

# City of Highwood, Illinois

## Annual Financial Report

April 30, 2018

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# City of Highwood, Illinois

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## 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, 2018, 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, 2018, 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 19, 2018

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

## City of Highwood, Illinois

### Management's Discussion and Analysis April 30, 2018

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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, 2018. Please read it in conjunction with the City of Highwood's financial statements, which begin on page 17.

#### FINANCIAL HIGHLIGHTS

- The City of Highwood's net position increased by a total of \$523,731. Net position of business-type activities increased by \$203,551 or 96.9 percent; net position of our governmental activities increased by \$320,180 or 17.6 percent.
- During the year, expenses were \$320,180 less than the \$6,122,421 generated in tax and other revenues for governmental programs. In the prior year, expenses were \$548,016 less than the \$6,244,277 generated in tax and other revenues for the governmental programs.
- Revenues for business-type activities decreased 3.4 percent to \$1,751,169 while expenses decreased by 12.2 percent to \$1,547,618. The decrease in the business-type activities revenue is due principally to the FY17 receipt of an IEPA loan forgiveness (grant) of \$89,197 that wasn't received in FY18. The decrease in the business-type activities expenses occurred largely due to not having special projects in FY18, while there were two in FY17—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 decreased by \$66,785 or 0.9 percent in the current year.
- The General Fund reported a surplus this year of \$66,892 which took fund balance from \$1,815,879 to \$1,882,771 at the end of the current year.
- The resources available for appropriation were \$162,940 more than budgeted for the General Fund. In addition, expenditures were over appropriations by \$6,993.

#### 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, 2018

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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, 2018

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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's near-term financing requirements.

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

The City of Highwood maintains 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 and the Downtown Redevelopment TIF Fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for four of these nonmajor 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 nonmajor fund of the City of Highwood.

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

**City of Highwood, Illinois**

**Management's Discussion and Analysis  
April 30, 2018**

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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 28 and 29 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-88 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 89-100 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions.

Combining and individual fund statements and schedules can be found on pages 101-114 of this report.

**City of Highwood, Illinois**

**Management's Discussion and Analysis  
April 30, 2018**

**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 \$2,552,789, increasing by 25.8 percent over prior years.

**Net Position (in Millions)**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 5.4	\$ 4.9	\$ 0.9	\$ 1.0	\$ 6.3	\$ 5.9
Capital Assets	6.6	7.0	6.0	6.2	12.6	13.2
Deferred Outflows	0.6	0.7	-	-	0.6	0.7
<b>Total Assets and Deferred Outflows</b>	<b>12.6</b>	<b>12.6</b>	<b>6.9</b>	<b>7.2</b>	<b>19.5</b>	<b>19.8</b>
Long-Term Debt Outstanding	7.7	8.3	6.3	6.7	14.0	15.0
Other Liabilities	0.3	0.2	0.2	0.3	0.5	0.5
Deferred Inflows	2.5	2.3	-	-	2.5	2.3
<b>Total Liabilities and Deferred Inflows</b>	<b>10.5</b>	<b>10.8</b>	<b>6.5</b>	<b>7.0</b>	<b>17.0</b>	<b>17.8</b>
<b>Net Position</b>						
Net Investment in Capital						
Assets	2.8	2.6	2.6	2.5	5.4	5.1
Restricted	1.2	1.1	-	-	1.2	1.1
Unrestricted (Deficit)	(1.9)	(1.9)	(2.2)	(2.3)	(4.1)	(4.2)
<b>Total Net Position</b>	<b>\$ 2.1</b>	<b>\$ 1.8</b>	<b>\$ 0.4</b>	<b>\$ 0.2</b>	<b>\$ 2.5</b>	<b>\$ 2.0</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, 2018

**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	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services	\$ 1.3	\$ 1.5	\$ 1.5	\$ 1.6	\$ 2.8	\$ 3.1
Operating Grants/Contributions	0.1	0.3	0.1	0.1	0.2	0.4
Capital Grants/Contributions	-	-	-	0.1	-	0.1
General Revenues					-	-
Property Taxes	2.0	2.0	-	-	2.0	2.0
Utility Taxes	0.3	0.3	-	-	0.3	0.3
Sales Taxes	0.8	0.8	-	-	0.8	0.8
Intergovernmental	1.3	1.3	-	-	1.3	1.3
Other General Revenues	0.3	-	0.1	0.1	0.4	0.1
Total Revenues	<u>6.1</u>	<u>6.2</u>	<u>1.7</u>	<u>1.9</u>	<u>7.8</u>	<u>8.1</u>
Expenses						
General Government	1.2	1.2	-	-	1.2	1.2
Public Safety	3.2	3.1	-	-	3.2	3.1
Public Works	1.1	1.0	-	-	1.1	1.0
Culture and Recreation	0.2	0.2	-	-	0.2	0.2
Interest and Fiscal Charges	0.1	0.2	-	-	0.1	0.2
Water	-	-	1.2	1.5	1.2	1.5
Garbage	-	-	0.3	0.3	0.3	0.3
Total Expenses	<u>5.8</u>	<u>5.7</u>	<u>1.5</u>	<u>1.8</u>	<u>7.3</u>	<u>7.5</u>
Increase in Net Position	0.3	0.5	0.2	0.1	0.5	0.6
Net Position - Beginning	<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 - Ending	<u>\$ 2.1</u>	<u>\$ 1.8</u>	<u>\$ 0.4</u>	<u>\$ 0.2</u>	<u>\$ 2.5</u>	<u>\$ 2.0</u>

Net position of the City of Highwood governmental activities increased by 17.6 percent, or \$320,180. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, increased slightly from (\$1,897,881) in the previous fiscal year to (\$1,865,261) in the current year.

## City of Highwood, Illinois

### Management's Discussion and Analysis April 30, 2018

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#### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Net position of business-type activities increased \$203,551 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.

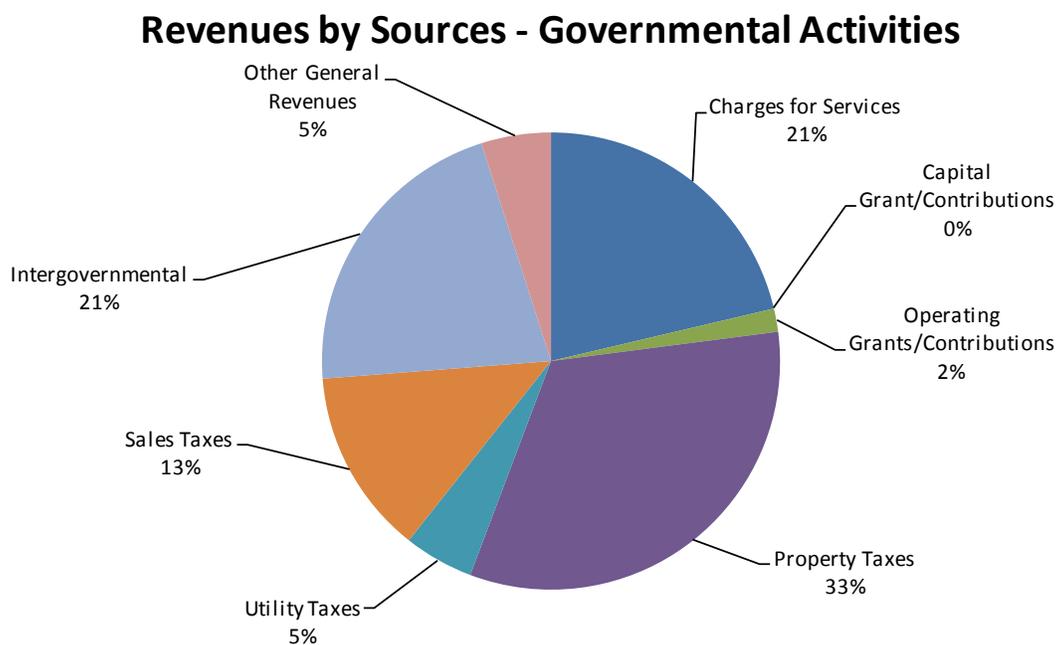
Total revenues decreased by \$0.2 million compared to prior years. The decrease in the current year is due to the City receiving a Lighting Grant and an IEPA Grant in FY17 but not receiving any such grants in FY18.

#### Governmental Activities

Revenues for governmental activities decreased \$0.1 million. Expenses also slightly increased \$0.1 million.

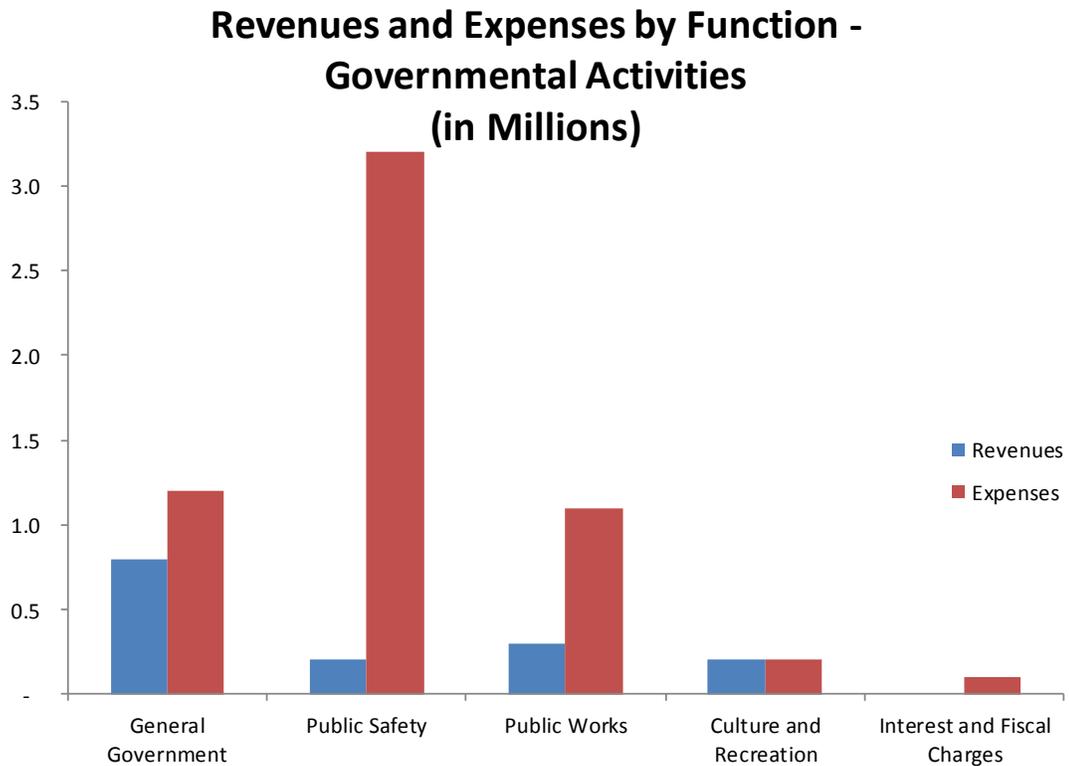
The cost of all governmental activities this year was \$5.8 million compared to \$5.7 million last year. Overall, governmental program revenues were \$1.4 million, including intergovernmental aid and fees for services. This was a decrease of approximately \$0.4 million from 2017 program revenues.

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.



**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.

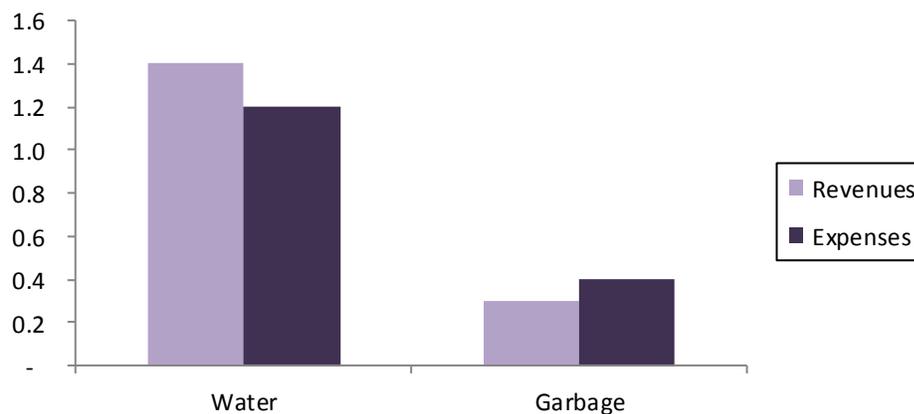
**GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued**

**Business-type Activities**

Revenues of the City’s business-type activities decreased by 5.3 percent (\$1.9 million in 2017 compared to \$1.8 in 2018) and expenses decreased by 9.8 percent (\$1.6 million in 2018 compared to \$1.8 million in 2017). 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 rates were raised in October of FY18. The decrease in expenses is due to not having large special projects in the current fiscal year as there were in the previous year (hydrant replacement and the refilling of the City’s water tower tank).
- The Garbage Fund operated at a loss of (\$49,418) for the fiscal year due the final payment on the old garbage contract. This was the first year of a new garbage contract with a new contractor.

