

CITY OF HIGHWOOD, ILLINOIS

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
APRIL 30, 2013**

Wolf & Company LLP
Certified Public Accountants

CITY OF HIGHWOOD, ILLINOIS

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information for the City of Highwood, Illinois, as of and for the year ended April 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

The City of Highwood, Illinois does not maintain detailed records of the historical cost, accumulated depreciation or depreciation expense of its capital assets. Therefore, we were unable to obtain sufficient evidence to form an opinion on the capital assets, accumulated depreciation, and depreciation expense of the City of Highwood, Illinois. The City has reported business-type activities additions for the fiscal year ended April 30, 2013. The City has not reported any capital asset governmental activities additions, disposals or depreciation, for the fiscal year ended April 30, 2013.

The City of Highwood does not maintain accurate records of its compensated absences liability. Therefore, we were unable to obtain sufficient evidence to form an opinion on the compensated absences liability of the City of Highwood. The City has reported compensated absences activity, including increases and decreases for the fiscal year ended April 30, 2013.

Qualified Opinion

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Highwood, Illinois, as of April 30, 2013, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1.C. to the financial statements, the City of Highwood, Illinois adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65-3, *Items Previously Reported as Assets and Liabilities*, in 2013. Our opinion is not modified in respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and analysis of funding progress and employer contributions for the City's defined benefit pension plans and other post-employment benefit plan on pages 3-16 and 71-74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Wolf & Company LLP

Oakbrook Terrace, Illinois
October 1, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2013

Our discussion and analysis of the City of Highwood's financial performance provides an overview of the City of Highwood financial activities for the fiscal year ended April 30, 2013. Please read it in conjunction with the City Of Highwood financial statements, which begin on page 17.

FINANCIAL HIGHLIGHTS

- The City's total net position is \$5,909,550. During the fiscal year ending April 30, 2013, the governmental net position of \$1,998,379 shows a decrease of \$1,023,939 or 33.9%, and the business-type activities net position of \$3,911,171 shows an increase of \$443,475 or 11.34 percent. A restatement increasing beginning governmental and reducing beginning business-type activities in the amount of \$594,446 was done to correctly reflect water infrastructure related debt in business-type activities in accordance with bond documents for the 2010A and 2010B Bonds. The City also increased the beginning net position of business-type activities in the amount of \$450,073 to recognize previously constructed infrastructure capital assets.
- During the year, expenses were \$1,023,939 more than the \$5,462,305 generated in tax and other revenues for governmental programs. In the prior year, expenses were \$79,630 less than the \$5,767,824 generated in tax and other revenues for the governmental program.
- Revenues for business-type activities increased to \$1,752,459 or 40.2 percent while expenses increased by 86.5 percent to \$1,308,984. The increase in the business-type activities expenses occurred due to increased interest expense, personnel, grant activities and contractual services costs in the current year. The increased interest expense is due to the City now presenting the 2010 A and B General Obligation Bonds as business-type activities debt in the current year, whereas it was presented as governmental activities debt in prior fiscal years.

Total cost of all programs was increased by \$1,405,005 or 22.0 percent in the current year. The increases in costs were in the area of government expenses related to personnel, contractual services and various capital purchases in the current year.

- The General Fund reported a surplus this year of \$379,425 which took fund balance from \$356,571 to \$735,996 at the end of the current year.
- The resources available for appropriation were \$247,010 more than budgeted for the General Fund. In addition, expenditures were kept under appropriation by \$196,144 through cost cutting measures including personnel restructuring and elimination of certain capital purchases.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 17-19) provide information about the activities of the City of Highwood as a whole and present a longer-term view of the City of Highwood finances. Fund financial statements

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2013

USING THIS ANNUAL REPORT – Continued

begin on page 20. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City of Highwood operations in more detail than the government-wide statements by providing information about the City of Highwood's most significant funds. The remaining statements provide financial information about activities for which the City of Highwood acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

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

The Statement of Net Position reports information on all of the City of Highwood assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Highwood is improving or deteriorating. Consideration of other non-financial factors, such as changes in the City of Highwood property tax base and the condition of the City of Highwood's roads, is needed to assess the overall health of the City of Highwood.

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

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

The City of Highwood includes one separate legal entity in its report, the Highwood Public 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.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2013

USING THIS ANNUAL REPORT – Continued

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.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds 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 Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, TIF Debt Service Fund, TIF Capital Projects Fund and the Capital Projects Fund, all of which are considered major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these 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. Budgetary comparison schedules for these funds have been provided later in the report to demonstrate compliance with this budget.

