fund financial statements		<u>500,987</u>
Less: Government-wide eliminations		<u>(375,437)</u>
Total internal balances - government-wide statement of net position		<u><u>\$ 125,550</u></u>
General fund	Agency fund	<u><u>\$ 4</u></u>
Component unit (Public Library)	General fund	<u><u>\$ 362</u></u>

All amounts are due within one year.

**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.

Following are the transfers for 2017:

<b>Transferring Fund</b>	<b>Receiving Fund</b>	<b>Amount</b>
General fund	Capital Projects	\$ 200,000

**City of Highwood, Illinois**  
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**Note 8: Deferred Inflows of Resources and Unearned Income**

As of April 30, 2017, the various components of deferred inflows of resources related to revenue recognition (excludes pension items) and unearned revenue reported in the governmental funds balance sheet, and the governmental activities in the statement of net position were as follows:

	<b>Deferred Inflows of Resources</b>	<b>Unearned Income</b>	<b>Total</b>
Property taxes receivable for subsequent year	\$ 2,010,841	\$ -	\$ 2,010,841
Rental income received in advance	<u>-</u>	<u>98,993</u>	<u>98,993</u>
Total deferred/unearned revenue per statement of net position	<u>\$ 2,010,841</u>	<u>\$ 98,993</u>	<u>\$ 2,109,834</u>

There were no differences between the governmental funds balance sheet and the governmental activities in the statement of net position related to revenue recognition, and there were no deferred inflows of resources related to revenue recognition or unearned revenues for the enterprise funds or business-type activities as of April 30, 2017.

**Note 9: Long-Term Debt Obligations**

Long-term obligations activity for the year ended April 30, 2017, was as follows:

**Governmental Activities**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Amount Due Within One Year</b>
Bonds and notes payable					
Alternative revenue bonds*	\$ 2,216,895	\$ 25,560	\$ 310,000	\$ 1,932,455	\$ 350,000
General obligation bonds	2,355,000	-	135,000	2,220,000	135,000
Bond premium	91,687	-	14,885	76,802	-
Capital lease payable	113,835	-	29,083	84,752	29,992
Loans payable	<u>199,450</u>	<u>-</u>	<u>94,579</u>	<u>104,871</u>	<u>57,384</u>
	<u>4,976,867</u>	<u>25,560</u>	<u>583,547</u>	<u>4,418,880</u>	<u>572,376</u>
Other liabilities					
Vested compensated absences	88,307	6,596	17,661	77,242	15,448
Net pension liability	<u>3,767,581</u>	<u>2,327</u>	<u>-</u>	<u>3,769,908</u>	<u>-</u>
	<u>3,855,888</u>	<u>8,923</u>	<u>17,661</u>	<u>3,847,150</u>	<u>15,448</u>
Total governmental activities long-term liabilities	<u>\$ 8,832,755</u>	<u>\$ 34,483</u>	<u>\$ 601,208</u>	<u>\$ 8,266,030</u>	<u>\$ 587,824</u>

\*\$25,560 represents accreted interest on Capital Appreciation Bonds.

**City of Highwood, Illinois**  
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***Business-Type Activities***

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Amount Due Within One Year</b>
Bonds and notes payable					
2010A General Obligation Build America Bonds	\$ 520,000	\$ -	\$ 150,000	\$ 370,000	\$ 150,000
2010B General Obligation Recovery Zone Economic Development Bonds	3,000,000	-	-	3,000,000	-
Bond discount	(22,670)	-	(2,309)	(20,361)	-
Loan payable	277,345	-	35,793	241,552	36,998
IEPA loans	<u>2,675,198</u>	<u>573,972</u>	<u>235,661</u>	<u>3,013,509</u>	<u>186,335</u>
	<u>6,449,873</u>	<u>573,972</u>	<u>419,145</u>	<u>6,604,700</u>	<u>373,333</u>
Other liabilities					
Vested compensated absences	4,065	1,013	3,837	1,241	249
Net pension liability	<u>105,581</u>	<u>-</u>	<u>3,645</u>	<u>101,936</u>	<u>-</u>
	<u>109,646</u>	<u>1,013</u>	<u>7,482</u>	<u>103,177</u>	<u>249</u>
Total business-type activities					
long-term liabilities	<u>\$ 6,559,519</u>	<u>\$ 574,985</u>	<u>\$ 426,627</u>	<u>\$ 6,707,877</u>	<u>\$ 373,582</u>

The General Fund and Waterworks and Sewerage Fund are expected to pay the Net Pension Liability. 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 – 2016	<u>\$ 136,544,322</u>
Legal debt limit – 8.625% of assessed valuation	\$ 11,776,948
Amount of debt applicable to debt limit	<u>5,590,000</u>
Legal debt margin	<u>\$ 6,186,948</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

**City of Highwood, Illinois**  
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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 Downtown Redevelopment TIF 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, 2017, consists of the following:

<b>Governmental Activities Alternative Revenue Debt</b>	<b>Date of Issue</b>	<b>Final Maturity</b>	<b>Interest Rates</b>	<b>Original Indebtedness</b>	<b>Balance April 30, 2017</b>
Series 2002 CAB	2002	1/1/2021	4.00% - 5.40%	\$ 786,403	\$ 432,455
Series 2013 GO	2013	1/1/2022	2.00% - 4.00%	2,160,000	1,500,000
Series 2015 GO	2015	12/1/2030	1.85% - 4.00%	2,355,000	<u>2,220,000</u>
Total governmental activities - general obligation debt					<u>\$ 4,152,455</u>

**General Obligation Debt**

**Business-Type Activities - General Obligation Debt**

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

General obligation debt payable at April 30, 2017, consists of the following:

<b>Business-Type Activities General Obligation Debt</b>	<b>Date of Issue</b>	<b>Final Maturity</b>	<b>Interest Rates</b>	<b>Original Indebtedness</b>	<b>Balance April 30, 2017</b>
Series 2010A GO BAB	2011	12/1/2019	3.22% - 4.72%	\$ 800,000	\$ 370,000
Series 2010B GO RZEDB	2011	12/1/2033	5.62% - 6.84%	3,000,000	<u>3,000,000</u>
Total business-type activities - general obligation debt					<u>\$ 3,370,000</u>

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
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Debt service requirements to maturity are as follows:

Year	Governmental Activities Alternative Revenue Source	
	Principal	Interest
2018	\$ 463,700	\$ 141,628
2019	508,733	126,845
2020	549,402	110,426
2021	595,620	89,818
2022	520,000	69,555
2023-2027	785,000	214,863
2028-2031	730,000	74,600
	<u>\$ 4,152,455</u>	<u>\$ 827,733</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**
2018	\$ 150,000	\$ 17,464	\$ 11,352	\$ -	\$ 190,926	\$ 105,009
2019	155,000	10,384	6,750	-	190,926	105,009
2020	65,000	3,068	1,994	95,000	190,926	105,009
2021	-	-	-	165,000	185,587	102,073
2022	-	-	-	170,000	176,314	96,973
2023-2027	-	-	-	940,000	731,797	402,489
2028-2032	-	-	-	1,120,000	409,374	225,156
2033-2034	-	-	-	510,000	52,668	28,967
	<u>\$ 370,000</u>	<u>\$ 30,916</u>	<u>\$ 20,096</u>	<u>\$ 3,000,000</u>	<u>\$ 2,128,518</u>	<u>\$ 1,170,685</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.

\*\* 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.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
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**Other Notes or Loans Payable**

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

<b>Governmental Activities - Other Notes or Loans Payable</b>	<b>Date of Issue</b>	<b>Original Indebtedness</b>	<b>Final Maturity</b>	<b>Interest Rates</b>	<b>Balance April 30, 2017</b>
LED Light Loan	11/21/2012	\$ 165,000	9/15/2017	2.85%	\$ 34,712
Fire Alarm Monitoring Equipment Loan	11/21/2012	155,000	9/15/2019	3.12%	<u>70,159</u>
					<u><u>\$ 104,871</u></u>
<b>Business-type Activities - Other Notes or Loans Payable</b>	<b>Date of Issue</b>	<b>Original Indebtedness</b>	<b>Final Maturity</b>	<b>Interest Rates</b>	<b>Balance April 30, 2017</b>
Illinois Environmental Protection Agency (IEPA) Loan Payable of 2002	4/30/2002	\$ 1,170,000	12/30/2021	2.54%	\$ 351,281
Loan Payable - Water	3/10/2016	2,610,846	8/26/2035	2.21%	1,980,282
Loan Payable - Sewer	3/10/2016	249,578	9/4/2035	2.21%	199,643
Loan Payable - Water Tower*	4/30/2017	571,500	8/2/2036	1.86%	<u>482,303</u>
					<u><u>\$ 3,013,509</u></u>
Water Meter Loan	11/21/2012	380,000	9/15/2022	Various	<u><u>\$ 241,552</u></u>

\*The total eligible IEPA Loan is \$571,500. IEPA will disburse the loan proceeds as the City incurs expenses on the project. Amount presented as a payable is the amount that has been incurred as costs by the City at April 30, 2017, and requested for loan disbursements from IEPA. As of the date of the audit report, the City has yet to receive a final repayment schedule on the loan. Loan payable principal and interest balances on the subsequent page are based on a preliminary repayment schedule and do not include the effects of subsequent expenses and requested loan disbursements. The City has recorded a corresponding receivable at April 30, 2017, in the amount of \$571,500 which represents the expenses incurred in fiscal year 2017, but not yet reimbursed by the IEPA at April 30, 2017. In the official loan document received IEPA forgave a portion of the loan amounting to \$89,197. The \$571,500 was received by the City from IEPA in May 2017.

**City of Highwood, Illinois**  
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Debt service requirements to maturity are as follows:

Year	Governmental Activities		Business-type Activities	
	Loans Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2018	\$ 57,386	\$ 3,178	\$ 223,333	\$ 70,852
2019	23,379	1,482	226,570	67,616
2020	24,106	752	232,192	61,992
2021	-	-	237,962	56,225
2022	-	-	243,876	50,309
2023-2027	-	-	725,258	188,887
2028-2032	-	-	758,500	110,511
2033-2037	-	-	607,370	27,322
	<u>\$ 104,871</u>	<u>\$ 5,412</u>	<u>\$ 3,255,061</u>	<u>\$ 633,714</u>

**Capital Leases Payable**

Governmental Activities - Capital Leases Payable	Date of Issue	Original Indebtedness	Final Maturity	Interest Rates	Balance April 30, 2017
Public Works Capital Lease	12/10/2012	\$ 202,020	1/1/2020	3.00%	<u>\$ 84,752</u>

Debt service requirements to maturity are as follows:

Year	Governmental Activities	
	Principal	Interest
2018	\$ 29,992	\$ 2,273
2019	30,929	1,336
2020	23,831	369
	<u>\$ 84,752</u>	<u>\$ 3,978</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, 2017, was \$1,520,000.