**Expenses and Program Revenues -  
Business Type Activities  
(in Millions)**



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, 2018

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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 \$3.0 million which is an increase of \$357,954 over the prior year. Although there was a net increase in fund balances, individual funds had different results. The General Fund has an increase of \$66,892 over the prior year. The TIF Fund had an increase of \$103,981; the Capital Projects Fund had an increase of \$172,093; the Debt Service Fund had a decrease of (\$1,414); the MFT Fund increased \$16,327; and the E-911 Fund had an increase of \$75.

##### 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 \$252,969, increasing the net position to \$151,352.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

Actual charges to appropriations (expenditures) were \$6,993 over the budget amounts. Legal department expenses were approximately \$126,000 lower than expected, but this was offset by contractual services in the Public Works department's expenditures exceeding the budget by nearly \$125,000. There were several repair project needed during the year that were not budgeted for such as several sewer repairs, manhole repairs, and pipe replacements.

In addition, resources available for appropriation were \$162,940 above the final budgeted amount. The majority of this is due to increases in Charges for Services – particularly Rental Fees and Park Recreation Fees.

City of Highwood, Illinois

Management's Discussion and Analysis  
April 30, 2018

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City of Highwood's investment in capital assets for its governmental and business type activities as of April 30, 2018, was \$12.6 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. As the City dissolved their fire department in the previous fiscal year, they continue to dispose of the department's property, selling the former fire department building and one of their two remaining fire trucks. This governmental equipment decrease was partially offset by the purchase of seven new police vehicles. All old police vehicles will be put up for sale in the upcoming fiscal year.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 2.7	\$ 2.6	\$ -	\$ -	\$ 2.7	\$ 2.6
Land Improvements	-	-	0.2	0.2	0.2	0.2
Buildings	0.6	0.7	1.7	1.8	2.3	2.5
Machinery and Equipment	0.3	0.5	0.1	0.1	0.4	0.6
Infrastructure	3.0	3.2	4.0	4.1	7.0	7.3
Total	\$ 6.6	\$ 7.0	\$ 6.0	\$ 6.2	\$ 12.6	\$ 13.2

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, 2018**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued**

**Debt**

At year-end, the City of Highwood had total outstanding debt of \$13.9 million as compared to \$15.0 million the previous year, a decrease of 7.3 percent. The decrease is attributable to the City continuing to pay down existing debt during the current fiscal year and not obtaining any new debt. The following is a comparative statement of outstanding debt:

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Bonds	\$ 3.8	\$ 4.2	\$ 3.2	\$ 3.4	\$ 7.0	\$ 7.6
Capital Lease Payables	0.1	0.1	-	-	0.1	0.1
Loan Payable	0.1	0.1	0.2	0.2	0.3	0.3
IEPA Loans	-	-	2.8	3.0	2.8	3.0
Other Liabilities	3.8	3.9	-	0.1	3.8	4.0
Total	\$ 7.7	\$ 8.3	\$ 6.2	\$ 6.7	\$ 13.9	\$ 15.0

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 2018 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.

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, 2018**

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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, 2018**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>Assets</b>				
Cash and investments	\$ 2,853,773	\$ 465,749	\$ 3,319,522	\$ 64,583
Receivables, net			-	
Taxes	2,261,083	-	2,261,083	247,704
Intergovernmental	269,918	-	269,918	-
Accounts	-	307,460	307,460	-
Other	64,072	-	64,072	-
Due from agency fund	7,437	-	7,437	-
Prepaid expenses	57,298	2,081	59,379	10,983
Due from general government	-	-	-	834
Other current assets	-	-	-	-
Internal balances	(110,128)	110,128	-	-
Restricted assets				
Cash and investments	16,511	22,495	39,006	-
Capital assets				
Land	2,650,350	-	2,650,350	-
Construction in progress	20,556	-	20,556	-
Other capital assets, net of depreciation	3,970,163	5,985,771	9,955,934	479,092
Total assets	<u>12,061,033</u>	<u>6,893,684</u>	<u>18,954,717</u>	<u>803,196</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows of resources - pensions	595,687	24,622	620,309	11,991
Unamortized loss on refunding	5,608	-	5,608	-
Total deferred outflows of resources	<u>601,295</u>	<u>24,622</u>	<u>625,917</u>	<u>11,991</u>
<b>Liabilities</b>				
Accounts payable	74,232	46,473	120,705	3,716
Accrued liabilities and deposits	32,821	3,680	36,501	3,891
Other accrued liabilities	28,916	31,393	60,309	-
Unearned rent	103,744	-	103,744	-
Accrued interest payable	47,141	100,255	147,396	-
Due to component unit	834	-	834	-
Noncurrent liabilities				
Due within one year	595,803	381,568	977,371	-
Due in more than one year	7,103,724	5,873,384	12,977,108	10,412
Total liabilities	<u>7,987,215</u>	<u>6,436,753</u>	<u>14,423,968</u>	<u>18,019</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows of resources - pensions	382,207	67,907	450,114	33,070
Deferred property taxes	2,153,763	-	2,153,763	247,604
Total deferred inflows of resources	<u>2,535,970</u>	<u>67,907</u>	<u>2,603,877</u>	<u>280,674</u>
<b>Net Position</b>				
Net investment in capital assets	2,792,421	2,584,991	2,567,115	479,092
Restricted for				
Debt service	973,673	-	973,673	-
Road construction and maintenance	100,469	-	100,469	-
Public safety	137,841	-	137,841	-
Unrestricted	(1,865,261)	(2,171,345)	(1,226,309)	37,402
Total net position	<u>\$ 2,139,143</u>	<u>\$ 413,646</u>	<u>\$ 2,552,789</u>	<u>\$ 516,494</u>

# City of Highwood, Illinois

## Statement of Activities

April 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 1,198,981	\$ 829,241	\$ -	\$ -
Public safety	3,222,125	177,353	-	-
Public works	1,097,089	126,192	148,541	-
Culture, education and recreation	151,899	183,836	-	-
Interest and fiscal charges	132,147	-	-	-
Total governmental activities	5,802,241	1,316,622	148,541	-
<b>Business-Type Activities</b>				
Water and sewer	1,191,721	1,346,914	89,551	-
Garbage	355,897	305,640	-	-
Total business-type activities	1,547,618	1,652,554	89,551	-
Total primary government	\$ 7,349,859	\$ 2,969,176	\$ 238,092	\$ -
<b>Component Unit</b>				
Highwood Library	\$ 259,025	\$ 2,422	\$ 6,164	\$ -

**General Revenues**

- Property taxes
- Utility taxes
- Home rule sales taxes
- Intergovernmental - sales taxes
- Intergovernmental - other taxes
- Unrestricted investment earnings
- Gain on sale of capital assets
- Miscellaneous
- Total general revenues

**Change in Net Position**

**Net Position**

May 1

April 30

<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>
\$ (369,740)	\$ -	\$ (369,740)	\$ -
(3,044,772)	-	(3,044,772)	-
(822,356)	-	(822,356)	-
31,937	-	31,937	-
(132,147)	-	(132,147)	-
<u>(4,337,078)</u>	<u>-</u>	<u>(4,337,078)</u>	<u>-</u>
-	244,744	244,744	-
<u>-</u>	<u>(50,257)</u>	<u>(50,257)</u>	<u>-</u>
<u>-</u>	<u>194,487</u>	<u>194,487</u>	<u>-</u>
<u>(4,337,078)</u>	<u>194,487</u>	<u>(4,142,591)</u>	<u>-</u>
<u>(250,439)</u>	<u>-</u>	<u>-</u>	<u>(250,439)</u>
1,996,269	-	1,996,269	247,640
324,495	-	324,495	-
812,015	-	812,015	-
566,122	-	566,122	-
748,543	-	748,543	-
20,241	2,549	22,790	1,396
90,547	-	90,547	-
99,026	6,515	105,541	2,613
<u>4,657,258</u>	<u>9,064</u>	<u>4,666,322</u>	<u>251,649</u>
<u>320,180</u>	<u>203,551</u>	<u>523,731</u>	<u>1,210</u>
<u>1,818,963</u>	<u>210,095</u>	<u>2,029,058</u>	<u>515,284</u>
<u>\$ 2,139,143</u>	<u>\$ 413,646</u>	<u>\$ 2,552,789</u>	<u>\$ 516,494</u>

**City of Highwood, Illinois**  
**Governmental Funds Balance Sheet**  
**April 30, 2018**

	General Fund	Downtown Redevelopment TIF Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 1,703,448	\$ 947,803	\$ 202,522	\$ 2,853,773
Cash and investments - restricted	16,511	-	-	16,511
Receivables				
Property tax	1,343,125	607,398	203,240	2,153,763
Other taxes	94,947	-	12,373	107,320
Intergovernmental	269,918	-	-	269,918
Other receivables, net	64,072	-	-	64,072
Prepaid items	57,298	-	-	57,298
Due from other funds	-	-	66,063	66,063
Due from fiduciary funds	7,437	-	-	7,437
	<u>7,437</u>	<u>-</u>	<u>-</u>	<u>7,437</u>
Total assets	<u>\$ 3,556,756</u>	<u>\$ 1,555,201</u>	<u>\$ 484,198</u>	<u>\$ 5,596,155</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 73,482	\$ 750	\$ -	\$ 74,232
Accrued payroll	32,821	-	-	32,821
Other current liabilities	28,916	-	-	28,916
Due to other funds	66,063	-	110,128	176,191
Due to public library	834	-	-	834
Unearned rent	103,744	-	-	103,744
	<u>103,744</u>	<u>-</u>	<u>-</u>	<u>103,744</u>
Total liabilities	<u>305,860</u>	<u>750</u>	<u>110,128</u>	<u>416,738</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	1,343,125	607,398	203,240	2,153,763
Unavailable revenue - other	25,000	-	-	25,000
	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Total deferred inflows of resources	<u>1,368,125</u>	<u>607,398</u>	<u>203,240</u>	<u>2,178,763</u>
<b>Fund Balances</b>				
Nonspendable				
Prepaid items	57,298	-	-	57,298
Restricted				
Debt service	-	947,053	49,115	996,168
Road construction and maintenance	-	-	100,469	100,469
Public safety	23,379	-	114,462	137,841
Unassigned	1,802,094	-	(93,216)	1,708,878
	<u>1,802,094</u>	<u>-</u>	<u>(93,216)</u>	<u>1,708,878</u>
Total fund balances	<u>1,882,771</u>	<u>947,053</u>	<u>170,830</u>	<u>3,000,654</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,556,756</u>	<u>\$ 1,555,201</u>	<u>\$ 484,198</u>	<u>\$ 5,596,155</u>

**City of Highwood, Illinois**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Position**  
**April 30, 2018**

<b>Total Fund Balances - Governmental Funds</b>		\$ 3,000,654
<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>		6,641,069
<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>		
<p>Bonds, notes, loans and capital leases payable</p>	(3,791,002)	
<p>Compensated absences</p>	(82,472)	
<p>Net pension liability</p>	(3,762,799)	
<p>Accrued interest</p>	<u>(47,141)</u>	
		(7,683,414)
<p>Premiums on bonds are another 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>		(63,254)
<p>Deferred outflows of resources related to pensions are recorded on the statement of net position.</p>		595,687
<p>Deferred inflows of resources related to pensions are recorded on the statement of net position.</p>		(382,207)
<p>Deferred inflows of resources related to other unavailable revenues are recorded and recognized as revenues in the statement of net position.</p>		25,000
<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>		<u>5,608</u>
<b>Net Position of Governmental Activities</b>		<u><u>\$ 2,139,143</u></u>

**City of Highwood, Illinois**  
**Governmental Funds Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended April 30, 2018**

	General Fund	Downtown Redevelopment TIF Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property tax	\$ 1,260,832	\$ 536,048	\$ -	\$ 1,796,880
Other taxes	1,136,510	-	-	1,136,510
Intergovernmental	1,364,656	-	138,006	1,502,662
Licenses and permits	352,170	-	-	352,170
Fines, forfeitures and penalties	63,759	-	-	63,759
Public charges for services	894,383	-	199,389	1,093,772
Investment income	15,933	1,981	2,327	20,241
Miscellaneous	40,880	-	-	40,880
Total revenues	<u>5,129,123</u>	<u>538,029</u>	<u>339,722</u>	<u>6,006,874</u>
<b>Expenditures</b>				
Current				
General government	1,114,273	5,000	-	1,119,273
Public safety	2,577,542	-	-	2,577,542
Public works	746,381	-	123,931	870,312
Culture, recreation and education	149,577	-	-	149,577
Capital outlay	13,112	-	567,907	581,019
Debt service				
Principal	64,814	372,564	135,000	572,378
Interest	4,791	55,609	65,328	125,728
Fiscal agent fees	-	875	475	1,350
Total expenditures	<u>4,670,490</u>	<u>434,048</u>	<u>892,641</u>	<u>5,997,179</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>458,633</u>	<u>103,981</u>	<u>(552,919)</u>	<u>9,695</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	740,000	740,000
Transfers out	(740,000)	-	-	(740,000)
Proceeds from the sale of capital assets	348,259	-	-	348,259
Total other financing sources	<u>(391,741)</u>	<u>-</u>	<u>740,000</u>	<u>348,259</u>
<b>Net Change in Fund Balance (Uses)</b>	66,892	103,981	187,081	357,954
<b>Fund Balance</b>				
May 1	<u>1,815,879</u>	<u>843,072</u>	<u>(16,251)</u>	<u>2,642,700</u>
April 30	<u>\$ 1,882,771</u>	<u>\$ 947,053</u>	<u>\$ 170,830</u>	<u>\$ 3,000,654</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, 2018**