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

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2013

USING THIS ANNUAL REPORT – Continued

Proprietary Funds

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

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

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

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's 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 30-68 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's I.M.R.F. and police and firefighters' pension obligations, and General Fund budgetary comparisons. Required supplementary information can be found on pages 69-74 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 75-89 of this report.

City of Highwood, Illinois

**Management's Discussion and Analysis
April 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following tables show that in the case of the City of Highwood, assets exceeded liabilities by \$5,909,550, decreasing by 2.2% over prior years.

Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 4.0	7.5	1.6	1.0	5.6	8.5
Capital Assets	4.1	4.1	7.4	3.7	11.5	7.8
Total Assets	<u>8.1</u>	<u>11.6</u>	<u>9.0</u>	<u>4.7</u>	<u>17.1</u>	<u>16.3</u>
Long-Term Debt Outstanding	(3.7)	(6.9)	(4.9)	(1.0)	(8.6)	(7.9)
Other Liabilities	(0.9)	(2.3)	(0.2)	(0.1)	(1.1)	(2.4)
Total Liabilities	<u>(4.6)</u>	<u>(9.2)</u>	<u>(5.1)</u>	<u>(1.1)</u>	<u>(9.7)</u>	<u>(10.3)</u>
Deferred Inflows of Resources	<u>(1.5)</u>	-	-	-	<u>(1.5)</u>	-
Net Position						
Net Investment in Capital						
Assets	1.3	0.5	3.2	2.7	4.5	3.2
Restricted	0.8	1.9	-	-	0.8	1.9
Unrestricted (Deficit)	<u>(0.1)</u>	-	<u>0.7</u>	<u>0.9</u>	<u>0.6</u>	<u>0.9</u>
Total Net Assets	<u>\$ 2.0</u>	<u>2.4</u>	<u>3.9</u>	<u>3.6</u>	<u>5.9</u>	<u>6.0</u>

A large portion of the City of Highwood's net position is its investment in capital assets (for example, land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding, which represents 75.4 percent of net position. The City of Highwood uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Highwood's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Highwood, Illinois

Management's Discussion and Analysis

April 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

An additional portion or 14.2 percent of the City of Highwood's net position represents resources that are subject to external restrictions on how they may be used. The remaining 10.5 percent, or \$0.6 million, represents unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors.

Changes in Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for Services	\$ 1.3	1.2	1.1	1.1	2.4	2.3
Capital Grants/Contributions	0.2	0.2	-	-	0.2	0.2
Operating Grants/Contributions	0.1	0.4	0.5	0.1	0.6	0.5
General Revenues					-	-
Property Taxes	1.5	1.5	-	-	1.5	1.5
Sales Taxes	1.1	1.1	-	-	1.1	1.1
Intergovernmental	0.7	0.6	-	-	0.7	0.6
Other General Revenues	0.5	0.8	0.1	-	0.6	0.8
Total Revenues	5.4	5.8	1.7	1.2	7.1	7.0
Expenses						
General Government	2.7	1.1	-	-	2.7	1.1
Public Safety	2.7	2.6	-	-	2.7	2.6
Public Works	0.9	1.5	-	-	0.9	1.5
Culture and Recreation	0.1	0.1	-	-	0.1	0.1
Interest and Fiscal Charges	0.1	0.4	-	-	0.1	0.4
Water	-	-	1.1	0.5	1.1	0.5
Garbage	-	-	0.2	0.2	0.2	0.2
Total Expenses	6.5	5.7	1.3	0.7	7.8	6.4
 Increase (Decrease) in Net Position	(1.1)	0.1	0.4	0.5	(0.7)	0.6
Net Position - Beginning, as Restated	3.0	2.9	3.5	3.0	6.5	5.9
Net Position - Ending	\$ 1.9	3.0	3.9	3.5	5.8	6.5

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Net position of the City of Highwood governmental activities decreased by 36.7 percent (\$1.9 million compared to \$3.0 million). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, changed from zero in the previous fiscal year to \$-(0.1) million in the current year.

The City has worked to improve its operations in the current fiscal year. Several capital purchases were made with debt in the current year. These capital purchases were expensed in the current year. If these items were capitalized, the City's unrestricted net position would amount to approximately \$500,000 as opposed to the negative \$86,717 in unrestricted amounts. It is the City's intent to obtain an appraisal to more accurately reflect the long-term assets of the City.