**City of Highwood, Illinois**  
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**Note 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.

***Basis of Accounting/Measurement Focus***

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

***Deposits and Investments***

	<b>Carrying Value</b>	<b>Statement Balance</b>
Deposits	\$ 232,247	\$ 238,320
Illinois Funds	-	-
	\$ 232,247	\$ 238,320

***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.

***Interest Rate Risk***

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

**City of Highwood, Illinois**  
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**Long-Term Liabilities**

The Library's long-term liabilities at April 30, 2017, includes a net pension liability in the amount of \$49,641. See Note 11 for further detail on net pension liability.

**Capital Assets**

A summary of changes in capital assets for Component Unit activities of the City is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Useful Lives (Years)
Construction in progress	\$ -	\$ 221,870	\$ -	\$ 221,870	
Building and improvements	766,560	-	-	766,560	20 - 50
Machinery and equipment	1,282,000	-	-	1,282,000	5 - 20
Less accumulated Depreciation	<u>(1,864,420)</u>	<u>(13,640)</u>	<u>-</u>	<u>(1,878,060)</u>	
	<u>\$ 184,140</u>	<u>\$ 208,230</u>	<u>\$ -</u>	<u>\$ 392,370</u>	

**Note 11: Employee Retirement Systems**

The City contributes to four defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), (Regular and SLEP) agent multiple-employer defined benefit pension plans administered by IMRF, a 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](http://www.imrf.org).

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The aggregate totals for all pension items for the four plans are as follows (IMRF Regular and SLEP Plans combined due to insignificant size of SLEP):

	<b>Governmental Activities</b>	<b>Business-Type Activities*</b>	<b>Total City</b>	<b>Component Unit Library</b>	<b>Plan Totals</b>
Net pension liability					
IMRF	\$ 264,634	\$ 101,936	\$ 366,570	\$ 49,641	\$ 416,211
Police	2,269,824	-	2,269,824	-	2,269,824
Firefighters	1,235,450	-	1,235,450	-	1,235,450
	<u>\$ 3,769,908</u>	<u>\$ 101,936</u>	<u>\$ 3,871,844</u>	<u>\$ 49,641</u>	<u>\$ 3,921,485</u>
Deferred outflows of Resources					
IMRF	\$ 139,873	\$ 49,282	\$ 189,155	\$ 24,000	\$ 213,155
Police	538,798	-	538,798	-	538,798
Firefighters	15,122	-	15,122	-	15,122
	<u>\$ 693,793</u>	<u>\$ 49,282</u>	<u>\$ 743,075</u>	<u>\$ 24,000</u>	<u>\$ 767,075</u>
Deferred inflows of Resources					
IMRF	\$ 14,517	\$ 5,220	\$ 19,737	\$ 2,543	\$ 22,280
Police	228,829	-	228,829	-	228,829
	<u>\$ 243,346</u>	<u>\$ 5,220</u>	<u>\$ 248,566</u>	<u>\$ 2,543</u>	<u>\$ 251,109</u>
Pension expense					
IMRF	\$ 47,209	\$ 16,148	\$ 63,357	\$ 7,864	\$ 71,221
Police	439,788	-	439,788	-	439,788
Firefighters	259,165	-	259,165	-	259,165
	<u>\$ 746,162</u>	<u>\$ 16,148</u>	<u>\$ 762,310</u>	<u>\$ 7,864</u>	<u>\$ 770,174</u>

\*Same amounts are also reported in the proprietary fund statements.

**Illinois Municipal Retirement Fund**

**Plan Description**

The City's agent multiple-employer defined benefit pension plan for regular employees (other than those covered by the Police or Firefighters' Pension Plans), provides retirement, disability, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The City maintains accounts for regular employees and for Sheriff's Law Enforcement Personnel (SLEP) which provides benefits solely to a former police chief. A summary of IMRF's pension benefits is provided in the "Benefits Provided" described below. Details of all benefits are available from IMRF. The Illinois Pension Code establishes the benefit provisions of the plan which can only be amended by the Illinois General Assembly.

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IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at [www.imrf.org/pubs/](http://www.imrf.org/pubs/) or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees of the City of Highwood Library (Library), a component unit of the City, also participates in the City's IMRF plan. Pension items have been allocated to the Library on the basis of employer contributions to total employer contributions for the fiscal year. The City's portion was 88.6%.

***Benefits Provided***

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 8 years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with 8 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 10 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.

The Sheriff's Law Enforcement Personnel Fund (SLEP) members, having accumulated at least 30 years of SLEP service and terminating IMRF participation on or after July 1, 1988, may elect to retire at or after age 50 with no early retirement discount penalty. SLEP members meeting these two qualifications are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.50% of their final rate of earnings, for each year of credited service up to 20 years, 2.00% of their final earnings rate for the next 10 years of credited service and 1.00% for each year thereafter. For those SLEP members retiring with less than 20 years of SLEP service, the regular IMRF pension formula applies. SLEP also provides death and disability benefits. Members receive an annual increase based upon the original amount of the annuity of 3% or one-half of the increase in the consumer price index, whichever is less. These benefit provisions and all other requirements are established by State statutes. For the SLEP Plan, members are required to contribute 7.50% of their annual covered salary.

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***Employees Covered by Benefit Terms***

At December 31, 2016, the measurement date for the net pension liability, the following employees were covered by the benefit terms:

	<b>Regular</b>	<b>SLEP</b>
Retirees and beneficiaries currently receiving benefits	18	
Terminated employees entitled to but not yet receiving benefits	39	1
Current employees	13	
	70	1

***Contributions***

As set by statute, employees participating in the IMRF plan are required to contribute 4.50% of their annual covered salary. The member rate is also established by State statute. The City is required to contribute at an actuarially determined rate. The employer annual required contribution rate for calendar year 2016 was 12.00%. For the year ended April 30, 2017, the City contributed \$80,825 to the plan. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. For the SLEP Plan, members are required to contribute 7.50% of their annual covered salary. The employer rate for calendar year 2016 was 13.75%. For the year ended April 30, 2017, the City contributed \$0 to the SLEP Plan.

***Net Pension Liability***

The City's net pension liability at April 30, 2017, was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The net pension liability and asset as of April 30, 2017, is \$435,067 for the Regular Plan and an \$18,856 asset for the SLEP Plan, which have been netted for financial reporting purposes because of the immaterial asset amount.

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***Actuarial Assumptions***

The following are the methods and assumptions used to determine the net pension liability as of April 30, 2017:

Actuarial valuation date	December 31, 2016
Measurement date	December 31, 2016
Actuarial cost method	Entry-age Normal
Assumptions	
Price inflation	2.75%
Salary increases	3.75% - 14.50%, including inflation
Investment rate of return	7.50%
Asset valuation method	Market value of assets

Retirement age is based on Experienced-Based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.

***Mortality***

For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

***Investments***

The long-term expected rate of return on pension plan investments of 7.50% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and

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adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Portfolio Target Percentage</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	38%	6.85%
International Equity	17%	6.75%
Fixed Income	27%	3.00%
Alternative Investments	9%	2.65% - 7.35%
Real Estate	8%	5.75%
Short-term	1%	2.25%
	<u>100.00%</u>	

***Discount Rate***

A single discount rate (SDR) of 7.50% (7.49% for Regular Plan and 7.50% for SLEP Fund in the prior year) for the Regular Plan and SLEP Fund was used to measure the total pension liability. The projection of cash flows used to determine the SDR assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, both pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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***Changes in Net Pension Liability – Regular Plan***

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balance, beginning of year	\$ 4,416,086	\$ 3,965,459	\$ 450,627
Changes for the year			
Service cost	67,467	-	67,467
Interest	326,523	-	326,523
Differences between expected and actual experience	(48,909)	-	(48,909)
Changes in assumptions	(5,963)	-	(5,963)
Contributions - employer	-	79,039	(79,039)
Contributions - employee	-	29,640	(29,640)
Net investment income	-	275,794	(275,794)
Benefit payments, including refunds of employees' contributions	(180,746)	(180,746)	-
Administrative expenses	-	-	-
Other (net transfer)	-	(29,795)	29,795
Net changes	<u>158,372</u>	<u>173,932</u>	<u>(15,560)</u>
Balance, end of year	<u>\$ 4,574,458</u>	<u>\$ 4,139,391</u>	<u>\$ 435,067</u>

Changes in assumptions related to retirement age, mortality and discount rate were made since the prior measurement date.

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**Changes in Net Pension Liability (Asset) – SLEP**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a)-(b)</b>
Balance, beginning of year	\$ 43,381	\$ 60,135	\$ (16,754)
Changes for the year			
Service cost	-	-	-
Interest	3,254	-	3,254
Differences between expected and actual experience	(984)	-	(984)
Changes in assumptions	-	-	-
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	4,251	(4,251)
Benefit payments, including refunds of employees' contributions	-	-	-
Administrative expenses	-	-	-
Other (net transfer)	-	121	(121)
Net changes	<u>2,270</u>	<u>4,372</u>	<u>(2,102)</u>
Balance, end of year	<u>\$ 45,651</u>	<u>\$ 64,507</u>	<u>\$ (18,856)</u>

**Discount Rate Sensitivity**

The following is an analysis of the sensitivity of the City's net pension liability (asset) to changes in the discount rate. The table below represents the net pension liability (asset) of the City's Regular Plan and SLEP Fund calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using discount rates that are one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

**Regular Plan**

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
City's net pension liability (asset)	\$ 1,083,424	\$ 435,067	\$ (75,917)

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**SLEP**

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Net pension asset	\$ (13,149)	\$ (18,856)	\$ (23,609)

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued IMRF financial report.

***Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended April 30, 2017, the City recognized pension expense of \$72,665 and \$(1,444) for the Regular Plan and SLEP, respectively. At April 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Amounts Related to Pensions</b>	<b>Regular Plan</b>		<b>SLEP</b>		<b>Total</b>
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$ -	\$ 19,858	\$ -	\$ -	\$ 19,858
Changes of assumptions	-	2,422	-	-	2,422
Net difference between projected and actual earnings on pension plan investments	182,919	-	2,816	-	182,919
Total deferred amounts to be recognized in pension expense in future periods	182,919	22,280	2,816	-	205,199
Pension contributions made subsequent to the measurement date	27,420	-	-	-	27,420
	\$ 210,339	\$ 22,280	\$ 2,816	\$ -	\$ 232,619

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Deferred outflows of resources of \$27,420 for City contributions made subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended April 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<b>Year Ending April 30,</b>	<b>Amount</b>
2018	\$ 38,428
2019	60,708
2020	60,707
2021	3,612
	\$ 163,455

***Police Pension***

***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 as well as the employee and employer contribution levels are mandated by Chapter 40 Illinois Compiled Statute 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 statement.

***Benefits Provided***

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

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Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (*i.e.*, 1/2% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or one-half of the change in the Consumer Price Index for the proceeding calendar year.

***Employees Covered by Benefit Terms***

At April 30, 2017, the Police Pension membership consisted of:

Inactive plan members currently receiving benefits	6
Inactive plan members entitled but not yet receiving benefits	3
Active plan members	11
	20

***Contributions***

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. Administrative expenses are generally paid from plan assets. For the year ended April 30, 2017, the City contributed \$268,542 to the Police Pension Plan.

***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.

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- 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.

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

<b>Asset Class</b>	<b>Portfolio Target Percentage</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap Domestic Equity	28.00%	6.80%
Small Cap Domestic Equity	8.00%	8.90%
International Equity	4.00%	7.00%
Fixed Income	<u>60.00%</u>	2.00%
	<u><u>100.00%</u></u>	

The long-term expected rate of return of the Police Pension Fund's investments of 6.50% was determined using an asset allocation study conducted by the Police Pension Fund's investment manager consultant 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, 2017, are listed in the table above.

***Valuation of Investments***

All investments in the Plan are stated at fair value and recorded as of the trade date. Fair value is based on quoted market prices at April 30 for debt securities, equity securities and mutual funds.

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The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of fiduciary net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at April 30, 2017:

<b>Investment Type</b>	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Debt securities				
U.S. treasuries	\$ 252,847	\$ -	\$ 252,847	\$ -
U.S. agencies	1,305,546	-	1,305,546	-
Municipal bonds	192,518	-	192,518	-
	<u>1,750,911</u>	<u>-</u>	<u>1,750,911</u>	<u>-</u>
Equity securities				
Mutual Funds - equity	1,327,834	1,327,834	-	-
	<u>1,327,834</u>	<u>1,327,834</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>\$ 3,078,745</u>	<u>\$ 1,327,834</u>	<u>\$ 1,750,911</u>	<u>\$ -</u>

**Level 1** Includes quoted prices in active markets for an identical asset or liability that a government can access at the measurement date.

**Level 2** Includes inputs other than quoted prices included with Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** Includes unobservable inputs for an asset or liability.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

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***Investment Rate of Return***

For the year ended April 30, 2017, the annual money-weighted rate of return on the Police Pension Plan investments, net of pension plan investment expense, was 6.93%. 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 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***

As of April 30, 2017, 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	Greater Than 10
US government treasuries	\$ 252,847	\$ 24,458	\$ 114,893	\$ 113,496	\$ -
US agency securities	1,305,546	40,946	320,372	929,106	15,122
Municipal bonds	<u>192,518</u>	<u>-</u>	<u>78,712</u>	<u>97,103</u>	<u>16,703</u>
Total	<u>\$ 1,750,911</u>	<u>\$ 65,404</u>	<u>\$ 513,977</u>	<u>\$ 1,139,705</u>	<u>\$ 31,825</u>
Not subject to interest					
Rate risk					
Mutual funds	<u>\$ 1,327,834</u>				

The Police Pension Funds' investment policy does not limit investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. The objective is the preservation of capital while providing for the long-term growth of principal without undue exposure to risk.

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**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. As of April 30, 2017, the investments in securities of the U.S. Government and agency obligations were rated accordingly:

Type of Investment	Fair Value	Moody's / S&P Ratings
U.S. agencies	\$ 1,304,806	Aaa / AA+
U.S. agencies	740	NR / NR
Total U.S. agencies	1,305,546	
Municipal bonds	31,609	Aa3 / NR
Municipal bonds	28,875	NR / AA
Municipal bonds	11,326	Aaa / NR
Municipal bonds	27,868	NR / AA
Municipal bonds	16,703	Aaa / NR
Municipal bonds	11,458	NR / NR
Municipal bonds	21,192	NR / A+
Municipal bonds	26,300	Aa2 / NR
Municipal bonds	17,187	NR / AA-
Total municipal bonds	192,518	

**Investment Concentrations**

The following investments exceeded 5% of net Police Pension Plan assets at April 30, 2017:

Issuer	Concentration
Mutual funds	
Vanguard 500 Index	9.99%
T. Rowe Price Growth	9.81%

**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. To limit its exposure, the Police Pension Fund requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Police Pension Fund's agency separate from where the investment was purchased. The mutual funds and common stocks are not subject to custodial credit risk.

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***Net Pension Liability***

The City's net pension liability was measured as of April 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

***Actuarial Assumptions***

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2017, using the following actuarial methods and assumptions.

Actuarial Valuation Date	May 1, 2017
Measurement Date	April 30, 2017
Actuarial Cost Method	Entry-age Normal
Assumptions	
Inflation	2.50%
Salary Increases	4.00% - 10.83%
Investment Rate of Return	6.50%
Asset Valuation Method	Market Value of Assets

Mortality rates are based on rates developed in the Lauterbach & Amen, LLP 2016 Mortality Table for Illinois Police Officers.

***Discount Rate***

The discount rate used to measure the total pension liability was 6.50% (same as prior year). 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 available to make all projected future benefit payments of current plan members.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

***Changes in Net Pension Liability***

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balance, beginning of year	<u>\$ 4,907,527</u>	<u>\$ 2,788,259</u>	<u>\$ 2,119,268</u>
Changes for the year			
Service cost	274,490	-	274,490
Interest	312,866	-	312,866
Difference between expected and actual experience	132,909	-	132,909
Changes of assumptions	(70,359)	-	(70,359)
Contributions - employer	-	268,542	(268,542)
Contributions - employee	-	70,003	(70,003)
Net investment income	-	203,145	(203,145)
Benefit payments, including refunds of employees' contributions	(188,415)	(188,415)	-
Administrative expenses	<u>-</u>	<u>(42,340)</u>	<u>42,340</u>
Net changes	<u>461,491</u>	<u>310,935</u>	<u>150,556</u>
Balance, end of year	<u><u>\$ 5,369,018</u></u>	<u><u>\$ 3,099,194</u></u>	<u><u>\$ 2,269,824</u></u>

Changes in assumptions related to salary increases, inflation, retirement age, disability rates, termination, and mortality were made since the prior measurement date.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

***Discount Rate Sensitivity***

The following is an analysis of the sensitivity of the City's net pension liability to changes in the discount rate. The table below represents the net pension liability of the City calculated using the discount rate of 6.50% 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 (5.50%) or one percentage point higher (7.50%) than the current rate:

	<b>1% Decrease (5.50%)</b>	<b>Current Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
City's net pension liability	\$ 3,176,204	\$ 2,269,824	\$ 1,545,416

***Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended April 30, 2017, the City recognized pension expense of \$439,788. At April 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Amounts Related to Pensions</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 467,824	\$ -
Changes of assumptions	-	228,829
Net differences between projected and actual earnings on pension plan investments	70,974	-
	\$ 538,798	\$ 228,829

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

Year Ending April 30,	Amount
2018	\$ 64,836
2019	64,836
2020	64,832
2021	36,270
2022	39,950
Thereafter	39,245
	\$ 309,969

***Firefighters' Pension***

***Plan Description and Provisions***

Fire sworn personnel are covered by the Firefighters' Pension Plan, which is a single-employer defined benefit 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 stand-alone financial statement.

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 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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (*i.e.*, 1/2% for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or one-half of the change in the Consumer Price Index for the proceeding calendar year.

**Employees Covered by Benefit Terms**

At April 30, 2017, the Firefighters’ Pension Plan membership consisted of:

Inactive plan members currently receiving benefits	6
Inactive plan members entitled but not yet receiving benefits	7
Active plan members	1
	14
	14

**Contributions**

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. Administrative expenses are generally paid from plan assets. For the year ended April 30, 2017, the City contributed \$92,383 to the Firefighters’ Pension Plan.

**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.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
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- 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.

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

<b>Asset Class</b>	<b>Portfolio Target Percentage</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap Domestic Equity	28.00%	6.80%
Small Cap Domestic Equity	8.00%	8.90%
International Equity	4.00%	7.00%
Fixed Income	60.00%	2.00%
	<u>100.00%</u>	

The long-term expected rate of return of the Firefighters' Pension Fund's investments of 5.00% was determined using an asset allocation study conducted by the Firefighters' Pension Fund's investment manager consultant 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, 2017, are listed in the table above.

***Valuation of Investments***

All investments in the Plan are stated at fair value and recorded as of the trade date. Fair value is based on quoted market prices at April 30 for debt securities, equity securities and mutual funds.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at April 30, 2017:

<b>Investment Type</b>	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Debt securities				
U.S. treasuries	\$ 369,155	\$ -	\$ 369,155	\$ -
U.S. agencies	1,497,398	-	1,497,398	-
Municipal bonds	232,354	-	232,354	-
	<u>2,098,907</u>	<u>-</u>	<u>2,098,907</u>	<u>-</u>
Equity securities				
Mutual Funds - equity	<u>1,582,243</u>	<u>1,582,243</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 3,681,150</u></u>	<u><u>\$ 1,582,243</u></u>	<u><u>\$ 2,098,907</u></u>	<u><u>\$ -</u></u>

**Level 1** Includes quoted prices in active markets for an identical asset or liability that a government can access at the measurement date.