**Net Change in Fund Balances - Total Governmental Funds** \$ 357,954

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

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.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements. 250,230

Depreciation is reported in the government-wide financial statements. (387,513)

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. (348,259)

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. 90,547

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. 572,378

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 25,000

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. (21,300)

The amortization of premiums on bonds and losses on refunding are not a use of financial resources in the governmental funds. 11,031

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Changes in

Compensated absences	(5,230)
Deferred outflows	(98,106)
Net pension liabilities	7,109
Deferred inflows	(138,861)
Accrued interest on debt	5,200
	5,200

**Change in Net Position** \$ 320,180

**City of Highwood, Illinois**  
**Proprietary Funds Statement of Net Position**  
**April 30, 2018**

	<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	\$ 398,124	\$ 67,625	\$ 465,749
Receivables			
Accounts, net	276,825	30,635	307,460
Due from other funds	110,128	-	110,128
Prepaid items	2,081	-	2,081
Restricted assets			
Cash and investments	22,495	-	22,495
Total current assets	<u>809,653</u>	<u>98,260</u>	<u>907,913</u>
<b>Noncurrent Assets</b>			
<b>Capital Assets</b>			
Property and equipment	11,392,391	188,375	11,580,766
Less accumulated depreciation	<u>(5,594,995)</u>	<u>-</u>	<u>(5,594,995)</u>
Total noncurrent assets	<u>5,797,396</u>	<u>188,375</u>	<u>5,985,771</u>
Total assets	<u>6,607,049</u>	<u>286,635</u>	<u>6,893,684</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources - pensions	<u>24,622</u>	<u>-</u>	<u>24,622</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	23,465	23,008	46,473
Accrued payroll	2,553	1,127	3,680
Other current liabilities	31,187	206	31,393
Interest payable	<u>100,255</u>	<u>-</u>	<u>100,255</u>
Total current liabilities	<u>157,460</u>	<u>24,341</u>	<u>181,801</u>
<b>Noncurrent Liabilities</b>			
<b>Long-term debt</b>			
Due within one year	381,568	-	381,568
Due in more than one year	<u>5,873,384</u>	<u>-</u>	<u>5,873,384</u>
Total noncurrent liabilities	<u>6,254,952</u>	<u>-</u>	<u>6,254,952</u>
Total liabilities	<u>6,412,412</u>	<u>24,341</u>	<u>6,436,753</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources - pensions	<u>67,907</u>	<u>-</u>	<u>67,907</u>
<b>Net Position</b>			
Net investment in capital assets	2,396,616	188,375	2,584,991
Unrestricted (deficit)	<u>(2,245,264)</u>	<u>73,919</u>	<u>(2,171,345)</u>
Total net position (deficit)	<u>\$ 151,352</u>	<u>\$ 262,294</u>	<u>\$ 413,646</u>

**City of Highwood, Illinois**  
**Proprietary Funds Statement of Revenues,**  
**Expenses and Changes in Net Position**  
**Year Ended April 30, 2018**

	<b>Waterworks and Sewerage Fund</b>	<b>Nonmajor Enterprise Fund - Garbage Fund</b>	<b>Total</b>
<b>Operating Revenues</b>			
Public charges for services	\$ 1,346,914	\$ 305,640	\$ 1,652,554
<b>Operating Expenses</b>			
Personnel	297,270	62,079	359,349
Contractual services	360,168	279,837	640,005
Materials and supplies	36,145	4,067	40,212
Capital outlay	9,975	-	9,975
Depreciation	209,543	9,914	219,457
Total operating expenses	<u>913,101</u>	<u>355,897</u>	<u>1,268,998</u>
<b>Operating Income (Loss)</b>	<u>433,813</u>	<u>(50,257)</u>	<u>383,556</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	1,710	839	2,549
Interest subsidy	89,551	-	89,551
Miscellaneous revenue	6,544	-	6,544
Miscellaneous expense	(29)	-	(29)
Interest expense	(277,270)	-	(277,270)
Fiscal agent fees	(1,350)	-	(1,350)
Total nonoperating revenues (expenses)	<u>(180,844)</u>	<u>839</u>	<u>(180,005)</u>
<b>Change in Net Position</b>	252,969	(49,418)	203,551
<b>Net Position</b>			
May 1	<u>(101,617)</u>	<u>311,712</u>	<u>210,095</u>
April 30	<u>\$ 151,352</u>	<u>\$ 262,294</u>	<u>\$ 413,646</u>

**City of Highwood, Illinois**  
**Proprietary Funds Statement of Cash Flows**  
**Year Ended April 30, 2018**

	<b>Waterworks and Sewerage Fund</b>	<b>Nonmajor Enterprise Fund - Garbage Fund</b>	<b>Total</b>
<b>Operating Activities</b>			
Received from customers	\$ 1,334,643	\$ 305,814	\$ 1,640,457
Paid to suppliers for grounds and services	(376,229)	(460,036)	(836,265)
Paid to employees for services	(293,917)	(62,076)	(355,993)
Other miscellaneous revenue	5,165	-	5,165
	<u>669,662</u>	<u>(216,298)</u>	<u>453,364</u>
Net cash provided by (used for) operating activities			
	<u>669,662</u>	<u>(216,298)</u>	<u>453,364</u>
<b>Investing Activities</b>			
Investment income	1,710	839	2,549
	<u>1,710</u>	<u>839</u>	<u>2,549</u>
<b>Noncapital Financing Activities</b>			
Interfund transactions	(235,678)	-	(235,678)
	<u>(235,678)</u>	<u>-</u>	<u>(235,678)</u>
<b>Capital and Related Financing Activities</b>			
Grants for the purchase of capital assets	571,500	-	571,500
Debt retired	(371,128)	-	(371,128)
Interest paid	(191,897)	-	(191,897)
Purchases of capital assets	(46,000)	-	(46,000)
	<u>(37,525)</u>	<u>-</u>	<u>(37,525)</u>
Net cash used for capital and related financing activities			
	<u>(37,525)</u>	<u>-</u>	<u>(37,525)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	398,169	(215,459)	182,710
<b>Cash and Cash Equivalents</b>			
May 1	22,450	283,084	305,534
	<u>22,450</u>	<u>283,084</u>	<u>305,534</u>
April 30	\$ 420,619	\$ 67,625	\$ 488,244
	<u>\$ 420,619</u>	<u>\$ 67,625</u>	<u>\$ 488,244</u>
Represented by			
Unrestricted	\$ 398,124	\$ 67,625	\$ 465,749
Restricted	22,495	-	22,495
	<u>\$ 398,124</u>	<u>\$ 67,625</u>	<u>\$ 465,749</u>
	<u>\$ 420,619</u>	<u>\$ 67,625</u>	<u>\$ 488,244</u>

**City of Highwood, Illinois**  
**Proprietary Funds Statement of Cash Flows**  
**Year Ended April 30, 2018**

	<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 Provided by (Used in) Operating Activities</b>			
Operating income (loss)	\$ 433,813	\$ (50,257)	\$ 383,556
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities			
Depreciation	209,543	9,914	219,457
Other miscellaneous revenue	6,544	-	6,544
Other miscellaneous expense	(1,379)	-	(1,379)
Deferred outflows of resources - pension	24,660	-	24,660
Net pension liability	(80,556)	-	(80,556)
Deferred inflows of resources - pension	62,687	-	62,687
Changes in assets and liabilities			
Accounts receivable	(12,271)	174	(12,097)
Prepaid expenses	35,543	-	35,543
Accounts payable	(7,435)	(176,144)	(183,579)
Accrued payroll	(2,196)	3	(2,193)
Other liabilities	1,951	12	1,963
Compensated absences	(1,242)	-	(1,242)
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided by (used for) operating activities	<u>\$ 669,662</u>	<u>\$ (216,298)</u>	<u>\$ 453,364</u>

**City of Highwood, Illinois**  
**Fiduciary Funds Statement of Fiduciary Net Position**  
**April 30, 2018**

	<b>Pension Trust Funds</b>	<b>Agency Fund</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 18,880	\$ 1,007
Investments		
U.S. treasuries	681,434	-
U.S. agencies	2,858,487	-
Mutual funds	3,022,299	-
Municipal bonds	549,646	-
Receivables, net		
Accrued interest	29,786	-
Due from other organizations	-	6,430
Total assets	7,160,532	7,437
<b>Liabilities</b>		
Accounts payable	5,774	-
Due to city	-	7,437
Total liabilities	5,774	7,437
<b>Net Position</b>		
Restricted for pensions	\$ 7,154,758	\$ -

**City of Highwood, Illinois**  
**Statement of Changes in Fiduciary Net Position**  
**Year End April 30, 2018**

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions	
Employer	\$ 399,640
Plan members	75,396
	475,036
Total contributions	
<b>Investment Income</b>	
Investment income	324,815
Gains on investments	16,765
Investment expense	(28,984)
	312,596
Total investment income	
Total additions	787,632
<b>Deductions</b>	
Benefits	351,218
Administration	58,935
Refunds of contributions	34,816
	444,969
Total deductions	
Change in Net Position	342,663
<b>Net Position Restricted for Pensions</b>	
May 1	6,812,095
April 30	\$ 7,154,758

# City of Highwood, Illinois

## Notes to Financial Statements

April 30, 2018

### 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 governed by a five-member pension board. Two members appointed by the

# City of Highwood, Illinois

## Notes to Financial Statements

April 30, 2018

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 all five members of the Board. 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, 2018. The Library does not issue separate financial statements.

### **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.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

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.

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.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

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:

Capital Projects Funds – used to account for the acquisition or construction of general capital assets

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

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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

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.

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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

“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.

***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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

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 2017 attached as an enforceable lien on January 1, 2017, 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 2017 still outstanding as of April 30, 2018, are recorded as receivables. The 2018 tax levy, which attached as an enforceable lien on the property as of January 1, 2018, has not been recorded as a receivable and deferral as of April 30, 2018, as the tax has not yet been levied by the City and will not be levied until December 2018 and, therefore, the levy is not measurable at April 30, 2018. Receivable at April 30, 2018, is related to remaining distributions on 2017 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 2017 property tax levy is recognized as a receivable and deferral in fiscal 2018, 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, 2018, the property taxes receivable and deferred inflows consisted of the estimated amount collectible from the 2017 levy.

***Interfunds***

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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

**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 asset, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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.

**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, 2018, are determined on the basis of current salary rates and include incremental salary related payments.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

***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 pension's 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 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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

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.
- 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.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

- (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 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.

**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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

revise, alter, increase, or decrease the items contained therein. All appropriations lapse at year end.

**Deficit Balances**

The fund below has a deficit fund balance as of April 30, 2018:

Fund	Deficit Fund Balance
Capital Project Fund (nonmajor fund)	\$ (93,216)

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

**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:

	Carrying Value	Bank/Broker Statement Balances
Deposits	\$ 2,434,835	\$ 2,522,260
Illinois funds (investments)	922,493	919,656
Petty cash	1,200	1,200
	\$ 3,358,528	\$ 3,443,116

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

Reconciliation to financial statements:

	<b>Government-Wide Statement of Net Position</b>	<b>Agency Fund</b>	<b>Totals</b>
Cash and investments - unrestricted	\$ 3,319,522	\$ -	\$ 3,319,522
Cash and investments - restricted	39,006	-	39,006
Cash	-	1,007	1,007
	<u>\$ 3,358,528</u>	<u>\$ 1,007</u>	<u>\$ 3,359,535</u>

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

**Custodial Credit Risk**

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

*Deposits*

The City's investment policy states that funds on deposit (checking accounts, certificates of deposit, etc.) in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement, and held at an independent, third party institution in the name of municipality. As of April 30, 2018, approximately \$36,500 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.

# City of Highwood, Illinois

## Notes to Financial Statements

April 30, 2018

### ***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the investments in commercial paper to the top three ratings of two nationally recognized statistical rating organizations (NRSROs). The City's investment policy does not further limit investment instrument choices.