Net position of business-type activities increased by 11.4 percent (\$3.9 million compared to \$3.5 million in the prior year). This increase, however, cannot be used to make up for the deficits that might arise in governmental activities. The City of Highwood generally can only use the net position to finance the continuing operations of the waterworks and sewerage and garbage operations. The increase was anticipated by the City to assist with payment of the long-term debt that will have payments in the near future.

Total revenues increased by \$0.1 million compared to prior years. The increase is due to charges for services the City has received throughout the year. The total cost of all programs and services increased by approximately \$1.4 million or 22 percent. This increase in costs were related Tax Increment Financing costs for capital items in the current year which utilized cash reserves from prior years. The City's cash flows continue to improve for the City. The City was able to cover the costs related to several lawsuit settlements without utilizing working cash bonds which were originally thought to be needed.

Governmental Activities

Revenues for governmental activities decreased by \$0.4 million. This decrease was due to a decline in grant revenue from the prior year. In addition, there was decrease in revenues from telecommunication utility tax from a decrease in the tax. Expenses also saw an increase in \$0.8 million. This was due to increases in general government costs for expenses related to the Tax Increment Financing District that utilize revenues from the prior year.

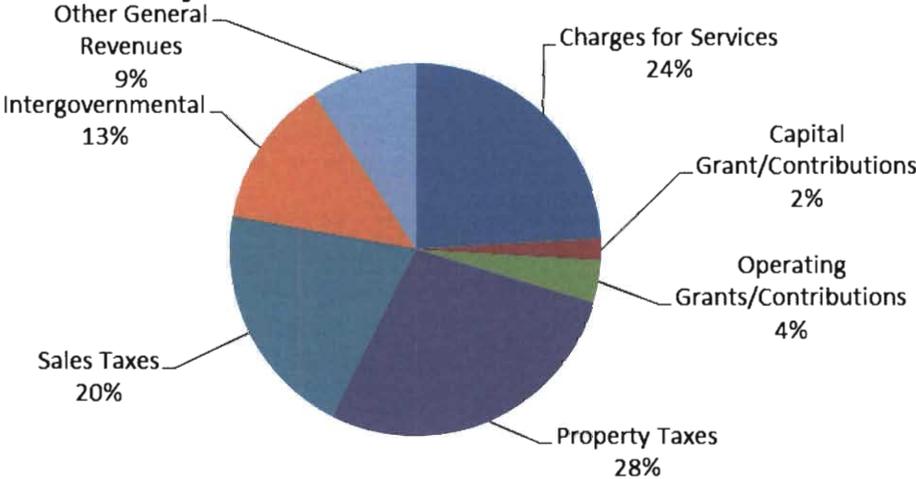
The cost of all governmental activities this year was \$6.5 million compared to \$5.7 million last year. Overall, governmental program revenues were \$1.6 million, including intergovernmental aid and fees for services. This decreased in 2013 from \$1.8 million in 2012 is principally based on decreases in capital grants and contributions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental Activities - Continued