**Level 2** Includes inputs other than quoted prices included with Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** Includes unobservable inputs for an asset or liability.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

***Investment Rate of Return***

For the year ended April 30, 2017, the annual money-weighted rate of return on the Firefighters' Pension Plan investments, net of pension plan investment expense, was 7.12%. 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 Firefighters' Pension Fund's deposits 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***

As of April 30, 2017, 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	Greater Than 10
US treasuries	\$ 369,155	\$ 92,316	\$ 226,499	\$ 50,340	\$ -
US agency securities	1,497,398	26,698	458,629	964,003	48,068
Municipal bonds	232,354	-	135,044	97,310	-
Total	<u>\$ 2,098,907</u>	<u>\$ 119,014</u>	<u>\$ 820,172</u>	<u>\$ 1,111,653</u>	<u>\$ 48,068</u>
Not subject to interest Rate risk Mutual funds	<u>\$ 1,582,243</u>				

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

**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. As of April 30, 2017, the investments in securities of the U.S. Government and agency obligations were rated accordingly:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Moody's / S&amp;P Ratings</u>
U.S. agencies	\$ 1,472,750	Aaa / AA+
U.S. agencies	24,648	NR / NR
Total U.S. agencies	1,497,398	
Municipal bonds	31,609	Aa3 / NR
Municipal bonds	30,672	Aa1 / NR
Municipal bonds	10,644	NR / AA
Municipal bonds	26,513	Aa2 / AA+
Municipal bonds	27,398	NR / AA+
Municipal bonds	10,743	Aa2 / NR
Municipal bonds	20,121	NR / AA+
Municipal bonds	30,000	Aa3 / NR
Municipal bonds	24,958	Aa1 / NR
Municipal bonds	4,924	NR / NR
Municipal bonds	14,772	Aa2 / NR
Total municipal bonds	232,354	

**Investment Concentrations**

The following investments exceeded 5% of net Fire Pension Plan assets at April 30, 2017:

<u>Issuer</u>	<u>Concentration</u>
Mutual funds	
Vanguard 500 Index	9.99%
T. Rowe Price Growth	9.81%

**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 Firefighters' Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Firefighters' Pension Fund requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

third party acting as the Firefighters' Pension Fund's agency separate from where the investment was purchased. The mutual funds and common stocks are not subject to custodial credit risk.

***Net Pension Liability***

The City's net pension liability was measured as of April 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

***Actuarial Assumptions***

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2017, using the following actuarial methods and assumptions.

Actuarial valuation date	May 1, 2017
Measurement date	April 30, 2017
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	0.00%
Investment rate of return	5.00%
Asset valuation method	Market value of assets

Mortality rates are based on rates developed in the Lauterbach & Amen, LLP 2016 Mortality Table for Illinois Firefighters.

***Discount Rate***

The discount rate used to measure the total pension liability was 5.00% (same as prior year). 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 available to make all projected future benefit payments of current plan members.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

***Changes to Net Pension Liability***

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balance, beginning of year	\$ 4,851,537	\$ 3,480,099	\$ 1,371,438
Changes for the year			
Service cost	13,405	-	13,405
Interest	239,411	-	239,411
Difference between expected and actual experience	(51,684)	-	(51,684)
Changes of assumptions	22,286	-	22,286
Contributions - employer	-	92,383	(92,383)
Contributions - employee	-	46,018	(46,018)
Net investment income	-	249,067	(249,067)
Benefit payments, including refunds of employees' contributions	(126,604)	(126,604)	-
Administrative expenses	-	(28,062)	28,062
Net changes	96,814	232,802	(135,988)
Balance, end of year	\$ 4,948,351	\$ 3,712,901	\$ 1,235,450

Changes in assumptions related to salary increases, inflation, retirement age, disability rates, termination, and mortality were made since the prior measurement date.

***Discount Rate Sensitivity***

The following is an analysis of the sensitivity of the City's net pension liability to changes in the discount rate. The table below represents the net pension liability of the City calculated using the discount rate of 5.00% 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 (4.00%) or one percentage point higher (6.00%) than the current rate:

	<b>1% Decrease (4.00%)</b>	<b>Current Discount Rate (5.00%)</b>	<b>1% Increase (6.00%)</b>
City's net pension liability	\$ 2,153,530	\$ 1,235,450	\$ 520,327

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

***Pension Expense and Deferred Outflows of Resources Related to Pensions***

For the year ended April 30, 2017, the City recognized pension expense of \$259,165. At April 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Amounts Related to Pensions</b>	<b>Deferred Outflows of Resources</b>
Net differences between projected and actual earnings on pension plan investments	\$ 15,122
	\$ 15,122

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<b>Year Ending April 30,</b>	<b>Amount</b>
2018	\$ 10,072
2019	10,072
2020	10,072
2021	(15,094)
	\$ 15,122

***Basis of Accounting***

The financial statements are prepared using the accrual basis of accounting. Under this method, additions to net position are recorded when earned and deductions from net position are recorded when the time related liabilities/deferred inflows are incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

***Related Party Transactions***

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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

**Note 12: Pension Trust Funds – Financial Data**

Schedule of fiduciary net position as of April 30, 2017:

	<b>Police Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 12,471	\$ 17,169	\$ 29,640
Investments			
U.S. treasuries	252,847	369,155	622,002
U.S. agencies	1,305,546	1,497,398	2,802,944
Mutual funds	1,327,834	1,582,243	2,910,077
Municipal bonds	192,518	232,354	424,872
Receivables			
Accrued interest	12,678	17,067	29,745
Prepayments	-	845	845
	<hr/>	<hr/>	<hr/>
Total assets	3,103,894	3,716,231	6,820,125
<b>Liabilities</b>			
Accounts payable	4,700	3,330	8,030
	<hr/>	<hr/>	<hr/>
<b>Net Position</b>			
Restricted for pensions	\$ 3,099,194	\$ 3,712,901	\$ 6,812,095
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

Schedule of changes in fiduciary net position for the year ended April 30, 2017:

	<b>Police Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Total</b>
<b>Additions</b>			
Contributions			
Employer	\$ 268,542	\$ 92,383	\$ 360,925
Plan members	70,003	-	70,003
Other member revenue	-	46,018	46,018
Total contributions	<u>338,545</u>	<u>138,401</u>	<u>476,946</u>
<b>Investment Income (Loss)</b>			
Investment income	89,745	108,987	198,732
Net depreciation in fair value of investments	125,589	154,593	280,182
Less investment expenses	<u>(12,189)</u>	<u>(14,513)</u>	<u>(26,702)</u>
Net investment income	<u>203,145</u>	<u>249,067</u>	<u>452,212</u>
Total additions	<u>541,690</u>	<u>387,468</u>	<u>929,158</u>
<b>Deductions</b>			
Benefits	188,415	122,235	310,650
Administration	42,340	28,062	70,402
Refunds of contributions	<u>-</u>	<u>4,369</u>	<u>4,369</u>
Total deductions	<u>230,755</u>	<u>154,666</u>	<u>385,421</u>
<b>Changes in Net Position</b>	310,935	232,802	543,737
<b>Net Position, May 1</b>	<u>2,788,259</u>	<u>3,480,099</u>	<u>6,268,358</u>
<b>Net Position, April 30</b>	<u><u>\$ 3,099,194</u></u>	<u><u>\$ 3,712,901</u></u>	<u><u>\$ 6,812,095</u></u>

**Note 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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2017**

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, 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 noncompensated 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.

**Note 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, 2017, the building was still under construction and thus, had not yet received its certificate of occupancy. As of April 30, 2017, 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.

# City of Highwood, Illinois

## Notes to Financial Statements

April 30, 2017

### Note 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.

### Note 16: Future Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements, which are not expected to have a material impact on the City's financial statements in future periods:

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, is effective for periods beginning after June 15, 2016, except for certain of its provisions which are effective on or after June 15, 2017. GASB 82 addresses three issues: presentation of payroll-related measures in RSI, selection of assumptions and classification of employer-paid member contributions.

GASB Statement No. 87, *Leases (GASB 87)*: establishes a single approach to accounting for and reporting leases by state and local governments. The standard addresses the reporting for governments that are lessors or lessees. GASB 87 is effective for reporting periods beginning after December 15, 2019, with earlier application encouraged.

While not effective in the short term, the City will begin assessing the potential impact on the financial statements of this Statement and begin the process of communicating the impact with those charged with governance and other stakeholders.

**Required Supplementary Information (Unaudited)**

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance –**  
**Budget and Actual – General Fund**  
**Year Ended April 30, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Revenues</b>			
Property taxes	\$ 1,238,600	\$ 1,227,786	\$ (10,814)
Other taxes	1,000,000	1,131,410	131,410
Licenses and permits	382,500	369,193	(13,307)
Intergovernmental	1,320,628	1,428,146	107,518
Charges for services	711,000	1,016,861	305,861
Fines and forfeits	87,000	74,421	(12,579)
Interest	1,000	6,090	5,090
Miscellaneous	11,500	48,820	37,320
Total revenues	<u>4,752,228</u>	<u>5,302,727</u>	<u>550,499</u>
<b>Expenditures</b>			
Current			
General government	1,217,156	1,129,866	(87,290)
Public safety	2,759,938	2,677,057	(82,881)
Public works	514,424	589,695	75,271
Culture and recreation	145,643	162,267	16,624
Capital outlay	53,200	32,577	(20,623)
Debt service			
Principal	101,722	101,723	1
Interest	7,963	7,965	2
Total expenditures	<u>4,800,046</u>	<u>4,701,150</u>	<u>(98,896)</u>
<b>Excess of Revenues Over Expenditures</b>	(47,818)	601,577	649,395
<b>Other Financing Sources</b>			
Transfers out	(200,000)	(200,000)	-
Proceeds from sale of capital assets	100,000	20,146	(79,854)
	<u>(100,000)</u>	<u>(179,854)</u>	<u>(79,854)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (147,818)</u>	421,723	<u>\$ 569,541</u>
<b>Fund Balance, May 1</b>		<u>1,394,156</u>	
<b>Fund Balance, April 30</b>		<u>\$ 1,815,879</u>	

**City of Highwood, Illinois**  
**Notes to Required Supplementary Information**  
**April 30, 2017**

**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 Manager 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, 2017, the Capital Projects Fund, Motor Fuel Tax Fund, and Debt Service Fund had expenditures that exceeded its appropriations in the amounts of \$93,823, \$24,153 and \$474, respectively.