### ***Concentration of Credit Risk***

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

### ***Interest Rate Risk***

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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

**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	\$ 1,343,125	\$ 607,398	\$ 203,240	\$ -	\$ -	\$ 2,153,763
Other taxes						
Sales tax	94,947	-	-	-	-	94,947
Intergovernmental						
Sales tax	120,444	-	-	-	-	120,444
Telecom	15,934	-	-	-	-	15,934
Use tax	23,374	-	-	-	-	23,374
Income tax	108,375	-	-	-	-	108,375
Replacement tax	1,791	-	-	-	-	1,791
Motor fuel tax	-	-	12,373	-	-	12,373
Accounts, net	64,072	-	-	276,825	30,635	371,532
	\$ 1,772,062	\$ 607,398	\$ 215,613	\$ 276,825	\$ 30,635	\$ 2,902,533

All of the receivables on the balance sheet are expected to be collected within one year. As of April 30, 2018, the General, Waterworks and Sewerage, and Garbage Funds have recorded allowance for uncollectible accounts of \$31,050; \$63,192; and \$9,781, respectively.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

**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, 2018.

Following is a list of restricted assets at April 30, 2018:

	<b>Restricted Assets</b>	<b>Noncurrent Liabilities Payable From Restricted Assets</b>	<b>Restricted Net Position</b>
Governmental activities			
Deposits in escrow	\$ 16,511	\$ (16,511)	\$ -
Business-type activities			
Unspent bond proceeds	<u>22,495</u>	<u>(22,495)</u>	<u>-</u>
Total	<u>\$ 39,006</u>	<u>\$ (39,006)</u>	<u>\$ -</u>

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

**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	-	20,556	-	20,556
	<u>2,650,350</u>	<u>20,556</u>	<u>-</u>	<u>2,670,906</u>
Capital assets being depreciated				
Land improvements	741,240	-	3,400	737,840
Buildings	2,324,447	-	49,500	2,274,947
Equipment and vehicles	1,959,767	229,674	757,355	1,432,086
Infrastructure	13,468,516	-	-	13,468,516
	<u>18,493,970</u>	<u>229,674</u>	<u>810,255</u>	<u>17,913,389</u>
Less accumulated depreciation for				
Land improvements	741,240	-	3,400	737,840
Buildings	1,642,936	43,299	49,500	1,636,735
Equipment and vehicles	1,441,244	146,377	499,643	1,087,978
Infrastructure	10,282,836	197,837	-	10,480,673
	<u>14,108,256</u>	<u>387,513</u>	<u>552,543</u>	<u>13,943,226</u>
Total capital assets being depreciated, net	<u>4,385,714</u>	<u>(157,839)</u>	<u>257,712</u>	<u>3,970,163</u>
Governmental activities capital assets, net	<u>\$ 7,036,064</u>	<u>\$ (137,283)</u>	<u>\$ 257,712</u>	<u>\$ 6,641,069</u>

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

***Business-Type Activities***

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

	<b>Balances</b>			<b>Balances</b>
	<b>May 1</b>	<b>Additions</b>	<b>Deletions</b>	<b>April 30</b>
Capital assets being depreciated				
Land improvements	\$ 240,189	\$ -	\$ -	\$ 240,189
Buildings	3,851,500	-	-	3,851,500
Machinery and equipment	350,600	-	-	350,600
Waterworks and sewerage system	7,102,391	46,000	-	7,148,391
	<u>11,544,680</u>	<u>46,000</u>	<u>-</u>	<u>11,590,680</u>
Less accumulated depreciation for				
Land improvements	41,900	9,914	-	51,814
Buildings	2,043,385	58,450	-	2,101,835
Machinery and equipment	270,363	9,725	-	280,088
Waterworks and sewerage system	3,029,804	141,368	-	3,171,172
	<u>5,385,452</u>	<u>219,457</u>	<u>-</u>	<u>5,604,909</u>
Total capital assets being depreciated, net	<u>6,159,228</u>	<u>(173,457)</u>	<u>-</u>	<u>5,985,771</u>
Business-type activities capital assets, net	<u>\$ 6,159,228</u>	<u>\$ (173,457)</u>	<u>\$ -</u>	<u>\$ 5,985,771</u>

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

***Depreciation Expense***

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

Governmental activities	
General government	\$ 38,969
Public safety	121,268
Public works	225,254
Culture, education and recreation	<u>2,022</u>
	<u>\$ 387,513</u>
Business-type activities	
Water	\$ 152,740
Sewer	56,803
Garbage	<u>9,914</u>
	<u>\$ 219,457</u>

**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**  
**Notes to Financial Statements**  
**April 30, 2018**

The following is a schedule of interfund receivables and payables:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
E-911	General Fund	\$ 66,063
Water Fund	Nonmajor Fund	110,128
Total fund financial statements		<u>176,191</u>
Less government-wide eliminations		<u>(66,063)</u>
Total internal balances - government-wide statement of net position		<u><u>\$ 110,128</u></u>
General Fund	Agency Fund	<u><u>\$ 7,437</u></u>
Component unit (Public Library)	General Fund	<u><u>\$ 834</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.

The transfer below occurred in 2018.

<b>Transferring Fund</b>	<b>Receiving Fund</b>	<b>Amount</b>
General Fund	Nonmajor Fund	\$ 740,000

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

**Note 8: Deferred Inflows of Resources and Unearned Income**

As of April 30, 2018, 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	\$ 2,153,763	\$ -	\$ 2,153,763
Rental income received in advance	<u>-</u>	<u>103,744</u>	<u>103,744</u>
Total deferred/unearned revenue per governmental funds balance sheet	2,153,763	103,744	2,257,507
Other unavailable revenue	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total deferred/unearned revenue per statement of net position	<u>\$ 2,178,763</u>	<u>\$ 103,744</u>	<u>\$ 2,282,507</u>

The \$25,000 in other unavailable revenue is recognized as revenue in the statement of activities. All other related items were reported the same in the statement of net position as it relates to revenue recognition. 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, 2018.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

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

Long-term obligations activity for the year ended April 30, 2018, was as follows:

**Governmental Activities**

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Bonds and notes payable					
Alternative revenue bonds*	\$ 1,932,455	\$ 21,300	\$ 350,000	\$ 1,603,755	\$ 385,000
General obligation bonds	2,220,000	-	135,000	2,085,000	140,000
Bond premium	76,802	-	13,548	63,254	-
Capital lease payable	84,752	-	29,992	54,760	30,929
Loans payable	104,871	-	57,384	47,487	23,379
	<u>4,418,880</u>	<u>21,300</u>	<u>585,924</u>	<u>3,854,256</u>	<u>579,308</u>
Other liabilities					
Vested compensated absences	77,242	20,678	15,448	82,472	16,495
Net pension liability	3,769,908	447,723	454,832	3,762,799	-
	<u>3,847,150</u>	<u>468,401</u>	<u>470,280</u>	<u>3,845,271</u>	<u>16,495</u>
Total governmental activities long-term liabilities	<u>\$ 8,266,030</u>	<u>\$ 489,701</u>	<u>\$ 1,056,204</u>	<u>\$ 7,699,527</u>	<u>\$ 595,803</u>

\*\$21,300 represents accreted interest on Capital Appreciation Bonds.

**Business-Type Activities**

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds and notes payable					
2010A General Obligation Build America Bonds	\$ 370,000	\$ -	\$ 150,000	\$ 220,000	\$ 155,000
2010B General Obligation Recovery Zone Economic Development Bonds	3,000,000	-	-	3,000,000	-
Bond discount	(20,361)	-	(2,206)	(18,155)	-
Loan payable	241,552	-	36,998	204,554	38,244
IEPA loans	3,013,509	-	186,336	2,827,173	188,324
	<u>6,604,700</u>	<u>-</u>	<u>371,128</u>	<u>6,233,572</u>	<u>381,568</u>
Other liabilities					
Vested compensated absences	1,241	-	1,241	-	-
Net pension liability	101,936	-	80,556	21,380	-
	<u>103,177</u>	<u>-</u>	<u>81,797</u>	<u>21,380</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 6,707,877</u>	<u>\$ -</u>	<u>\$ 452,925</u>	<u>\$ 6,254,952</u>	<u>\$ 381,568</u>

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

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 – 2017	\$ 141,560,053
Legal debt limit – 8.625% of assessed valuation	\$ 12,209,555
Amount of debt applicable to debt limit	5,305,000
Legal debt margin	\$ 6,904,555

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

**Alternative Revenue Debt**

The alternative revenue bonds are direct obligations and pledge the full faith and credit of the City. Governmental activities alternative revenue bonds are payable from revenues derived from tax increment revenues and are paid by the 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, 2018, consists of the following:

Governmental Activities Alternative Revenue Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance April 30, 2018
Series 2002 CAB	2002	1/1/2021	4.00% - 5.40%	\$ 786,403	\$ 338,755
Series 2013 GO	2013	1/1/2022	2.00% - 4.00%	2,160,000	1,265,000
Series 2015 GO	2015	12/1/2030	1.85% - 4.00%	2,355,000	2,085,000
Total governmental activities - general obligation debt					\$ 3,688,755

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

**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, 2018, 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, 2018</b>
Series 2010A GO BAB	2011	12/1/2019	3.22% - 4.72%	\$ 800,000	\$ 220,000
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>\$ 3,220,000</u>

Debt service requirements to maturity are as follows:

<b>Year</b>	<b>Governmental Activities Alternative Revenue Source</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 508,733	\$ 126,845
2020	549,402	110,426
2021	595,620	89,818
2022	520,000	69,555
2023	150,000	51,075
2024-2028	805,000	192,988
2029-2031	<u>560,000</u>	<u>45,400</u>
	<u>\$ 3,688,755</u>	<u>\$ 686,105</u>

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

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**
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	-	-	-	175,000	166,760	91,718
2024-2028	-	-	-	975,000	676,529	372,092
2029-2033	-	-	-	1,160,000	332,766	183,021
2034	-	-	-	260,000	17,784	9,781
	<u>\$ 220,000</u>	<u>\$ 13,452</u>	<u>\$ 8,744</u>	<u>\$ 3,000,000</u>	<u>\$ 1,937,592</u>	<u>\$ 1,065,676</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.

**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.

Governmental Activities - Other Notes or Loans Payable	Date of Issue	Original Indebtedness	Final Maturity	Interest Rates	Balance April 30, 2018
Fire Alarm Monitoring Equipment loan	11/21/2012	\$ 155,000	9/15/2019	3.12%	<u>\$ 47,487</u>

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

<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, 2018</b>
Illinois Environmental Protection Agency (IEPA)					
loan payable of 2002	4/30/2002	\$ 1,170,000	12/30/2021	2.54%	\$ 284,517
Loan payable - water	3/10/2016	2,610,846	8/26/2035	2.21%	1,892,570
Loan payable - sewer	3/10/2016	249,578	9/4/2035	2.21%	190,800
Loan payable - water tower	4/30/2017	571,500	8/2/2036	1.86%	459,286
					<u>\$ 2,827,173</u>
Water meter loan	11/21/2012	380,000	9/15/2022	Various	<u>\$ 204,554</u>

Debt service requirements to maturity are as follows:

<b>Year</b>	<b>Governmental Activities Loans Payable</b>		<b>Business-Type Activities Loans Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 23,379	\$ 1,482	\$ 226,568	\$ 67,616
2020	24,108	752	232,194	61,992
2021	-	-	237,962	56,225
2022	-	-	243,866	50,309
2023	-	-	174,226	44,717
2024-2028	-	-	696,323	172,690
2029-2033	-	-	774,897	94,114
2034-2037	-	-	445,691	15,198
		<u>\$ 47,487</u>	<u>\$ 2,234</u>	<u>\$ 3,031,727</u>
				<u>\$ 562,861</u>

**Capital Leases Payable**

<b>Governmental Activities - Capital Leases Payable</b>	<b>Date of Issue</b>	<b>Original Indebtedness</b>	<b>Final Maturity</b>	<b>Interest Rates</b>	<b>Balance April 30, 2018</b>
Public Works Capital Lease	12/10/2012	\$ 202,020	1/1/2020	3.00%	<u>\$ 54,760</u>

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

Debt service requirements to maturity are as follows:

Year	<b>Governmental Activities</b>	
	<b>Capital Lease Payable</b>	
	Principal	Interest
2019	\$ 30,929	\$ 1,336
2020	23,831	369
	\$ 54,760	\$ 1,705

***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, 2018, was \$1,290,000.

**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.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

***Deposits and Investments***

	<b>Carrying Value</b>	<b>Bank Statement Balance</b>
Deposits	\$ 45,279	\$ 35,537
Illinois Metropolitan Investment Fund	19,304	19,304
	\$ 64,583	\$ 54,841

***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.

*Long-Term Liabilities*

The Library's long-term liabilities at April 30, 2018, includes a net pension liability in the amount of \$10,412. See Note 11 for further detail on net pension liability.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

**Capital Assets**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Useful Lives (Years)</b>
Construction in progress	\$ 221,870	\$ 108,664	\$ 330,534	\$ -	
Building and improvements	766,560	330,534	-	1,097,094	20 - 50
Machinery and equipment	1,282,000	-	-	1,282,000	5 - 20
Less accumulated Depreciation	<u>(1,878,060)</u>	<u>(21,942)</u>	<u>-</u>	<u>(1,900,002)</u>	
	<u>\$ 392,370</u>	<u>\$ 417,256</u>	<u>\$ 330,534</u>	<u>\$ 479,092</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).