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

Revenues by Sources - Governmental Activities

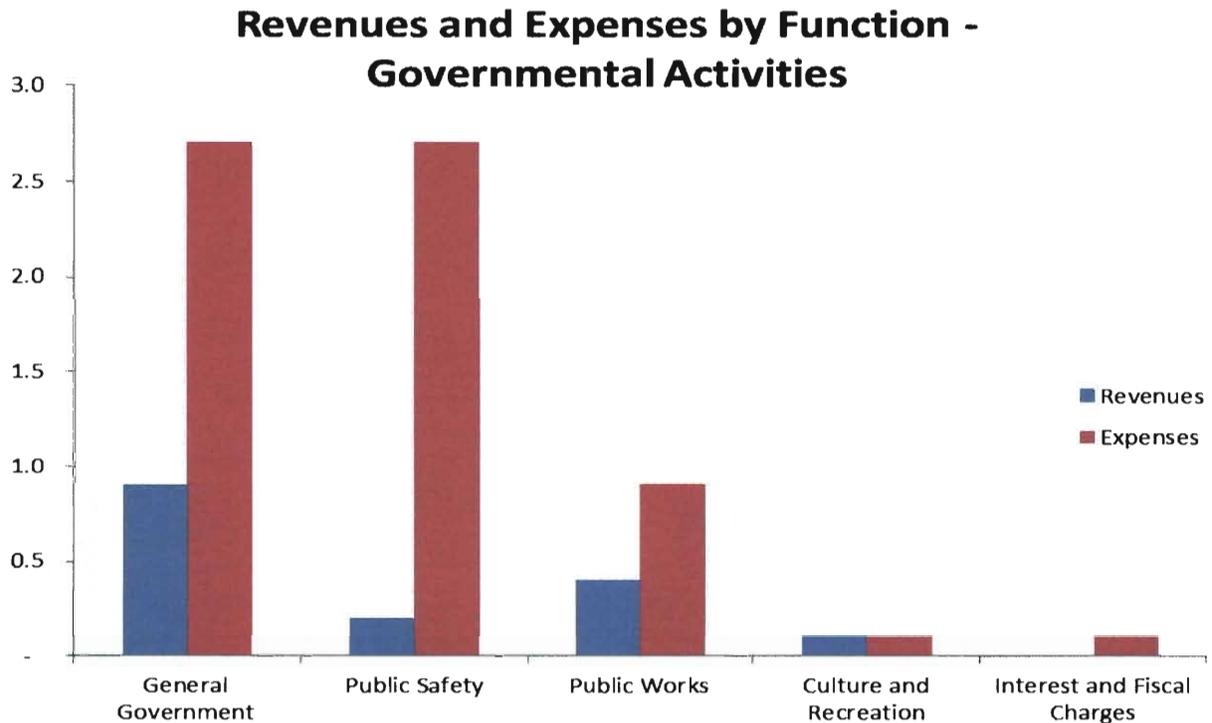


City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2013

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 works, public safety and general government are dependent on the general revenues of the City to function. The City continues to evaluate all available fees for comparability to other communities and collections to cover the costs of operations.

Business-Type Activities

Revenues of the City's business-type activities increased by 31.2 percent (\$1.6 million in 2013 compared to \$1.2 in 2012) and expenses increased by 86.5 percent (\$1.3 million in 2013 compared to \$0.7 million in 2012). Key factors behind these results include:

- The waterworks and sewerage system is dependent upon the sale of water. In years of mild summer temperatures, the usage of water will decline and the revenues will decline. In the City of Highwood, our costs related to the water and sewer system tend to be consistent year over year due to the fact that our water sold is based on water pumped out of Lake Michigan. City staff evaluate the costs to make sure that all costs are properly allocated to the proper funds. In evaluating the costs necessary to operate the Water and Sewer Fund, it was determined an increase in water rates was necessary. In the current year, the City had one increase in water rates to cover for the increase in costs in the Water and Sewer Fund.

City of Highwood, Illinois

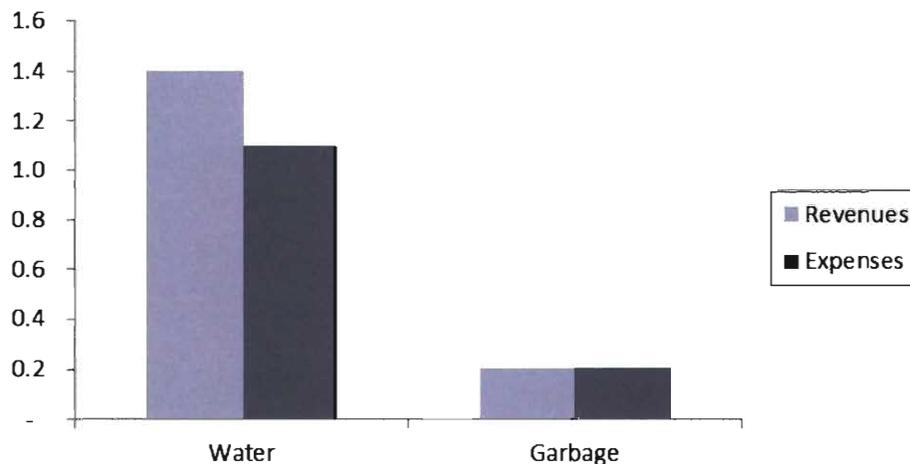
Management's Discussion and Analysis April 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Business-Type Activities – Continued

- The Garbage Fund operated at a surplus of \$4,003 for the fiscal year. In the current year, the City entered into a new contract for garbage services. This contract had an increase in costs that was passed onto the residents.