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Illinois Municipal Retirement Fund – Regular Plan**  
**Schedule of Changes in the City’s Net Pension Liability and Related Ratios**  
**April 30, 2017**

<b>Fiscal Year Ending April 30,</b>	<b>2017</b>	<b>2016</b>
Total pension liability		
Service cost	\$ 67,467	\$ 78,742
Interest	326,523	320,640
Changes in benefit terms		
Differences between expected and actual experience	(48,909)	(121,880)
Change of assumptions	(5,963)	5,758
Benefit payments, including refunds of member contributions	<u>(180,746)</u>	<u>(205,996)</u>
Net change in total pension liability	158,372	77,264
Total pension liability - beginning	<u>4,416,086</u>	<u>4,338,822</u>
Total pension liability - ending	<u><u>\$ 4,574,458</u></u>	<u><u>\$ 4,416,086</u></u>
Plan fiduciary net position		
Contributions - city	\$ 79,039	\$ 76,453
Contributions - members	29,640	28,766
Net investment income	275,794	20,200
Benefit payments, including refunds of member contributions	(180,746)	(205,996)
Other (net transfer)	<u>(29,795)</u>	<u>(44,338)</u>
Net change in plan fiduciary net position	173,932	(124,915)
Plan net position - beginning	<u>3,965,459</u>	<u>4,090,374</u>
Plan net position - ending	<u><u>\$ 4,139,391</u></u>	<u><u>\$ 3,965,459</u></u>
City’s net pension liability	<u><u>\$ 435,067</u></u>	<u><u>\$ 450,627</u></u>
Plan fiduciary net position as a percentage of the Total pension liability	90.49%	89.80%
Covered employee payroll	\$ 658,661	\$ 639,244
City’s net pension liability as a percentage of Covered employee payroll	66.05%	70.49%

Change in assumptions:

Long term rates of return used changed from 7.49% in 2015 to 7.50% in 2016.

Single Discount rate used changed from 7.49% in 2015 to 7.50% in 2016.

Mortality table used was updated from using MP-2014 (base year 2014) to MP-2014 (base year 2012) in 2016.

GASB Statement No. 68 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted in 2016.

This information is presented as of the measurement date, which is December 31 of the fiscal year.

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Illinois Municipal Retirement Fund - Sheriff's Law Enforcement Personnel Fund**  
**Schedule of Changes in the City's Net Pension Liability and Related Ratios**  
**April 30, 2017**

<b>Fiscal Year Ending April 30,</b>	<b>2017</b>	<b>2016</b>
Total pension liability		
Service cost	\$ -	\$ -
Interest	3,254	1,757
Changes in benefit terms		
Differences between expected and actual experience	(984)	(215)
Change of assumptions	-	-
Benefit payments, including refunds of member contributions	-	-
	<u>2,270</u>	<u>1,542</u>
Net change in total pension liability	2,270	1,542
Total pension liability - beginning	<u>43,381</u>	<u>41,839</u>
	<u>\$ 45,651</u>	<u>\$ 43,381</u>
Plan fiduciary net position		
Contributions - city	\$ -	\$ 323
Contributions - members		
Net investment income	4,251	-
Benefit payments, including refunds of member contributions		
Other (net transfer)	121	(4,812)
	<u>4,372</u>	<u>(4,489)</u>
Net change in plan fiduciary net position	4,372	(4,489)
Plan net position - beginning	<u>60,135</u>	<u>64,624</u>
	<u>\$ 64,507</u>	<u>\$ 60,135</u>
City's net pension liability	<u>\$ (18,856)</u>	<u>\$ (16,754)</u>
Plan fiduciary net position as a percentage of the total pension liability	141.30%	138.62%
Covered employee payroll	\$ -	\$ -
City's net pension liability as a percentage of covered employee payroll	-	-

GASB Statement No. 68 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted in 2016.

This information is presented as of the measurement date, which is December 31 of the fiscal year.

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Police Pension Fund**

**Schedule of Changes in the City's Net Pension Liability and Related Ratios**  
**April 30, 2017**

<b>Fiscal Year Ending April 30,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total pension liability			
Service cost	\$ 274,490	\$ 212,460	\$ 265,577
Interest	312,866	280,126	239,435
Changes in benefit terms	-	-	-
Differences between expected and actual experience	132,909	473,707	-
Change of assumptions	(70,359)	(225,443)	-
Benefit payments, including refunds of member contributions	<u>(188,415)</u>	<u>(285,904)</u>	<u>(276,692)</u>
Net change in total pension liability	461,491	454,946	228,320
Total pension liability - beginning	<u>4,907,527</u>	<u>4,452,581</u>	<u>4,224,261</u>
Total pension liability - ending	<u><u>\$ 5,369,018</u></u>	<u><u>\$ 4,907,527</u></u>	<u><u>\$ 4,452,581</u></u>
Plan fiduciary net position			
Contributions - city	\$ 268,542	\$ 267,185	\$ 250,138
Contributions - members	70,003	102,682	68,892
Net investment income	203,145	35,829	177,719
Benefit payments, including refunds of member contributions	(188,415)	(285,904)	(276,692)
Administrative expense	<u>(42,340)</u>	<u>(76,332)</u>	<u>(39,043)</u>
Net change in plan fiduciary net position	310,935	43,460	181,014
Plan net position - beginning	<u>2,788,259</u>	<u>2,744,799</u>	<u>2,563,785</u>
Plan net position - ending	<u><u>\$ 3,099,194</u></u>	<u><u>\$ 2,788,259</u></u>	<u><u>\$ 2,744,799</u></u>
City's net pension liability	<u><u>\$ 2,269,824</u></u>	<u><u>\$ 2,119,268</u></u>	<u><u>\$ 1,707,782</u></u>
Plan fiduciary net position as a percentage of the total pension liability	57.72%	56.82%	61.65%
Covered employee payroll	\$ 776,141	\$ 663,404	\$ 725,533
City's net pension liability as a percentage of covered employee payroll	292.45%	319.45%	235.38%

Change in assumptions:

The assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed from 3.32% to 3.82% for the current year. The underlying index used is The Bond Buyer 20-Bond GO Index. The choice of index is unchanged from the prior year. The rate has been updated to the current fiscal year end based on changes in market conditions as reflected in the Index.

The mortality assumption was updated to include mortality improvements as stated in the most recently released MP-2016 table. In addition, the rates are being applied on a fully-generational basis.

GASB Statement No. 68 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted in 2016.

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Firefighters' Pension Fund**  
**Schedule of Changes in the City's Net Pension Liability and Related Ratios**  
**April 30, 2017**

Fiscal Year Ending April 30,	2017	2016	2015
Total pension liability			
Service cost	\$ 13,405	\$ 47,232	\$ 124,679
Interest	239,411	202,582	216,932
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(51,684)	94,500	-
Change of assumptions	22,286	497,252	-
Benefit payments, including refunds of member contributions	<u>(126,604)</u>	<u>(83,330)</u>	<u>(55,235)</u>
Net change in total pension liability	96,814	758,236	286,376
Total pension liability - beginning	<u>4,851,537</u>	<u>4,093,301</u>	<u>3,806,925</u>
Total pension liability - ending	<u>\$ 4,948,351</u>	<u>\$ 4,851,537</u>	<u>\$ 4,093,301</u>
Plan fiduciary net position			
Contributions - city	\$ 92,383	\$ 120,163	\$ 137,914
Contributions - members	46,018	18,133	40,458
Net investment income	249,067	45,112	209,458
Benefit payments, including refunds of member contributions	(126,604)	(83,330)	(55,235)
Administrative expense	<u>(28,062)</u>	<u>(25,416)</u>	<u>(26,227)</u>
Net change in plan fiduciary net position	232,802	74,662	306,368
Plan net position - beginning	<u>3,480,099</u>	<u>3,405,437</u>	<u>3,099,069</u>
Plan net position - ending	<u>\$ 3,712,901</u>	<u>\$ 3,480,099</u>	<u>\$ 3,405,437</u>
City's net pension liability	<u>\$ 1,235,450</u>	<u>\$ 1,371,438</u>	<u>\$ 687,864</u>
Plan fiduciary net position as a percentage of the total pension liability	75.03%	71.73%	83.20%
Covered employee payroll	\$ 66,185	\$ 132,169	\$ 386,071
City's net pension liability as a percentage of covered employee payroll	1866.66%	1037.64%	178.17%

Change in assumptions:

The assumed rate on High Quality 20 Year Tax-Exempt G.O. Bonds was changed from 3.32% to 3.82% for the current year. The underlying index used is The Bond Buyer 20-Bond GO Index. The choice of index is unchanged from the prior year. The rate has been updated to the current fiscal year end based on changes in market conditions as reflected in the Index.

The mortality assumption was updated to include mortality improvements as stated in the most recently released MP-2016 table. In addition, the rates are being applied on a fully-generational basis.

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Illinois Municipal Retirement Fund - Regular Plan**  
**Schedule of City Contributions**  
**April 30, 2017**

Fiscal Year Ended	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
4/30/2017	\$ 80,825	\$ 80,825	\$ -	\$ 681,628	11.86%
4/30/2016	73,859	73,859	-	642,539	11.49%

**Notes to Required Supplementary Information**

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution is included in the property tax levy for the current year. The levy is collected in two installments. One in the current year and one in the subsequent fiscal year.

**Methods and Assumptions Used to Determine 2016 Contribution Rates**

Actuarial cost method	Aggregate entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27-years closed period
Asset valuation method	5-year smoothed market; 20% corridor
Wage growth	3.50%
Price inflation	2.75% approximate; no explicit price inflation assumption is used in this valuation.
Salary increases	3.75% to 14.50%, including inflation
Investment rate of return	7.50%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee

GASB Statement No. 68 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted in 2016.

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Illinois Municipal Retirement Fund - Sheriff's Law Enforcement Personnel Fund**  
**Schedule of City Contributions**  
**April 30, 2017**

Fiscal Year Ended	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
4/30/2017	\$ -	\$ -	\$ -	\$ -	0.00%
4/30/2016	-	-	-	-	0.00%

**Notes to the Required Supplementary Information**

Valuation Date Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution is included in the property tax levy for the current year. The levy is collected in two installments. One in the current year and one in the subsequent fiscal year.

**Methods and Assumptions Used to Determine 2016 Contribution Rates**

Actuarial cost method	Aggregate entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27-years closed period
Asset valuation method	5-year Smoothed Market; 20% Corridor
Wage growth	3.50%
Price inflation	2.75% approximate; no explicit price inflation assumption is used in this valuation.
Salary increases	3.75% to 14.50%, including inflation
Investment rate of return	7.50%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
Other	There were no benefit changes during the year.