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

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	\$ 30,569	\$ 21,380	\$ 51,949	\$ 10,412	\$ 62,361
Police	2,441,661	-	2,441,661	-	2,441,661
Firefighters	1,290,569	-	1,290,569	-	1,290,569
	<u>\$ 3,762,799</u>	<u>\$ 21,380</u>	<u>\$ 3,784,179</u>	<u>\$ 10,412</u>	<u>\$ 3,794,591</u>
Deferred outflows of Resources					
IMRF	\$ 68,476	\$ 24,622	\$ 93,098	\$ 11,991	\$ 105,089
Police	511,809	-	511,809	-	511,809
Firefighters	15,402	-	15,402	-	15,402
	<u>\$ 595,687</u>	<u>\$ 24,622</u>	<u>\$ 620,309</u>	<u>\$ 11,991</u>	<u>\$ 632,300</u>
Deferred inflows of Resources					
IMRF	\$ 191,410	\$ 67,907	\$ 259,317	\$ 33,070	\$ 292,387
Police	190,797	-	190,797	-	190,797
	<u>\$ 382,207</u>	<u>\$ 67,907</u>	<u>\$ 450,114</u>	<u>\$ 33,070</u>	<u>\$ 483,184</u>
Pension expense					
IMRF	\$ 67,826	\$ 26,065	\$ 93,891	\$ 12,693	\$ 106,584
Police	468,209	-	468,209	-	468,209
Firefighters	147,063	-	147,063	-	147,063
	<u>\$ 683,098</u>	<u>\$ 26,065</u>	<u>\$ 709,163</u>	<u>\$ 12,693</u>	<u>\$ 721,856</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. IMRF issues a publicly available financial report that includes financial statements and required

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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, 2017, 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	18	
Inactive, nonretired members	38	1
Active members	12	
	68	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 2017 was 11.59% and for 2018, it is 10.69%. For the year ended April 30, 2018, the City contributed \$82,262 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 2018 and 2017 was 0.00%. For the year ended April 30, 2018, the City contributed \$0 to the SLEP Plan.

***Net Pension Liability***

The City's net pension liability at April 30, 2018, was measured as of December 31, 2017, 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, 2018, is \$91,252 for the Regular Plan and \$(28,891) 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, 2018:

Actuarial valuation date	December 31, 2017
Measurement date	December 31, 2017
Actuarial cost method	Entry-age normal
Assumptions	
Price inflation	2.50%
Salary increases	3.39% to 14.25%
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 2017 valuation according to an experience study from years 2014-2016.

***Mortality***

For nondisabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). 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-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

***Assumption Changes***

The assumptions below were changed from the prior year in determining the total pension liability.

- Inflation assumption changed from 2.75% to 2.50%.
- Salary increased from 3.75% to 14.50% to 3.39% to 14.25%

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- Retirement age was updated from the 2014 valuation pursuant to an experience study of the period 2011-2013 in 2016 to the valuation pursuant to an experience study of period 2014-2017 in 2017.
- Mortality tables updated from the fully generational projection scale MP-2014 (base year 2012) in 2016 to fully generational projection scale MP-2017 (base year 2015) in 2017.

**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 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	37%	6.85%
International Equity	18%	6.75%
Fixed Income	28%	3.00%
Alternative Investments	9%	2.65% - 7.35%
Real Estate	7%	5.75%
Short-term	1%	2.25%
	<u>100.00%</u>	

**Discount Rate**

A single discount rate (SDR) of 7.50% (no change in SDR for the Regular Plan and SLEP Fund in 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	\$ 4,574,458	\$ 4,139,391	\$ 435,067
Changes for the year			
Service cost	76,713	-	76,713
Interest	339,233	-	339,233
Differences between expected and actual experience	173,643	-	173,643
Changes in assumptions	(158,933)	-	(158,933)
Contributions - employer	-	84,703	(84,703)
Contributions - employee	-	32,887	(32,887)
Net investment income	-	729,945	(729,945)
Benefit payments, including refunds of employees' contributions	(179,405)	(179,405)	-
Administrative expenses	-	-	-
Other (net transfer)	-	(73,064)	73,064
Net changes	251,251	595,066	(343,815)
Balance, end of year	\$ 4,825,709	\$ 4,734,457	\$ 91,252

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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	\$ 45,651	\$ 64,507	\$ (18,856)
Changes for the year			
Service cost	-	-	-
Interest	3,424	-	3,424
Differences between expected and actual experience	(2,448)	-	(2,448)
Changes in assumptions	(752)	-	(752)
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	10,397	(10,397)
Benefit payments, including refunds of employees' contributions	-	-	-
Administrative expenses	-	-	-
Other (net transfer)	-	(138)	138
Net changes	<u>224</u>	<u>10,259</u>	<u>(10,035)</u>
Balance, end of year	<u>\$ 45,875</u>	<u>\$ 74,766</u>	<u>\$ (28,891)</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)	\$ 747,083	\$ 91,252	\$ (430,773)

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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	\$ (23,845)	\$ (28,891)	\$ (33,157)

**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, 2018, the City recognized pension expense of \$111,246 and \$(4,662) for the Regular Plan and SLEP, respectively. At April 30, 2018, 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>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	\$ 80,111	\$ -	\$ -	\$ -
Changes of assumptions	-	73,324	-	-
Net difference between projected and actual earnings on pension plan investments	-	216,506	-	2,557
Total deferred amounts to be recognized in pension expense in future periods	80,111	289,830	-	2,557
Pension contributions made subsequent to the measurement date	24,978	-	-	-
	\$ 105,089	\$ 289,830	\$ -	\$ 2,557

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Deferred outflows of resources of \$24,978 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, 2019. 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:

Year Ending April 30,	Amount
2019	\$ (18,528)
2020	(25,316)
2021	(82,411)
2022	(86,021)
	\$ (212,276)

**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 Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of

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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, 2018, 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, 2018, the City contributed \$307,415 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>Deferred Inflows of Resources</b>	<b>Unearned Income</b>	<b>Total</b>
Property taxes receivable for subsequent year	\$ 2,153,763	\$ -	\$ 2,153,763
Rental income received in advance	-	103,744	103,744
Total deferred/unearned revenue per governmental funds balance sheet	2,153,763	103,744	2,257,507
Other unavailable revenue	25,000	-	25,000
Total deferred/unearned revenue per statement of net position	<u>\$ 2,178,763</u>	<u>\$ 103,744</u>	<u>\$ 2,282,507</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, 2018, 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, 2018:

<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	\$ 344,209	\$ 344,209	\$ -	\$ -
U.S. agencies	1,347,765	-	1,347,765	-
Municipal bonds	251,216	-	251,216	-
	<u>1,943,190</u>	<u>344,209</u>	<u>1,598,981</u>	<u>-</u>
Equity securities				
Mutual Funds - equity	<u>1,417,808</u>	<u>1,417,808</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,360,998</u>	<u>\$ 1,762,017</u>	<u>\$ 1,598,981</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, 2018, the annual money-weighted rate of return on the Police Pension Plan investments, net of pension plan investment expense, was 4.35%. 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, 2018, 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
U.S. government treasuries	\$ 344,209	\$ 104,924	\$ 186,591	\$ 52,694	\$ -
U.S. agency securities	1,347,765	-	392,764	954,414	587
Municipal bonds	<u>251,216</u>	<u>-</u>	<u>76,833</u>	<u>159,143</u>	<u>15,240</u>
Total	<u>\$ 1,943,190</u>	<u>\$ 104,924</u>	<u>\$ 656,188</u>	<u>\$ 1,166,251</u>	<u>\$ 15,827</u>
Not subject to interest					
Rate risk					
Mutual funds	<u>\$ 1,417,808</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, 2018, the investments in securities of the U.S. Government and agency obligations were rated accordingly:

<b>Type of Investment</b>	<b>Fair Value</b>	<b>Moody's / S&amp;P Ratings</b>
U.S. agencies	\$ 1,278,570	Aaa / AA+
U.S. agencies	9,558	NR / AA+
U.S. agencies	59,637	NR / NR
Total U.S. agencies	1,347,765	
Municipal bonds	31,998	Aa3 / NR
Municipal bonds	26,102	NR / AA
Municipal bonds	10,414	Aaa / NR
Municipal bonds	25,460	NR / AA
Municipal bonds	15,240	Aaa / NR
Municipal bonds	10,461	NR / NR
Municipal bonds	24,785	Aa2 / NR
Municipal bonds	15,486	NR / AA-
Municipal bonds	28,716	NR / AAA
Municipal bonds	24,417	NR / AA
Municipal bonds	38,137	NR / AA+
Total municipal bonds	\$ 251,216	

**Investment Concentrations**

The following investments exceeded 5% of Police Pension Plan investments at April 30, 2018:

<b>Issuer</b>	<b>Concentration</b>
Mutual funds	
Vanguard 500 Index	9.59%
T. Rowe Price Growth	9.59%

**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

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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.

***Net Pension Liability***

The City's net pension liability was measured as of April 30, 2018, 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, 2018, using the following actuarial methods and assumptions.

Actuarial Valuation Date	May 1, 2017
Measurement Date	April 30, 2018
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.

***Assumption Changes***

The assumption below was changed from the prior year in determining the total pension liability.

- The assumed rate of High Quality 20-Year Tax-Exempt G.O. Bonds was changed from 3.82% to 3.97% for the current year.

***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.

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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.

***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	\$ 5,369,018	\$ 3,099,194	\$ 2,269,824
Changes for the year			
Service cost	292,329	-	292,329
Interest	341,831	-	341,831
Difference between expected and actual experience	28,995	-	28,995
Changes of assumptions	-	-	-
Contributions - employer	-	307,415	(307,415)
Contributions - employee	-	75,396	(75,396)
Net investment income	-	142,355	(142,355)
Benefit payments, including refunds of employees' contributions	(220,168)	(220,168)	-
Administrative expenses	-	(33,848)	33,848
Net changes	442,987	271,150	171,837
Balance, end of year	\$ 5,812,005	\$ 3,370,344	\$ 2,441,661

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, 2018**

***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	\$ 3,415,726	\$ 2,441,661	\$ 1,661,137

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

For the year ended April 30, 2018, the City recognized pension expense of \$468,209. At April 30, 2018, 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	\$ 415,090	\$ -
Changes of assumptions	-	190,797
Net differences between projected and actual earnings on pension plan investments	96,719	-
	\$ 511,809	\$ 190,797

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>
2019	\$ 81,241
2020	81,237
2021	52,675
2022	56,354
2023	37,009
Thereafter	12,496
	\$ 321,012

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

***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 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.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

**Employees Covered by Benefit Terms**

At April 30, 2018, 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

**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, 2018, the City contributed \$92,225 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.
- Equity accounts up to a limit of 45% of the aggregate fair value of the fund's assets.
- Direct obligations of the State of Israel.

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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

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%	6.50%
Small Cap Domestic Equity	8.00%	8.40%
International Equity	4.00%	6.30%
Fixed Income	<u>60.00%</u>	1.30%
	<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, 2018, 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, 2018**

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, 2018:

<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	\$ 337,225	\$ 337,225	\$ -	\$ -
U.S. agencies	1,510,722	-	1,510,722	-
Municipal bonds	298,430	-	298,430	-
	<u>2,146,377</u>	<u>337,225</u>	<u>1,809,152</u>	<u>-</u>
Equity securities				
Mutual Funds - equity	<u>1,604,491</u>	<u>1,604,491</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>\$ 3,750,868</u>	<u>\$ 1,941,716</u>	<u>\$ 1,809,152</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, 2018**

***Investment Rate of Return***

For the year ended April 30, 2018, the annual money-weighted rate of return on the Firefighters' Pension Plan investments, net of pension plan investment expense, was 4.60%. 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, 2018, 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
U.S. treasuries	\$ 337,225	\$ 100,137	\$ 213,053	\$ 24,035	\$ -
U.S. agency securities	1,510,722	75,670	230,393	1,204,659	-
Municipal bonds	<u>298,430</u>	<u>35,298</u>	<u>93,104</u>	<u>149,789</u>	<u>20,239</u>
Total	<u>\$ 2,146,377</u>	<u>\$ 211,105</u>	<u>\$ 536,550</u>	<u>\$ 1,378,483</u>	<u>\$ 20,239</u>
Not subject to interest					
Rate risk					
Mutual funds	<u>\$ 1,604,491</u>				

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

**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, 2018, 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	\$ 1,487,102	Aaa / AA+
U.S. agencies	23,620	NR / NR
Total U.S. agencies	<u>1,510,722</u>	
Municipal bonds	31,998	Aa3 / NR
Municipal bonds	29,513	Aa1 / NR
Municipal bonds	10,014	NR / AA
Municipal bonds	25,334	Aa2 / AA+
Municipal bonds	25,283	NR / AA+
Municipal bonds	10,255	Aa2 / NR
Municipal bonds	19,801	NR / AA+
Municipal bonds	29,070	Aa3 / NR
Municipal bonds	23,860	Aa1 / NR
Municipal bonds	5,011	NR / NR
Municipal bonds	14,919	Aa2 / NR
Municipal bonds	28,716	NR / AAA
Municipal bonds	24,417	NR / AA
Municipal bonds	20,239	Aa2 / NR
Total municipal bonds	<u>\$ 298,430</u>	

**Investment Concentrations**

The following investments exceeded 5% of Fire Pension Plan investments at April 30, 2018:

<u>Issuer</u>	<u>Concentration</u>
Mutual funds	
Vanguard 500 Index	9.56%
T. Rowe Price Growth	9.57%

**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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

Firefighters' Pension Fund requires all security transactions that are exposed to custodial credit risk to be processed on a delivery verse payment (DVP) basis with the underlying investments held by a 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, 2018, 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, 2018, using the following actuarial methods and assumptions.