Expenses and Program Revenues - Business Type Activities



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

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.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2013

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS – Continued

Governmental Funds – Continued

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$1.6 million which is a decline of \$614,161 over prior year. Although there was a net decline in fund balances, individual funds had different results. The General Fund has an increase of \$379,425 over the prior year. In the current year, the City consolidated the TIF funds and combined they had a net decline of \$846,540. This decline was due to projects that were completed in the TIF fund that utilized revenues collected in the prior year. The MFT fund had a net decline for the year due to capital projects completed in the current year utilizing reserves on hand.

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 \$415,457. Unrestricted net position increased by \$259,525 over the prior year due to increasing the reserves to support the debt service requirements coming in the near future. The increase in those reserves was created with interest subsidy and increases in user charges.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council modified its budget in the current year to account for reclassification of expenses and additional expenses related to lawsuit settlements. These reclassifications were for management of operations and do not require modification to the appropriation presentation.

Actual charges to appropriations (expenditures) were \$0.2 million below the budget amounts. Due to additional personnel costs and capital purchases made, there were two departments over budget – Public Safety and Capital Outlay. The General Government Department had the most significant savings due to savings in legal expenditures.

In addition, resources available for appropriation were \$247,010 above the final budgeted amount. The City noted increases in Intergovernmental Revenues – particularly the Income Taxes and Municipal Gas Tax and Grants. These overages were necessary to offset shortfalls in the Special Events Revenue.

City of Highwood, Illinois

Management's Discussion and Analysis April 30, 2013

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, 2013 was \$11.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements, vehicles, machinery and equipment, park facilities, roads, sidewalks, and bridges. The City does not maintain detail records of their capital assets. The increase in the business-type activity assets was due to the identification by management of significant infrastructure assets within the water department that were capitalized by the City but not depreciated. It is the intent of management to obtain an appraisal of capital assets in the near future to properly reflect the assets.

Capital Assets - Net of Depreciation (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 0.7	0.7	-	-	0.7	0.7
Buildings	1.1	1.1	0.4	0.4	1.5	1.5
Machinery and Equipment	-	-	-	-	-	-
Infrastructure	2.3	2.3	7.0	3.3	9.3	5.6
Total	\$ 4.1	4.1	7.4	3.7	11.5	7.8

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

City of Highwood, Illinois

Management's Discussion and Analysis

April 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

Debt

At year-end, the City of Highwood had total outstanding bonded debt of \$8.6 million as compared to \$8.0 million the previous year, an increase of 7.5 percent. The following is a comparative statement of outstanding debt:

General Obligation and Revenue Bonds (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Alternate Revenue Bonds	\$ 2.8	2.9	3.8	3.8	6.6	6.7
Capital Lease Payables	0.3	-	-	-	0.3	-
Loan Payable	0.3	-	1.0	0.7	1.3	0.7
Note Payable	-	-	-	-	-	-
Revenue Bonds and Notes	-	-	0.1	0.3	0.1	0.3
Other Liabilities	0.3	0.3	-	-	0.3	0.3
Total	\$ 3.7	3.2	4.9	4.8	8.6	8.0

New debt resulted mainly from capital loans issued to purchase new equipment for various departments citywide.

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 2013 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 two years of positive financial performance, the economy continues to play a role in future decisions.

As of April 30, 2013, the City was in negotiations with two different unions within the City. The Lieutenants recently unionized and are negotiating their first contract with the City. In addition to the Lieutenants, the Firefighters' contract has also expired and is under negotiation.

Subsequent to year end, the City of Highwood received an updated bond rating from Standards and Poor. The City's rating was upgraded from A- to an A for future bond issuance. S&P cited our positive cash position and stable management as reasons for the upgrade.