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**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Police Pension Fund**  
**Schedule of City Contributions**  
**April 30, 2017**

Fiscal Year Ended	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
4/30/2017	\$ 268,533	\$ 268,542	9	\$ 776,141	34.60%
4/30/2016	267,185	267,185	-	663,404	40.27%
4/30/2015	250,904	250,138	(766)	725,533	34.48%

**Notes to the Required Supplementary Information**

Valuation date Actuarially determined contribution rates are calculated as of May 1 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution is included in the property tax levy for the current year. The levy is collected in two installments; one in the current year and one in the subsequent fiscal year.

**Methods and Assumptions Used to Determine 2017 Contribution Rates**

Valuation date Actuarially determined contribution rates were calculated as of May 1 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Actuarial cost method	Entry-age normal
Amortization method	Straight line
Remaining amortization period	100% funded through 2033
Actual experience	7.74 Years
Changes in assumptions	7.74 Years
Asset experience	5 Years
Asset valuation method	Market value
Price inflation	2.50%
Salary increases	4.00% - 10.83%
Investment rate of return	6.50%
Retirement age	L&A 2016 Illinois Police Retirement Rates Cap Age 65

GASB Statement No. 67 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted by the Pension Plan in 2015.

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Firefighters' Pension Fund**  
**Schedule of City Contributions**  
**April 30, 2017**

Fiscal Year Ended	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
4/30/2017	\$ 86,486	\$ 92,383	\$ 5,897	\$ 66,185	139.58%
4/30/2016	83,369	120,163	36,794	132,169	90.92%
4/30/2015	138,674	137,914	(760)	386,071	35.72%

**Notes to the Required Supplementary Information**

Valuation date Actuarially determined contribution rates are calculated as of May 1 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution is included in the property tax levy for the current year. The levy is collected in two installments; one in the current year and one in the subsequent fiscal year.

**Methods and Assumptions Used to Determine 2017 Contribution Rates**

Valuation date Actuarially determined contribution rates are calculated as of May 1 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Actuarial cost method	Entry-age normal
Amortization method	Straight line
Remaining amortization period	100% funded through 2033
Actual experience	1 Year
Changes in assumptions	1 Year
Asset experience	5 Years
Asset valuation method	Market Value
Price inflation	2.50%
Salary increases	0.00%
Investment rate of return	5.00%
Retirement age	L&A 2016 Illinois Firefighters Retirement Rates Cap Age 65

GASB Statement No. 67 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted by the Pension Plan in 2015.

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Police Pension Fund**  
**Schedule of Investment Returns**  
**April 30, 2017**

<b>Fiscal Year Ended</b>	<b>Annual Money-Weighted Rate of Return Net of Investment Expense</b>
4/30/2017	6.93%
4/30/2016	1.28%
4/30/2015	6.64%

GASB Statement No. 67 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted by the Pension Plan in 2015.

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Firefighters' Pension Fund**  
**Schedule of Investment Returns**  
**April 30, 2017**

<b>Year Ended</b>	<b>Annual Money-Weighted Rate of Return Net of Investment Expense</b>
4/30/2017	7.12%
4/30/2016	1.29%
4/30/2015	6.60%

GASB Statement No. 67 requires the presentation of 10 fiscal years of data; however, the fiscal years completed prior to the adoption of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted by the Pension Plan in 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, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>
<b>Taxes</b>		
Property tax	\$ 1,238,600	\$ 1,227,786
Nonhome rule sales tax	660,000	812,393
Utility taxes	340,000	319,017
	2,238,600	2,359,196
<b>Licenses and Permits</b>		
Licenses	287,500	295,542
Permits	95,000	73,651
	382,500	369,193
<b>Intergovernmental</b>		
Income tax	551,310	511,850
Sales tax	518,000	557,568
Replacement tax	7,300	7,650
Fire insurance tax (2% fire dues)	2,000	7,738
Local use tax	127,018	133,268
Municipal gas tax	115,000	122,414
Grants	-	87,658
	1,320,628	1,428,146
<b>Charges for Services</b>		
Parking fees	40,000	54,558
Cable franchise fees	46,000	50,199
Zoning and planning fees	62,500	158,885
Rental fees	265,000	379,517
Ambulance fees	10,000	22,144
Transfer fee	-	110
Alarm systems and calls	100,000	107,287
Seized autos	25,000	4,500
Refunds and reimbursements	16,000	58,165
Park recreation fees	140,000	168,014
Miscellaneous fees and fines	6,500	13,482
	711,000	1,016,861
<b>Fines and Forfeits</b>		
Police fines	32,000	37,875
Court fines	55,000	36,546
	87,000	74,421
<b>Interest</b>		
Investment income	1,000	6,090
	1,000	6,090
<b>Miscellaneous</b>		
Special event revenue	-	1,550
Donations	8,000	13,767
Debt collection	-	22,249
Miscellaneous income	3,500	11,254
	11,500	48,820
Total revenue	\$ 4,752,228	\$ 5,302,727

**City of Highwood, Illinois**  
**General Fund**  
**Schedule of Expenditures - Budget and Actual**  
**Year Ended April 30, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>
<b>General Government</b>		
<b>Administration</b>		
Personnel	\$ 518,236	\$ 510,672
Contractual services	211,600	309,415
Materials and supplies	11,500	11,137
Special events	5,000	488
Miscellaneous	10,300	10,133
	756,636	841,845
 <b>Legal</b>		
Contractual services	194,600	123,383
Lawsuit settlements	50,000	-
	244,600	123,383
 <b>Building, Zoning and Health Department</b>		
Personnel	106,170	69,805
Contractual services	25,750	8,291
Materials and supplies	-	1,267
Miscellaneous	84,000	85,275
	215,920	164,638
 <b>Capital Outlay</b>		
Equipment - general administration	20,000	15,850
	20,000	15,850
Total general government	1,237,156	1,145,716
 <b>Public Safety</b>		
Police department		
Personnel	1,320,571	1,259,121
Contractual services	281,777	228,455
Materials and supplies	47,000	48,307
	1,649,348	1,535,883
 <b>Fire Department</b>		
Personnel	469,840	379,593
Contractual services	636,750	760,252
Materials and supplies	4,000	1,131
Miscellaneous	-	198
	1,110,590	1,141,174
 <b>Capital Outlay</b>		
Police - equipment	19,500	7,643
Fire	-	-
	19,500	7,643
Total public safety	2,779,438	2,684,700

(Cont.)

**City of Highwood, Illinois**  
**General Fund**  
**Schedule of Expenditures - Budget and Actual**  
**Year Ended April 30, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>
<b>Public Works</b>		
Highways and streets		
Personnel	\$ 118,724	\$ 108,364
Contractual services	288,750	389,989
Materials and supplies	49,450	32,681
Miscellaneous	57,500	58,661
	514,424	589,695
<b>Capital Outlay</b>		
Public works	13,700	9,084
	13,700	9,084
Total public works	528,124	598,779
<b>Culture and Recreation</b>		
Parks and recreation		
Personnel	61,193	52,276
Contractual services	35,050	31,877
Supplies and materials	900	729
Special events	45,000	39,988
Miscellaneous	3,500	37,397
	145,643	162,267
Total culture and recreation	145,643	162,267
<b>Debt Service</b>		
Principal	101,722	101,723
Interest	7,963	7,965
	109,685	109,688
Total debt service	109,685	109,688
Total expenditures	\$ 4,800,046	\$ 4,701,150

**City of Highwood, Illinois**  
**Downtown Redevelopment TIF Fund (Major Fund)**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended April 30, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Revenues</b>			
Taxes			
Property taxes	\$ 465,000	\$ 516,550	\$ 51,550
Investment income	1,500	976	(524)
Total revenues	<u>466,500</u>	<u>517,526</u>	<u>51,026</u>
<b>Expenditures</b>			
General government			
Accounting fees	5,000	5,000	-
Legal fees	7,500	7,196	(304)
Special events marketing	15,000	10,000	(5,000)
Capital outlay	381,500	2,225	(379,275)
Debt service			
Principal	296,331	331,939	35,608
Interest	66,526	62,418	(4,108)
Fiscal agent fees	2,500	875	(1,625)
Total expenditures	<u>774,357</u>	<u>419,653</u>	<u>(354,704)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (307,857)</u>	97,873	<u>\$ 405,730</u>
<b>Fund Balance, Beginning of Year</b>		<u>745,199</u>	
<b>Fund Balance, End of Year</b>		<u>\$ 843,072</u>	

**City of Highwood, Illinois**  
**Capital Projects Fund (Major Fund)**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended April 30, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
<b>Expenditures</b>			
Capital outlay	\$ 250,000	\$ 343,823	\$ 93,823
<b>Other Financing Sources (Uses)</b>			
Transfers in	<u>200,000</u>	<u>200,000</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u><u>\$ (50,000)</u></u>	(143,823)	<u><u>\$ (93,823)</u></u>
<b>Fund Balance, Beginning of Year</b>		<u>(121,486)</u>	
<b>Fund Balance, End of Year</b>		<u><u>\$ (265,309)</u></u>	

## **Nonmajor Governmental Funds**

**City of Highwood, Illinois**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**April 30, 2017**

	Special Revenue Funds		Debt Service Funds	Total Nonmajor Government Funds
	Motor Fuel Tax Fund	E-911 Fund	Debt Service	
<b>Assets</b>				
Cash and investments	\$ 101,515	\$ 2,330	\$ 50,529	\$ 154,374
Property tax receivable	-	-	200,967	200,967
Accounts receivable	11,834	-	-	11,834
Due from other funds	-	-	-	-
Other asset	-	112,057	-	112,057
Total assets	\$ 113,349	\$ 114,387	\$ 251,496	\$ 479,232
<b>Liabilities</b>				
Accounts payable	\$ 29,207	\$ -	\$ -	\$ 29,207
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Property Taxes	-	-	200,967	200,967
<b>Fund Balances</b>				
Restricted				
Debt service	-	-	50,529	50,529
Road construction and maintenance	84,142	-	-	84,142
Public safety	-	114,387	-	114,387
Total fund balances	84,142	114,387	50,529	249,058
Total liabilities, deferred inflows of resources and fund balance	\$ 113,349	\$ 114,387	\$ 251,496	\$ 479,232