Actuarial valuation date	May 1, 2017
Measurement date	April 30, 2018
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.

***Assumption Changes***

The assumption below was changed from the prior year in determining the total pension liability.

- The assumed rate of High Quality 20-Year Tax-Exempt G.O. Bonds was changed from 3.82% to 3.97% for the current year.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

***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.

***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	\$ 4,948,351	\$ 3,712,901	\$ 1,235,450
Changes for the year			
Service cost	14,077	-	14,077
Interest	243,271	-	243,271
Difference between expected and actual experience	35,150	-	35,150
Changes of assumptions	-	-	-
Contributions - employer	-	92,225	(92,225)
Contributions - employee	-	-	-
Net investment income	-	170,241	(170,241)
Benefit payments, including refunds of employees' contributions	(165,866)	(165,866)	-
Administrative expenses	-	(25,087)	25,087
Net changes	<u>126,632</u>	<u>71,513</u>	<u>55,119</u>
Balance, end of year	<u>\$ 5,074,983</u>	<u>\$ 3,784,414</u>	<u>\$ 1,290,569</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, 2018**

***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	\$ 2,201,671	\$ 1,290,569	\$ 577,670

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

For the year ended April 30, 2018, the City recognized pension expense of \$147,063. At April 30, 2018, 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	<u>\$ 15,402</u>

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>
2019	\$ 12,661
2020	12,661
2021	(12,505)
2022	<u>2,585</u>
	<u>\$ 15,402</u>

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

***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.

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

Schedule of fiduciary net position as of April 30, 2018:

	<b>Police Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 18,880	\$ 18,880
Investments			
U.S. treasuries	344,209	337,225	681,434
U.S. agencies	1,347,765	1,510,722	2,858,487
Mutual funds	1,417,808	1,604,491	3,022,299
Municipal bonds	251,216	298,430	549,646
Receivables			
Accrued interest	12,850	16,936	29,786
	<u>3,373,848</u>	<u>3,786,684</u>	<u>7,160,532</u>
<b>Liabilities</b>			
Accounts payable	<u>3,504</u>	<u>2,270</u>	<u>5,774</u>

**Net Position**

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2018**

Schedule of changes in fiduciary net position for the year ended April 30, 2018:

	<b>Police Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Total</b>
<b>Additions</b>			
Contributions			
Employer	\$ 307,415	\$ 92,225	\$ 399,640
Plan members	75,396	-	75,396
Total contributions	<u>382,811</u>	<u>92,225</u>	<u>475,036</u>
<b>Investment Income (Loss)</b>			
Investment income	132,846	191,969	324,815
Net depreciation in fair value of investments	23,134	(6,369)	16,765
Less investment expenses	<u>(13,625)</u>	<u>(15,359)</u>	<u>(28,984)</u>
Net investment income	<u>142,355</u>	<u>170,241</u>	<u>312,596</u>
Total additions	<u>525,166</u>	<u>262,466</u>	<u>787,632</u>
<b>Deductions</b>			
Benefits	189,966	161,252	351,218
Administration	33,848	25,087	58,935
Refunds of contributions	<u>30,202</u>	<u>4,614</u>	<u>34,816</u>
Total deductions	<u>254,016</u>	<u>190,953</u>	<u>444,969</u>
<b>Changes in Net Position</b>	271,150	71,513	342,663
<b>Net Position, May 1</b>	<u>3,099,194</u>	<u>3,712,901</u>	<u>6,812,095</u>
<b>Net Position, April 30</b>	<u><u>\$ 3,370,344</u></u>	<u><u>\$ 3,784,414</u></u>	<u><u>\$ 7,154,758</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, 2018

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 mid-sized 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, 2018, the building was still under construction and thus, had not yet received its certificate of occupancy. As of April 30, 2018, 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, 2018**

**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. 84, *Fiduciary Activities* (GASB 84) establishes criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and other postemployment benefit arrangements and other fiduciary activities. The focus is on a government controlling the assets of the fiduciary activity and identification of the beneficiaries of those assets. Fiduciary activities are reported in one of four types of funds: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds or custodial funds. Custodial funds are used to report fiduciary activities that are not held in a trust. The agency fund designation will no longer be used. GASB 84 also provides guidance on fiduciary fund statements and timing of recognition of a liability to beneficiaries.

GASB 84 is effective for financial statements for fiscal years beginning after December 15, 2018. Earlier application is encouraged.

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 these statements 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, 2018**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Revenues</b>			
Property taxes	\$ 1,271,191	\$ 1,260,832	\$ (10,359)
Other taxes	1,108,411	1,136,510	28,099
Licenses and permits	358,000	352,170	(5,830)
Intergovernmental	1,377,881	1,364,656	(13,225)
Charges for services	763,000	894,383	131,383
Fines and forfeits	76,700	63,759	(12,941)
Interest	1,000	15,933	14,933
Miscellaneous	10,000	40,880	30,880
Total revenues	<u>4,966,183</u>	<u>5,129,123</u>	<u>162,940</u>
<b>Expenditures</b>			
Current			
General government	1,293,919	1,114,273	(179,646)
Public safety	2,543,391	2,577,542	34,151
Public works	601,283	746,381	145,098
Culture and recreation	147,782	149,577	1,795
Capital outlay	7,500	13,112	5,612
Debt service			
Principal	64,814	64,814	-
Interest	4,808	4,791	(17)
Total expenditures	<u>4,663,497</u>	<u>4,670,490</u>	<u>6,993</u>
<b>Excess of Revenues Over Expenditures</b>	302,686	458,633	155,947
<b>Other Financing Sources</b>			
Transfers out	(740,000)	(740,000)	-
Transfers in	-	-	-
Proceeds from sale of capital assets	75,000	348,259	273,259
	<u>(665,000)</u>	<u>(391,741)</u>	<u>273,259</u>
<b>Net Change in Fund Balance</b>	<u>\$ (362,314)</u>	66,892	<u>\$ 429,206</u>
<b>Fund Balance, May 1</b>		<u>1,815,879</u>	
<b>Fund Balance, April 30</b>		<u>\$ 1,882,771</u>	

**City of Highwood, Illinois**  
**Notes to Required Supplementary Information**  
**April 30, 2018**

**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, 2018, the General Fund had expenditures that exceeded its appropriations in the amount of \$6,993.

**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, 2018**

<b>Fiscal Year Ending April 30,</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Total pension liability			
Service cost	\$ 76,713	\$ 67,467	\$ 78,742
Interest	339,233	326,523	320,640
Changes in benefit terms			
Differences between expected and actual experience	173,643	(48,909)	(121,880)
Change of assumptions	(158,933)	(5,963)	5,758
Benefit payments, including refunds of member contributions	<u>(179,405)</u>	<u>(180,746)</u>	<u>(205,996)</u>
Net change in total pension liability	251,251	158,372	77,264
Total pension liability - beginning	<u>4,574,458</u>	<u>4,416,086</u>	<u>4,338,822</u>
Total pension liability - ending	<u>\$ 4,825,709</u>	<u>\$ 4,574,458</u>	<u>\$ 4,416,086</u>
Plan fiduciary net position			
Contributions - city	\$ 84,703	\$ 79,039	\$ 76,453
Contributions - members	32,887	29,640	28,766
Net investment income	729,945	275,794	20,200
Benefit payments, including refunds of member contributions	(179,405)	(180,746)	(205,996)
Other (net transfer)	<u>(73,064)</u>	<u>(29,795)</u>	<u>(44,338)</u>
Net change in plan fiduciary net position	595,066	173,932	(124,915)
Plan net position - beginning	<u>4,139,391</u>	<u>3,965,459</u>	<u>4,090,374</u>
Plan net position - ending	<u>\$ 4,734,457</u>	<u>\$ 4,139,391</u>	<u>\$ 3,965,459</u>
City’s net pension liability	<u>\$ 91,252</u>	<u>\$ 435,067</u>	<u>\$ 450,627</u>
Plan fiduciary net position as a percentage of the Total pension liability	98.11%	90.49%	89.80%
Covered employee payroll	\$ 730,834	\$ 658,661	\$ 639,244
City’s net pension liability as a percentage of Covered employee payroll	12.49%	66.05%	70.49%

Change in assumptions

Inflation assumption changed from 2.75% in 2016 to 2.50% in 2017.

Salary increases from 3.75% to 14.50% in 2016 to 3.39% to 14.25%

Retirement age was updated from the 2014 valuation pursuant to an experience study of the period 2011-2013 in 2016 to the valuation pursuant to an experience study of period 2014-2017 in 2017.

Mortality tables updated from the fully generational projection scale MP-2014 (base year 2012) in 2016 to fully generational projection scale MP-2017 (base year 2015) in 2017.

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, 2018**

<b>Fiscal Year Ending April 30,</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Total pension liability			
Service cost	\$ -	\$ -	\$ -
Interest	3,424	3,254	1,757
Changes in benefit terms			
Differences between expected and actual experience	(2,448)	(984)	(215)
Change of assumptions	(752)	-	-
Benefit payments, including refunds of member contributions	-	-	-
	<u>224</u>	<u>2,270</u>	<u>1,542</u>
Net change in total pension liability	224	2,270	1,542
Total pension liability - beginning	<u>45,651</u>	<u>43,381</u>	<u>41,839</u>
Total pension liability - ending	<u>\$ 45,875</u>	<u>\$ 45,651</u>	<u>\$ 43,381</u>
Plan fiduciary net position			
Contributions - city	\$ -	\$ -	\$ 323
Contributions - members			
Net investment income	10,397	4,251	-
Benefit payments, including refunds of member contributions			
Other (net transfer)	(138)	121	(4,812)
	<u>10,259</u>	<u>4,372</u>	<u>(4,489)</u>
Net change in plan fiduciary net position	10,259	4,372	(4,489)
Plan net position - beginning	<u>64,507</u>	<u>60,135</u>	<u>64,624</u>
Plan net position - ending	<u>\$ 74,766</u>	<u>\$ 64,507</u>	<u>\$ 60,135</u>
City's net pension liability	<u>\$ (28,891)</u>	<u>\$ (18,856)</u>	<u>\$ (16,754)</u>
Plan fiduciary net position as a percentage of the total pension liability	162.98%	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, 2018**

Fiscal Year Ending April 30,	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 292,329	\$ 274,490	\$ 212,460	\$ 265,577
Interest	341,831	312,866	280,126	239,435
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	28,995	132,909	473,707	-
Change of assumptions	-	(70,359)	(225,443)	-
Benefit payments, including refunds of member contributions	<u>(220,168)</u>	<u>(188,415)</u>	<u>(285,904)</u>	<u>(276,692)</u>
Net change in total pension liability	442,987	461,491	454,946	228,320
Total pension liability - beginning	<u>5,369,018</u>	<u>4,907,527</u>	<u>4,452,581</u>	<u>4,224,261</u>
Total pension liability - ending	<u><u>\$ 5,812,005</u></u>	<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	\$ 307,415	\$ 268,542	\$ 267,185	\$ 250,138
Contributions - members	75,396	70,003	102,682	68,892
Net investment income	142,355	203,145	35,829	177,719
Benefit payments, including refunds of member contributions	(220,168)	(188,415)	(285,904)	(276,692)
Administrative expense	<u>(33,848)</u>	<u>(42,340)</u>	<u>(76,332)</u>	<u>(39,043)</u>
Net change in plan fiduciary net position	271,150	310,935	43,460	181,014
Plan net position - beginning	<u>3,099,194</u>	<u>2,788,259</u>	<u>2,744,799</u>	<u>2,563,785</u>
Plan net position - ending	<u><u>\$ 3,370,344</u></u>	<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>\$ 2,441,661</u></u>	<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	57.99%	57.72%	56.82%	61.65%
Covered employee payroll	\$ 801,366	\$ 776,141	\$ 663,404	\$ 725,533
City's net pension liability as a percentage of covered employee payroll	304.69%	292.45%	319.45%	235.38%

Change in assumptions

The assumed rate of High Quality 20-Year Tax-Exempt G.O. Bonds was changed from 3.82% to 3.97% for the current year.

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, 2018**

<b>Fiscal Year Ending April 30,</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total pension liability				
Service cost	\$ 14,077	\$ 13,405	\$ 47,232	\$ 124,679
Interest	243,271	239,411	202,582	216,932
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	35,150	(51,684)	94,500	-
Change of assumptions	-	22,286	497,252	-
Benefit payments, including refunds of member contributions	<u>(165,866)</u>	<u>(126,604)</u>	<u>(83,330)</u>	<u>(55,235)</u>
Net change in total pension liability	126,632	96,814	758,236	286,376
Total pension liability - beginning	<u>4,948,351</u>	<u>4,851,537</u>	<u>4,093,301</u>	<u>3,806,925</u>
Total pension liability - ending	<u>\$ 5,074,983</u>	<u>\$ 4,948,351</u>	<u>\$ 4,851,537</u>	<u>\$ 4,093,301</u>
Plan fiduciary net position				
Contributions - city	\$ 92,225	\$ 92,383	\$ 120,163	\$ 137,914
Contributions - members	-	46,018	18,133	40,458
Net investment income	170,241	249,067	45,112	209,458
Benefit payments, including refunds of member contributions	(165,866)	(126,604)	(83,330)	(55,235)
Administrative expense	<u>(25,087)</u>	<u>(28,062)</u>	<u>(25,416)</u>	<u>(26,227)</u>
Net change in plan fiduciary net position	71,513	232,802	74,662	306,368
Plan net position - beginning	<u>3,712,901</u>	<u>3,480,099</u>	<u>3,405,437</u>	<u>3,099,069</u>
Plan net position - ending	<u>\$ 3,784,414</u>	<u>\$ 3,712,901</u>	<u>\$ 3,480,099</u>	<u>\$ 3,405,437</u>
City's net pension liability	<u>\$ 1,290,569</u>	<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	74.57%	75.03%	71.73%	83.20%
Covered employee payroll	\$ 66,185	\$ 66,185	\$ 132,169	\$ 386,071
City's net pension liability as a percentage of covered employee payroll	1949.94%	1866.66%	1037.64%	178.17%

**Change in assumptions**

The assumed rate of High Quality 20-Year Tax-Exempt G.O. Bonds was changed from 3.82% to 3.97% for the current year.

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 - Regular Plan**  
**Schedule of City Contributions**  
**April 30, 2018**

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
4/30/2018	\$ 82,262	\$ 82,262	\$ -	\$ 727,909	11.30%
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 2017 Contribution Rates**

Actuarial cost method	Aggregate entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26-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 2011-2013.
Mortality	For nondisabled 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 nondisabled 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.

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, 2018**

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
4/30/2018	\$ -	\$ -	\$ -	\$ -	0.00%
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 2017 Contribution Rates**

Actuarial cost method	Aggregate entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26-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 nondisabled 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 nondisabled 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.

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**  
**Police Pension Fund**  
**Schedule of Investment Returns**  
**April 30, 2018**

<b>Fiscal Year Ended</b>	<b>Annual Money-Weighted Rate of Return Net of Investment Expense</b>
4/30/2018	4.35%
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, 2018**

<b>Year Ended</b>	<b>Annual Money-Weighted Rate of Return Net of Investment Expense</b>
4/30/2018	4.60%
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, 2018**

	<b>Original and Final Budget</b>	<b>Actual</b>
<b>Taxes</b>		
Property tax	\$ 1,271,191	\$ 1,260,832
Nonhome rule sales tax	783,411	812,015
Utility taxes	325,000	324,495
	2,379,602	2,397,342
<b>Licenses and Permits</b>		
Licenses	272,500	266,421
Permits	85,500	85,749
	358,000	352,170
<b>Intergovernmental</b>		
Income tax	551,310	488,603
Sales tax	541,253	566,122
Replacement tax	7,300	6,401
Fire insurance tax (2% fire dues)	-	3
Local use tax	127,018	142,170
Municipal gas tax	115,000	111,366
Grants	-	10,535
Dispatch fees	36,000	39,456
	1,377,881	1,364,656
<b>Charges for Services</b>		
Parking fees	40,000	47,103
Cable franchise fees	46,000	56,398
Zoning and planning fees	114,500	126,192
Rental fees	265,000	304,901
Ambulance fees	-	644
Alarm systems and calls	100,000	107,450
Seized autos	25,000	5,500
Refunds and reimbursements	16,000	48,362
Park recreation fees	150,000	183,836
Miscellaneous fees and fines	6,500	13,997
	763,000	894,383
<b>Fines and Forfeits</b>		
Police fines	31,700	36,375
Court fines	45,000	27,384
	76,700	63,759
<b>Interest</b>		
Investment income	1,000	15,933
<b>Miscellaneous</b>		
Special event revenue	-	1,650
Donations	7,000	18,460
Debt collection	-	6,310
Miscellaneous income	3,000	14,460
	10,000	40,880
Total revenue	\$ 4,966,183	\$ 5,129,123

**City of Highwood, Illinois**  
**General Fund**  
**Schedule of Expenditures - Budget and Actual**  
**Year Ended April 30, 2018**

	<u>Original and Final Budget</u>	<u>Actual</u>
<b>General Government</b>		
Administration		
Personnel	\$ 584,910	\$ 586,577
Contractual services	250,054	207,396
Materials and supplies	11,500	10,371
Special events	5,000	2,472
Miscellaneous	15,800	15,414
	<u>867,264</u>	<u>822,230</u>
Legal		
Contractual services	180,600	77,592
Lawsuit settlements	50,000	26,918
	<u>230,600</u>	<u>104,510</u>
Building, Zoning and Health Department		
Personnel	98,555	101,144
Contractual services	12,500	8,343
Materials and supplies	1,000	441
Miscellaneous	84,000	77,605
	<u>196,055</u>	<u>187,533</u>
Total general government	<u>1,293,919</u>	<u>1,114,273</u>
Public Safety		
Police department		
Personnel	1,382,305	1,385,271
Contractual services	287,535	320,637
Materials and supplies	47,000	46,370
Miscellaneous		75
	<u>1,716,840</u>	<u>1,752,353</u>
Fire Department		
Personnel	93,301	92,225
Contractual services	732,250	732,964
Materials and supplies	1,000	-
	<u>826,551</u>	<u>825,189</u>
Capital Outlay		
Fire	2,500	-
Total public safety	<u>2,545,891</u>	<u>2,577,542</u>

**City of Highwood, Illinois**  
**General Fund**  
**Schedule of Expenditures - Budget and Actual**  
**Year Ended April 30, 2018**

	<b>Original and Final Budget</b>	<b>Actual</b>
<b>Public Works</b>		
Highways and streets		
Personnel	\$ 119,583	\$ 118,257
Contractual services	408,750	534,078
Materials and supplies	39,450	35,410
Miscellaneous	33,500	58,636
	601,283	746,381
Capital Outlay		
Public works	5,000	13,112
	606,283	759,493
<b>Culture and Recreation</b>		
Parks and recreation		
Personnel	62,382	54,672
Contractual services	35,800	34,173
Supplies and materials	1,100	245
Special events	45,000	40,909
Miscellaneous	3,500	19,578
Total culture and recreation	147,782	149,577
<b>Debt Service</b>		
Principal	64,814	64,814
Interest	4,808	4,791
	69,622	69,605
Total debt service	69,622	69,605
Total expenditures	\$ 4,663,497	\$ 4,670,490

**City of Highwood, Illinois**  
**Downtown Redevelopment TIF (Major Fund)**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended April 30, 2018**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Revenues</b>			
Taxes			
Property taxes	\$ 538,679	\$ 536,048	\$ (2,631)
Investment income	1,500	1,981	481
Total revenues	<u>540,179</u>	<u>538,029</u>	<u>(2,150)</u>
<b>Expenditures</b>			
General government			
Accounting fees	5,000	5,000	-
Legal fees	10,000	-	(10,000)
Special events marketing	10,000	-	(10,000)
Capital outlay	382,500	-	(382,500)
Debt service			
Principal	372,564	372,564	-
Interest	55,643	55,609	(34)
Fiscal agent fees	2,500	875	(1,625)
Total expenditures	<u>838,207</u>	<u>434,048</u>	<u>(404,159)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (298,028)</u>	103,981	<u>\$ 402,009</u>
<b>Fund Balance, Beginning of Year</b>		<u>843,072</u>	
<b>Fund Balance, End of Year</b>		<u>\$ 947,053</u>	

## **Nonmajor Governmental Funds**

**City of Highwood, Illinois**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**April 30, 2018**

	<u>Capital Projects Funds</u>	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	<u>Total Nonmajor Government Funds</u>
	<u>Capital Projects</u>	<u>Motor Fuel Tax Fund</u>	<u>E-911 Fund</u>	<u>Debt Service</u>	
<b>Assets</b>					
Cash and investments	\$ 16,912	\$ 88,096	\$ 48,399	\$ 49,115	\$ 202,522
Property tax receivable	-	-	-	203,240	203,240
Accounts receivable	-	12,373	-	-	12,373
Due from other funds	-	-	66,063	-	66,063
Other asset	-	-	-	-	-
Total assets	<u>\$ 16,912</u>	<u>\$ 100,469</u>	<u>\$ 114,462</u>	<u>\$ 252,355</u>	<u>\$ 484,198</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	110,128	-	-	-	110,128
Total liabilities	<u>110,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,128</u>
<b>Deferred Inflows of Resources</b>					
<b>Unavailable Revenue - Property Taxes</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>203,240</u>	<u>203,240</u>
<b>Fund Balances</b>					
Restricted					
Debt service	-	-	-	49,115	49,115
Road construction and maintenance	-	100,469	-	-	100,469
Public safety	-	-	114,462	-	114,462
Unassigned	(93,216)	-	-	-	(93,216)
Total fund balances	<u>(93,216)</u>	<u>100,469</u>	<u>114,462</u>	<u>49,115</u>	<u>170,830</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 16,912</u>	<u>\$ 100,469</u>	<u>\$ 114,462</u>	<u>\$ 252,355</u>	<u>\$ 484,198</u>

**City of Highwood, Illinois**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Year Ended April 30, 2018**

	<u>Capital Projects Funds</u>	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	<u>Total Nonmajor Government Funds</u>
	<u>Capital Projects</u>	<u>Motor Fuel Tax Fund</u>	<u>E-911 Fund</u>	<u>Debt Service</u>	
<b>Revenues</b>					
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	138,006	-	-	138,006
Property taxes	-	-	-	199,389	199,389
Investment income	-	2,252	75	-	2,327
Total revenues	<u>-</u>	<u>140,258</u>	<u>75</u>	<u>199,389</u>	<u>339,722</u>
<b>Expenditures</b>					
Current					
Public safety	-	-	-	-	-
Public works	-	123,931	-	-	123,931
Capital outlay	567,907	-	-	-	567,907
Debt service					
Principal	-	-	-	135,000	135,000
Interest	-	-	-	65,328	65,328
Issuance costs	-	-	-	475	475
Total expenditures	<u>567,907</u>	<u>123,931</u>	<u>-</u>	<u>200,803</u>	<u>892,641</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(567,907)</u>	<u>16,327</u>	<u>75</u>	<u>(1,414)</u>	<u>(552,919)</u>
<b>Other Financing Sources</b>					
Transfers in	<u>740,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>740,000</u>
<b>Net Change in Fund Balance</b>	172,093	16,327	75	(1,414)	187,081
<b>Fund Balance</b>					
May 1	<u>(265,309)</u>	<u>84,142</u>	<u>114,387</u>	<u>50,529</u>	<u>(16,251)</u>
April 30	<u>\$ (93,216)</u>	<u>\$ 100,469</u>	<u>\$ 114,462</u>	<u>\$ 49,115</u>	<u>\$ 170,830</u>