**City of Highwood, Illinois**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Year Ended April 30, 2017**

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	<u>Total Nonmajor Government Funds</u>
	<u>Motor Fuel Tax Fund</u>	<u>E-911 Fund</u>	<u>Debt Service</u>	
<b>Revenues</b>				
Other taxes	\$ -	\$ 49,656	\$ -	\$ 49,656
Intergovernmental	136,998	-	-	136,998
Property taxes	-	-	236,268	236,268
Investment income	918	184	-	1,102
Total revenues	<u>137,916</u>	<u>49,840</u>	<u>236,268</u>	<u>424,024</u>
<b>Expenditures</b>				
Current				
Public safety	-	9,020	-	9,020
Public works	124,153	-	-	124,153
Debt service				
Principal	-	-	135,000	135,000
Interest	-	-	68,028	68,028
Others	-	-	474	474
Total expenditures	<u>124,153</u>	<u>9,020</u>	<u>203,502</u>	<u>336,675</u>
<b>Net Change in Fund Balance</b>	13,763	40,820	32,766	87,349
<b>Fund Balance</b>				
May 1	<u>70,379</u>	<u>73,567</u>	<u>17,763</u>	<u>161,709</u>
April 30	<u>\$ 84,142</u>	<u>\$ 114,387</u>	<u>\$ 50,529</u>	<u>\$ 249,058</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, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Revenues</b>			
Intergovernmental			
Motor fuel tax	\$ 100,000	\$ 136,998	\$ 36,998
Investment income	100	918	818
Total revenues	100,100	137,916	37,816
<b>Expenditures</b>			
Public works			
Street improvements	100,000	124,153	24,153
<b>Net Change in Fund Balance</b>	<b>\$ 100</b>	<b>13,763</b>	<b>\$ 13,663</b>
<b>Fund Balance, May 1</b>		<b>70,379</b>	
<b>Fund Balance, April 30</b>		<b>\$ 84,142</b>	

**City of Highwood, Illinois**  
**E-911 Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended April 30, 2017**

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
<b>Revenues</b>			
Taxes			
911 Surcharge	\$ 85,000	\$ 49,656	\$ (35,344)
Investment income	100	184	84
Total revenues	85,100	49,840	(35,260)
<b>Expenditures</b>			
Public safety			
Materials and supplies	15,000	916	(14,084)
Emergency communication (911)	65,100	8,104	(56,996)
Capital Outlay			
Equipment	5,000	-	(5,000)
Total expenditures	85,100	9,020	(76,080)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>40,820</b>	<b>\$ 40,820</b>
<b>Fund Balance, May 1</b>		<b>73,567</b>	
<b>Fund Balance, April 30</b>		<b>\$ 114,387</b>	

**Debt Service Fund**

**City of Highwood, Illinois**  
**Debt Service Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended April 30, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Revenues</b>			
Property taxes	\$ 203,028	\$ 236,268	\$ 33,240
<b>Expenditures</b>			
Debt service			
Principal	135,000	135,000	-
Interest	68,028	68,028	-
Miscellaneous expense	-	474	474
Total expenditures	<u>203,028</u>	<u>203,502</u>	<u>474</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	32,766	<u>\$ 32,766</u>
<b>Fund Balance, Beginning of Year</b>		<u>17,763</u>	
<b>Fund Balance, End of Year</b>		<u>\$ 50,529</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, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Operating Revenues</b>			
Charges for services	\$ 1,285,052	\$ 1,370,243	\$ 85,191
<b>Operating Expenses</b>			
Personnel	263,754	269,817	6,063
Contractual services	510,054	647,547	137,493
Materials and supplies	57,300	20,643	(36,657)
Capital outlay	757,000	89,770	(667,230)
Depreciation	-	181,879	181,879
Total operating expenses	1,588,108	1,209,656	(378,452)
<b>Operating Income (Loss)</b>	(303,056)	160,587	463,643
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	1,250	1,470	220
Interest subsidy	-	92,029	92,029
Miscellaneous income	100,000	27,918	(72,082)
Miscellaneous expense	(1,000)	-	1,000
Grant revenue	-	89,197	89,197
Principal payments	(150,000)	(150,000)	-
Interest expense	(445,604)	(259,193)	186,411
Fiscal agent fees	(2,500)	(1,350)	1,150
Total nonoperating revenues (expenses)	(497,854)	(199,929)	297,925
<b>Income (Loss) Before Transfers</b>	-	(39,342)	(39,342)
<b>Other Financing Sources</b>			
Transfers in	700,000	-	(700,000)
<b>Changes in Net Position - Budgetary Basis</b>	\$ (100,910)	\$ (39,342)	\$ 61,568
<b>Reconciliation of Budget Basis Change in Net Position to</b>			
GAAP basis change in net position			
Change in net position - budgetary basis	\$ (100,910)	\$ (39,342)	\$ 61,568
Plus principal payments	150,000	150,000	-
Change in net position - GAAP basis	\$ 49,090	110,658	\$ 61,568
<b>Net Position</b>			
May 1		(212,275)	
April 30		\$ (101,617)	

**City of Highwood, Illinois**  
**Garbage Fund**  
**Schedule of Revenues, Expenses and**  
**Changes in Net Position - Budget and Actual -**  
**Year Ended April 30, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Operating Revenues</b>			
Charges for services			
Refuse and garbage collection	\$ 261,558	\$ 261,260	\$ (298)
<b>Operating Expenses</b>			
Personnel	85,915	73,660	(12,255)
Contractual services	457,248	216,611	(240,637)
Materials and supplies	2,500	1,139	(1,361)
Total operating expenses	545,663	291,410	(254,253)
<b>Operating Income (Loss)</b>	(284,105)	(30,150)	253,955
<b>Nonoperating Revenues</b>			
Interest income	225	732	507
Miscellaneous revenue	46,250	50,011	3,761
Total nonoperating revenues	46,475	50,743	4,268
<b>Change in Net Position</b>	\$ (237,630)	20,593	\$ 258,223
<b>Net Position, May 1</b>		291,119	
<b>Net Position, April 30</b>		\$ 311,712	

## **Fiduciary Funds**

**City of Highwood, Illinois**  
**Fiduciary Funds**  
**Combining Statement of Fiduciary Net Position - Pension Trust Funds**  
**April 30, 2017**

	<b>Police Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 12,471	\$ 17,169	\$ 29,640
Investments			
U.S. treasuries	252,847	369,155	622,002
U.S. agencies	1,305,546	1,497,398	2,802,944
Mutual funds	1,327,834	1,582,243	2,910,077
Municipal bonds	192,518	232,354	424,872
Receivables			
Accrued interest	12,678	17,067	29,745
Prepayments	-	845	845
	<hr/>	<hr/>	<hr/>
Total assets	3,103,894	3,716,231	6,820,125
<b>Liabilities</b>			
Accounts payable	4,700	3,330	8,030
	<hr/>	<hr/>	<hr/>
<b>Net Position</b>			
Restricted for pensions	<u>\$ 3,099,194</u>	<u>\$ 3,712,901</u>	<u>\$ 6,812,095</u>

**City of Highwood, Illinois**  
**Fiduciary Funds**  
**Combining Statement of Changes in Fiduciary Net Position –**  
**Pension Trust Funds**  
**Year Ended April 30, 2017**

	<b>Police Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Total</b>
<b>Additions</b>			
Contributions			
Employer	\$ 268,542	\$ 92,383	\$ 360,925
Plan members	70,003	-	70,003
Other member revenue	-	46,018	46,018
	<u>338,545</u>	<u>138,401</u>	<u>476,946</u>
Total contributions			
<b>Investment Income (Loss)</b>			
Investment income	89,745	108,987	198,732
Net depreciation in fair value of investments	125,589	154,593	280,182
Less investment expenses	<u>(12,189)</u>	<u>(14,513)</u>	<u>(26,702)</u>
	<u>203,145</u>	<u>249,067</u>	<u>452,212</u>
Net investment income			
	<u>541,690</u>	<u>387,468</u>	<u>929,158</u>
Total additions			
<b>Deductions</b>			
Benefits	188,415	122,235	310,650
Administration	42,340	28,062	70,402
Refunds of contributions	-	4,369	4,369
	<u>230,755</u>	<u>154,666</u>	<u>385,421</u>
Total deductions			
<b>Changes in Net Position</b>	310,935	232,802	543,737
<b>Net Position, May 1</b>	<u>2,788,259</u>	<u>3,480,099</u>	<u>6,268,358</u>
<b>Net Position, April 30</b>	<u><u>\$ 3,099,194</u></u>	<u><u>\$ 3,712,901</u></u>	<u><u>\$ 6,812,095</u></u>

## **Component Unit - Library**

**City of Highwood, Illinois**  
**Component Unit - Library**  
**Statement of Net Position and Governmental Funds**  
**Combining Balance Sheet**  
**April 30, 2017**

	General Fund	<u>Adjustments</u> Capital-Related and Other Items	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 232,247	\$ -	\$ 232,247
Receivables			
Property taxes	247,654	-	247,654
Prepaid items	10,378	-	10,378
Due from primary government	362	-	362
Capital assets	-	392,370	392,370
	<hr/>	<hr/>	<hr/>
Total assets	490,641	392,370	883,011
<b>Deferred Outflows of Resources</b>			
<b>Deferred Outflows of Resources - Pension</b>	-	24,000	24,000
	<hr/>	<hr/>	<hr/>
Total assets and deferred outflows of resources	<u>\$ 490,641</u>	<u>\$ 416,370</u>	<u>\$ 907,011</u>
<b>Liabilities</b>			
Accounts payable	\$ 88,401	\$ -	\$ 88,401
Accrued payroll	3,538	-	3,538
Net pension liability	-	49,641	49,641
	<hr/>	<hr/>	<hr/>
Total liabilities	91,939	49,641	141,580
<b>Deferred Inflows of Resources</b>			
Unavailable property taxes	247,604	-	247,604
Deferred inflows of resources - pensions	-	2,543	2,543
	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	247,604	2,543	250,147
<b>Fund Balances/Net Position</b>			
Nonspendable	10,378	(10,378)	-
Investment in capital assets	-	392,370	392,370
Restricted for grant programs	-	-	-
Unassigned/unrestricted	140,720	(17,806)	122,914
	<hr/>	<hr/>	<hr/>
Total fund balances/net position	151,098	364,186	515,284
<b>Total liabilities, deferred inflows of resources and fund balances/net position</b>			
	<u>\$ 490,641</u>	<u>\$ 416,370</u>	<u>\$ 907,011</u>