**Capital Projects Fund**

**City of Highwood, Illinois**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended April 30, 2018**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Revenues</b>			
Taxes			
Property taxes	\$ 538,679	\$ 536,048	\$ (2,631)
Investment income	1,500	1,981	481
Total revenues	<u>540,179</u>	<u>538,029</u>	<u>(2,150)</u>
<b>Expenditures</b>			
General government			
Accounting fees	5,000	5,000	-
Legal fees	10,000	-	(10,000)
Special events marketing	10,000	-	(10,000)
Capital outlay	382,500	-	(382,500)
Debt service			
Principal	372,564	372,564	-
Interest	55,643	55,609	(34)
Fiscal agent fees	2,500	875	(1,625)
Total expenditures	<u>838,207</u>	<u>434,048</u>	<u>(404,159)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (298,028)</u>	103,981	<u>\$ 402,009</u>
<b>Fund Balance, Beginning of Year</b>		<u>843,072</u>	
<b>Fund Balance, End of Year</b>		<u>\$ 947,053</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, 2018**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Revenues</b>			
Intergovernmental			
Motor fuel tax	\$ 130,000	\$ 138,006	\$ 8,006
Investment income	100	2,252	2,152
Total revenues	130,100	140,258	10,158
<b>Expenditures</b>			
Public works			
Street improvements	125,000	123,931	(1,069)
<b>Net Change in Fund Balance</b>	<b>\$ 5,100</b>	16,327	<b>\$ 11,227</b>
<b>Fund Balance, May 1</b>		84,142	
<b>Fund Balance, April 30</b>		<b>\$ 100,469</b>	

**City of Highwood, Illinois**  
**E-911 Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended April 30, 2018**

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
<b>Revenues</b>			
Taxes			
911 surcharge	\$ -	\$ -	\$ -
Investment income	-	75	75
Total revenues	-	75	75
<b>Expenditures</b>			
Public safety			
Materials and supplies	-	-	-
Emergency communication (911)	-	-	-
Capital outlay			
Equipment	-	-	-
Total expenditures	-	-	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>75</b>	<b>\$ 75</b>
<b>Fund Balance, May 1</b>		<b>114,387</b>	
<b>Fund Balance, April 30</b>		<b>\$ 114,462</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, 2018**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
<b>Revenues</b>			
Property taxes	\$ 200,967	\$ 199,389	\$ (1,578)
<b>Expenditures</b>			
Debt service			
Principal	135,000	135,000	-
Interest	65,328	65,328	-
Issuance costs	475	475	-
Miscellaneous expense	-	-	-
Total expenditures	<u>200,803</u>	<u>200,803</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 164</u>	(1,414)	<u>\$ (1,578)</u>
<b>Fund Balance, Beginning of Year</b>		<u>50,529</u>	
<b>Fund Balance, End of Year</b>		<u>\$ 49,115</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, 2018**

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
<b>Operating Revenues</b>			
Charges for services	\$ 1,318,500	\$ 1,346,914	\$ 28,414
<b>Operating Expenses</b>			
Personnel	277,303	297,270	19,967
Contractual services	436,500	360,168	(76,332)
Materials and supplies	49,800	36,145	(13,655)
Capital outlay	75,000	9,975	(65,025)
Depreciation	-	209,543	209,543
Total operating expenses	838,603	913,101	74,498
<b>Operating Income (Loss)</b>	479,897	433,813	(46,084)
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	1,250	1,710	460
Interest subsidy	-	89,551	89,551
Miscellaneous income	100,000	6,544	(93,456)
Miscellaneous expense	(1,000)	(29)	971
Principal payments	(150,000)	(150,000)	-
Interest expense	(502,576)	(277,270)	225,306
Fiscal agent fees	(2,500)	(1,350)	1,150
Total nonoperating revenues (expenses)	(554,826)	(330,844)	223,982
<b>Changes in Net Position - Budgetary Basis</b>	\$ (74,929)	\$ 102,969	\$ 177,898
<b>Reconciliation of Budget Basis Change in Net Position to</b>			
GAAP basis change in net position			
Change in net position - budgetary basis	\$ (74,929)	\$ 102,969	\$ 177,898
Plus principal payments	150,000	150,000	-
Change in net position - GAAP basis	\$ 75,071	252,969	\$ 177,898
<b>Net Position</b>			
May 1		(101,617)	
April 30		\$ 151,352	

**City of Highwood, Illinois**  
**Garbage Fund**  
**Schedule of Revenues, Expenses and**  
**Changes in Net Position - Budget and Actual -**  
**Year Ended April 30, 2018**

	<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	\$ 281,433	\$ 305,640	\$ 24,207
<b>Operating Expenses</b>			
Personnel	80,810	62,079	(18,731)
Contractual services	264,350	279,837	15,487
Depreciation	-	9,914	
Materials and supplies	2,500	4,067	1,567
Total operating expenses	<u>347,660</u>	<u>355,897</u>	<u>(1,677)</u>
<b>Operating Income (Loss)</b>	<u>(66,227)</u>	<u>(50,257)</u>	<u>25,884</u>
<b>Nonoperating Revenues</b>			
Interest income	225	839	614
Miscellaneous revenue	<u>49,250</u>	<u>-</u>	<u>(49,250)</u>
Total nonoperating revenues	<u>49,475</u>	<u>839</u>	<u>(48,636)</u>
<b>Change in Net Position</b>	<u>\$ (16,752)</u>	(49,418)	<u>\$ (22,752)</u>
<b>Net Position, May 1</b>		<u>311,712</u>	
<b>Net Position, April 30</b>		<u>\$ 262,294</u>	

## **Fiduciary Funds**

**City of Highwood, Illinois**  
**Fiduciary Funds**  
**Combining Statement of Fiduciary Net Position - Pension Trust Funds**  
**April 30, 2018**

	<b>Police Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 18,880	\$ 18,880
Investments			
U.S. treasuries	344,209	337,225	681,434
U.S. agencies	1,347,765	1,510,722	2,858,487
Mutual funds	1,417,808	1,604,491	3,022,299
Municipal bonds	251,216	298,430	549,646
Receivables			
Accrued interest	12,850	16,936	29,786
Total assets	3,373,848	3,786,684	7,160,532
<b>Liabilities</b>			
Accounts payable	3,504	2,270	5,774
<b>Net Position</b>			
Restricted for pensions	\$ 3,370,344	\$ 3,784,414	\$ 7,154,758

**City of Highwood, Illinois**  
**Fiduciary Funds**  
**Combining Statement of Changes in Fiduciary Net Position –**  
**Pension Trust Funds**  
**Year Ended April 30, 2018**

	<b>Police Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Total</b>
<b>Additions</b>			
Contributions			
Employer	\$ 307,415	\$ 92,225	\$ 399,640
Plan members	75,396	-	75,396
Total contributions	<u>382,811</u>	<u>92,225</u>	<u>475,036</u>
<b>Investment Income (Loss)</b>			
Investment income	132,846	191,969	324,815
Net depreciation in fair value of investments	23,134	(6,369)	16,765
Less investment expenses	<u>(13,625)</u>	<u>(15,359)</u>	<u>(28,984)</u>
Net investment income	<u>142,355</u>	<u>170,241</u>	<u>312,596</u>
Total additions	<u>525,166</u>	<u>262,466</u>	<u>787,632</u>
<b>Deductions</b>			
Benefits	189,966	161,252	351,218
Administration	33,848	25,087	58,935
Refunds of contributions	<u>30,202</u>	<u>4,614</u>	<u>34,816</u>
Total deductions	<u>254,016</u>	<u>190,953</u>	<u>444,969</u>
<b>Changes in Net Position</b>	271,150	71,513	342,663
<b>Net Position, May 1</b>	<u>3,099,194</u>	<u>3,712,901</u>	<u>6,812,095</u>
<b>Net Position, April 30</b>	<u><u>\$ 3,370,344</u></u>	<u><u>\$ 3,784,414</u></u>	<u><u>\$ 7,154,758</u></u>

## **Component Unit - Library**

**City of Highwood, Illinois**  
**Component Unit - Library**  
**Statement of Net Position and Governmental Funds**  
**Combining Balance Sheet**  
**April 30, 2018**

	<b>General Fund</b>	<b>Adjustments Capital-Related and Other Items</b>	<b>Statement of Net Position</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 64,583	\$ -	\$ 64,583
Receivables			
Property taxes	247,704	-	247,704
Prepaid items	10,983	-	10,983
Due from primary government	834	-	834
Capital assets	-	479,092	479,092
	<hr/>	<hr/>	<hr/>
Total assets	324,104	479,092	803,196
<b>Deferred Outflows of Resources</b>			
<b>Deferred Outflows of Resources - Pension</b>	-	11,991	11,991
	<hr/>	<hr/>	<hr/>
Total assets and deferred outflows of resources	<u>\$ 324,104</u>	<u>\$ 491,083</u>	<u>\$ 815,187</u>
<b>Liabilities</b>			
Accounts payable	\$ 3,716	\$ -	\$ 3,716
Accrued payroll	3,891	-	3,891
Net pension liability	-	10,412	10,412
	<hr/>	<hr/>	<hr/>
Total liabilities	7,607	10,412	18,019
<b>Deferred Inflows of Resources</b>			
Unavailable property taxes	247,604	-	247,604
Deferred inflows of resources - pensions	-	33,070	33,070
	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	247,604	33,070	280,674
<b>Fund Balances/Net Position</b>			
Nonspendable	10,983	(10,983)	-
Investment in capital assets	-	479,092	479,092
Unassigned/unrestricted	57,910	(20,508)	37,402
	<hr/>	<hr/>	<hr/>
Total fund balances/net position	68,893	447,601	516,494
	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and fund balances/net position	<u>\$ 324,104</u>	<u>\$ 491,083</u>	<u>\$ 815,187</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, 2018**

	<b>General Fund</b>	<b>Adjustments Capital-Related Items</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
Property taxes	\$ 247,640	\$ -	\$ 247,640
Intergovernmental	6,164	-	6,164
Charges for services	2,422	-	2,422
Fines	1,356	-	1,356
Investment income	1,396	-	1,396
Miscellaneous	1,257	-	1,257
	<hr/>	<hr/>	<hr/>
Total revenues	260,235	-	260,235
<b>Expenditures</b>			
Civic and cultural	232,910	4,173	237,083
Capital outlay	109,530	(109,530)	-
Depreciation	-	21,942	21,942
	<hr/>	<hr/>	<hr/>
Total expenditures	342,440	(83,415)	259,025
<b>Net Change in Fund Balances/Net Position</b>	(82,205)	83,415	1,210
<b>Fund Balances/Net Position</b>			
May 1	151,098	364,186	515,284
	<hr/>	<hr/>	<hr/>
April 30	\$ 68,893	\$ 447,601	\$ 516,494
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## **Other Supplementary Information**

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**General Obligation Build America Bonds of 2010A**  
**April 30, 2018**

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
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>\$ 220,000</u>	<u>\$ 13,452</u>	<u>\$ 8,744</u>	<u>\$ 228,744</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, 2018**

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
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>\$ 1,937,592</u>	<u>\$ 1,065,676</u>	<u>\$ 4,065,676</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, 2018**

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
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>\$ 284,517</u>	<u>\$ 16,468</u>	<u>\$ 300,985</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**Tax Increment Financing General**  
**Obligation Refunding Bonds, Series 2013**  
**April 30, 2018**

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
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
	\$ 1,265,000	\$ 131,150	\$ 1,396,150

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**Tax Increment Financing Alternate Revenue**  
**Capital Appreciation Bonds of 2002**  
**April 30, 2018**

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
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>\$ 31,245</u>	<u>\$ 370,000</u>	

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**Fire Alarm Monitoring Equipment Loan**  
**April 30, 2018**

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**

Fiscal Year	Principal	Interest	Total
2019	\$ 23,379	\$ 1,482	\$ 24,861
2020	<u>24,108</u>	<u>752</u>	<u>24,860</u>
	<u>\$ 47,487</u>	<u>\$ 2,234</u>	<u>\$ 49,721</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**Water Meter Loan**  
**April 30, 2018**

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	Midwest Bank

**Future Principal and Interest Requirements**

Fiscal Year	Principal	Interest	Total
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>\$ 204,554</u>	<u>\$ 21,123</u>	<u>\$ 225,677</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**Public Works Capital Lease**  
**April 30, 2018**

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
2019	\$ 30,929	\$ 1,336	\$ 32,265
2020	<u>23,831</u>	<u>369</u>	<u>24,200</u>
	<u>\$ 54,760</u>	<u>\$ 1,705</u>	<u>\$ 56,465</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**General Obligation Bonds Series 2015**  
**April 30, 2018**

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
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>\$ 2,085,000</u>	<u>\$ 523,710</u>	<u>\$ 2,608,710</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**IEPA Sewer Loan Payable of 2015**  
**April 30, 2018**

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
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>\$ 190,800</u>	<u>\$ 40,308</u>	<u>\$ 231,108</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**IEPA Water Loan Payable of 2015**  
**April 30, 2018**

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
2019	\$ 89,659	\$ 41,333	\$ 130,992
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>\$ 1,892,570</u>	<u>\$ 399,815</u>	<u>\$ 2,292,385</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**IEPA Water Tower Loan Payable of 2017**  
**April 30, 2018**

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
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	11,578
	<u>\$ 459,286</u>	<u>\$ 85,147</u>	<u>\$ 544,433</u>