**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, 2017**

	<b>General Fund</b>	<b>Adjustments Capital-Related Items</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
Property taxes	\$ 237,748	\$ -	\$ 237,748
Intergovernmental	6,941	-	6,941
Charges for services	2,904	-	2,904
Fines	1,745	-	1,745
Investment income	1,349	-	1,349
Miscellaneous	745	-	745
	<u>251,432</u>	<u>-</u>	<u>251,432</u>
Total revenues	<u>251,432</u>	<u>-</u>	<u>251,432</u>
<b>Expenditures</b>			
Civic and cultural	229,910	479	230,389
Capital outlay	223,504	(223,504)	-
Depreciation	-	13,640	13,640
	<u>453,414</u>	<u>(209,385)</u>	<u>244,029</u>
Total expenditures	<u>453,414</u>	<u>(209,385)</u>	<u>244,029</u>
<b>Net Change in Fund Balances/Net Position</b>	<u>(201,982)</u>	<u>209,385</u>	<u>7,403</u>
<b>Fund Balances/Net Position</b>			
May 1	<u>353,080</u>	<u>154,801</u>	<u>507,881</u>
April 30	<u>\$ 151,098</u>	<u>\$ 364,186</u>	<u>\$ 515,284</u>

## **Supplemental Data**

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**General Obligation Build America Bonds of 2010A**  
**April 30, 2017**

Date of issue	November 10, 2010
Date of maturity	December 1, 2019
Authorized issue	\$ 800,000
Denomination of bonds	\$ 5,000
Interest rates	3.22% to 4.72%
Interest dates	June 1 and December 1
Principal maturity date	December 1
Payable at	Amalgamated Bank

**Future Principal and Interest Requirements**

Fiscal Year	Principal	Gross Interest	Net Interest *	Total
2018	\$ 150,000	\$ 17,464	\$ 11,352	\$ 161,352
2019	155,000	10,384	6,750	161,750
2020	<u>65,000</u>	<u>3,068</u>	<u>1,994</u>	<u>66,994</u>
	<u>\$ 370,000</u>	<u>\$ 30,916</u>	<u>\$ 20,096</u>	<u>\$ 390,096</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, 2017**

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
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>\$ 2,128,518</u>	<u>\$ 1,170,685</u>	<u>\$ 4,170,685</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, 2017**

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**

Fiscal Year	Principal	Interest	Total
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>\$ 351,281</u>	<u>\$ 24,953</u>	<u>\$ 376,234</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**Tax Increment Financing General**  
**Obligation Refunding Bonds, Series 2013**  
**April 30, 2017**

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**

Fiscal Year	Principal	Interest	Total
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>\$ 1,500,000</u>	<u>\$ 186,150</u>	<u>\$ 1,686,150</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**Tax Increment Financing Alternate Revenue**  
**Capital Appreciation Bonds of 2002**  
**April 30, 2017**

Date of issue	August 1, 2002
Date of maturity	January 1, 2021
Authorized issue	\$ 624,267
Interest rates	4.00% to 5.40%
Interest dates	January 1
Principal maturity date	January 1
Payable at	Cole Taylor Bank

**Future Principal and Interest Requirements**

Fiscal Year	Beginning Principal Balance	Accretion	Principal Payment	Ending Principal Balance
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	<u>4,380</u>	<u>125,000</u>	
		<u>\$ 52,545</u>	<u>\$ 485,000</u>	

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**LED Light Loan Payable**  
**April 30, 2017**

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**

Fiscal Year	Principal	Interest	Total
2018	<u>\$ 34,712</u>	<u>\$ 989</u>	<u>\$ 35,701</u>
	<u><u>\$ 34,712</u></u>	<u><u>\$ 989</u></u>	<u><u>\$ 35,701</u></u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**Fire Alarm Monitoring Equipment Loan**  
**April 30, 2017**

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**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 22,673	\$ 2,189	\$ 24,862
2019	23,379	1,482	24,861
2020	24,107	752	24,859
	<u>\$ 70,159</u>	<u>\$ 4,423</u>	<u>\$ 74,582</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**Water Meter Loan**  
**April 30, 2017**

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**

Fiscal Year	Principal	Interest	Total
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	43,672	1,470	45,142
	<u>\$ 241,552</u>	<u>\$ 29,258</u>	<u>\$ 270,810</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**Public Works Capital Lease**  
**April 30, 2017**

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**

Fiscal Year	Principal	Interest	Total
2018	\$ 29,992	\$ 2,273	\$ 32,265
2019	30,929	1,336	32,265
2020	<u>23,831</u>	<u>369</u>	<u>24,200</u>
	<u>\$ 84,752</u>	<u>\$ 3,978</u>	<u>\$ 88,730</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**General Obligation Bonds Series 2015**  
**April 30, 2017**

Date of issue	August 27, 2015
Date of maturity	December 1, 2030
Authorized issue	\$ 2,355,000
Denomination of bonds	\$ 5,000
Interest rates	1.85% to 4.00%
Interest dates	June 1 and December 1
Principal maturity date	December 1
Payable at	Amalgamated Bank

**Future Principal and Interest Requirements**

Fiscal Year	Principal	Interest	Total
2018	\$ 135,000	\$ 65,328	\$ 200,328
2019	140,000	62,628	202,628
2020	140,000	59,828	199,828
2021	145,000	57,238	202,238
2022	145,000	54,555	199,555
2023	150,000	51,075	201,075
2024	155,000	47,475	202,475
2025	155,000	43,213	198,213
2026	160,000	38,950	198,950
2027	165,000	34,150	199,150
2028	170,000	29,200	199,200
2029	180,000	22,400	202,400
2030	185,000	15,200	200,200
2031	195,000	7,800	202,800
	<u>\$ 2,220,000</u>	<u>\$ 589,038</u>	<u>\$ 2,809,038</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**IEPA Sewer Loan Payable of 2015**  
**April 30, 2017**

Date of issue	March 10, 2016
Date of maturity	September 4, 2035
Authorized issue	\$ 249,578
Interest rates	2.21%
Interest dates	September 4 and March 4
Principal maturity date	September 4 and March 4
Payable at	Illinois Environmental Protection Agency

**Future Principal and Interest Requirements**

Fiscal Year	Principal	Interest	Total
2018	\$ 8,843	\$ 4,363	\$ 13,206
2019	9,039	4,167	13,206
2020	9,240	3,966	13,206
2021	9,446	3,760	13,206
2022	9,655	3,551	13,206
2023	9,870	3,336	13,206
2024	10,089	3,117	13,206
2025	10,313	2,893	13,206
2026	10,542	2,664	13,206
2027	10,777	2,429	13,206
2028	11,016	2,190	13,206
2029	11,261	1,945	13,206
2030	11,511	1,695	13,206
2031	11,767	1,439	13,206
2032	12,028	1,178	13,206
2033	12,296	910	13,206
2034	12,569	637	13,206
2035	12,849	358	13,207
2036	6,532	73	6,605
	<u>\$ 199,643</u>	<u>\$ 44,671</u>	<u>\$ 244,314</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**IEPA Water Loan Payable of 2015**  
**April 30, 2017**

Date of issue	March 10, 2016
Date of maturity	August 26, 2035
Authorized issue	\$ 2,610,846
Interest rates	2.21%
Interest dates	August 26 and February 26
Principal maturity date	August 26 and February 26
Payable at	Illinois Environmental Protection Agency

**Future Principal and Interest Requirements**

Fiscal Year	Principal	Interest	Total
2018	\$ 87,711	\$ 43,282	\$ 130,993
2019	89,660	41,333	130,993
2020	91,653	39,341	130,994
2021	93,690	37,304	130,994
2022	95,771	35,222	130,993
2023	97,899	33,093	130,992
2024	100,076	30,918	130,994
2025	102,300	28,694	130,994
2026	104,572	26,421	130,993
2027	106,896	24,097	130,993
2028	109,272	21,722	130,994
2029	111,700	19,294	130,994
2030	114,182	16,811	130,993
2031	116,720	14,274	130,994
2032	119,313	11,680	130,993
2033	121,965	9,029	130,994
2034	124,675	6,318	130,993
2035	127,446	3,548	130,994
2036	64,781	716	65,497
	<u>\$ 1,980,282</u>	<u>\$ 443,097</u>	<u>\$ 2,423,379</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**IEPA Water Tower Loan Payable of 2017**  
**April 30, 2017**

Date of issue	May 3, 2017
Date of maturity	August 2, 2036
Authorized issue	\$571,500
Interest rates	2.21%
Interest dates	August 2 and February 2
Principal maturity date	August 2 and February 2
Payable at	Illinois Environmental Protection Agency

**Future Principal and Interest Requirements**

Fiscal Year	Principal	Interest	Total
2018	\$ 23,017	\$ 6,586	\$ 29,603
2019	21,159	8,445	29,604
2020	21,554	8,049	29,603
2021	21,957	7,647	29,604
2022	22,368	7,236	29,604
2023	22,785	6,818	29,603
2024	23,210	6,393	29,603
2025	23,644	5,959	29,603
2026	24,086	5,517	29,603
2027	24,536	5,067	29,603
2028	24,994	4,609	29,603
2029	25,461	4,142	29,603
2030	25,937	3,666	29,603
2031	26,422	3,181	29,603
2032	26,916	2,685	29,601
2033	27,418	2,185	29,603
2034	27,931	1,673	29,604
2035	28,453	1,150	29,603
2036	28,984	618	29,602
2037	11,471	107	
	<u>\$ 482,303</u>	<u>\$ 91,733</u>	<u>\$ 562,458</u>

The total eligible IEPA Loan is \$571,500. IEPA will disburse the loan proceeds as the City incurs expenses on the project. Amount presented as a payable is the amount that has been incurred as costs by the City at April 30, 2017, and requested for loan disbursements from IEPA. As of the date of the audit report, the City has yet to receive a final repayment schedule on the loan. Loan payable principal and interest balances on the proceeding page are based on a preliminary repayment schedule and do not include the effects of subsequent expenses and requested loan disbursements. The City has recorded a corresponding receivable at April 30, 2017, in the amount of \$571,500 which represents the expenses incurred in fiscal year 2017, but not yet reimbursed by the IEPA at April 30, 2017. In the official loan document received IEPA forgave a portion of the loan amounting to \$89,197. The \$571,500 was received by the City from IEPA in May 2017.