City of Highwood, Illinois

**Management's Discussion and Analysis
April 30, 2013**

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

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF HIGHWOOD, ILLINOIS

Statement of Net Position

April 30, 2013

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash and Investments	\$ 1,374,740	797,692	2,172,432	341,926
Receivables, Net				
Taxes	1,642,846		1,642,846	226,969
Intergovernmental	421,401	104,383	525,784	
Accounts		178,954	178,954	
Other	56,508		56,508	
Due from Agency Fund	9,040		9,040	
Due from Component Unit	4,545		4,545	
Due from Primary Government				1,342
Prepaid Expenses	8,895	2,339	11,234	1,019
Internal Balances	(118,103)	118,103		
Net Pension Asset	2,078		2,078	
Restricted Assets				
Cash and Investments	603,260	378,062	981,322	
Capital Assets				
Land	678,443	83,196	761,639	
Other Capital Assets, Net of Depreciation	3,391,130	7,351,550	10,742,680	377,544
Total Assets	8,074,783	9,014,279	17,089,062	948,800
Liabilities				
Accounts Payable	355,082	49,245	404,327	7,252
Accrued Liabilities and Deposits	139,226	39,355	178,581	6,072
Retainage Payable	175,325		175,325	
Other Accrued Liabilities	26,611	2,700	29,311	
Unearned Rent	132,179		132,179	
Accrued Interest Payable	41,450	112,679	154,129	
Due to Component Unit	1,342		1,342	
Noncurrent Liabilities				
Due Within One Year	348,890	234,903	583,793	
Due in More Than One Year	3,338,870	4,664,226	8,003,096	
Total Liabilities	4,558,975	5,103,108	9,662,083	17,869
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	1,517,429		1,517,429	226,969
Net Position				
Net Investment in Capital Assets	1,247,351	3,207,083	4,454,434	377,544
Restricted for				
Debt Service	634,856		634,856	
Road Construction	135,257		135,257	
Public Safety	67,632		67,632	
Unrestricted	(86,717)	704,088	617,371	326,418
Total Net Position	\$ 1,998,379	3,911,171	5,909,550	703,962

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

CITY OF HIGHWOOD, ILLINOIS

Statement of Activities

Year Ended April 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 2,694,897	922,166		
Public Safety	2,662,690	223,898		
Public Works	948,640	77,205	229,288	120,805
Culture, Education and Recreation	121,351	124,703		
Interest and Fiscal Charges	58,666			
Total Governmental Activities	<u>6,486,244</u>	<u>1,347,972</u>	<u>229,288</u>	<u>120,805</u>
Business-Type Activities				
Water and Sewer	1,064,499	878,821	495,171	
Garbage	244,485	248,488		
Total Business-Type Activities	<u>1,308,984</u>	<u>1,127,309</u>	<u>495,171</u>	<u>-</u>
Total Primary Government	<u>\$ 7,795,228</u>	<u>2,475,281</u>	<u>724,459</u>	<u>120,805</u>
Component Unit				
Highwood Library	\$ 201,052	7,381	5,543	-

General Revenues
 Property Taxes
 Utility Taxes
 Home Rule Sales Taxes
 Intergovernmental - Sales Taxes
 Intergovernmental - Other Taxes
 Investment Income
 Miscellaneous
 Total General Revenues

Change in Net Position

Net Position
 May 1, as Restated

April 30

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	
(1,772,731)		(1,772,731)	
(2,438,792)		(2,438,792)	
(521,342)		(521,342)	
3,352		3,352	
(58,666)		(58,666)	
(4,788,179)	-	(4,788,179)	-
	309,493	309,493	
	4,003	4,003	
-	313,496	313,496	-
(4,788,179)	313,496	(4,474,683)	-
			(188,128)
1,503,964		1,503,964	223,002
378,663		378,663	
576,420			
478,269		576,420	
667,324		667,324	
3,747	1,636	5,383	336
155,853	128,343	284,196	10,524
3,764,240	129,979	3,415,950	233,862
(1,023,939)	443,475	(580,464)	45,734
3,022,318	3,467,696	6,490,014	658,228
1,998,379	3,911,171	5,909,550	703,962

CITY OF HIGHWOOD, ILLINOIS

Balance Sheet - Governmental Funds

April 30, 2013

	General Fund	TIF Debt Service Fund	TIF Capital Projects Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and Investments	\$ 694,444		498,414		181,882	1,374,740
Cash and Investments - Restricted	80,435			522,825		603,260
Receivables						
Property Tax	1,064,230		453,199			1,517,429
Other Taxes	121,752				3,665	125,417
Intergovernmental	378,869		33,237		9,295	421,401
Other Receivables, Net	56,508					56,508
Prepaid Items	8,895					8,895
Due from Other Funds			103,306			103,306
Due from Fiduciary Funds	9,040					9,040
Due from Component Unit	4,545					4,545
Total Assets	\$ 2,418,718	-	1,088,156	522,825	194,842	4,224,541
Liabilities						
Accounts Payable	\$ 222,100		101	126,215	6,666	355,082
Accrued Payroll	139,226					139,226
Retainage Payable				175,325		175,325
Other Current Liabilities	26,611					26,611
Due to Other Funds	124			221,285		221,409
Due to Component Unit	1,342					1,342
Unearned Rent	132,179					132,179
Total Liabilities	521,582	-	101	522,825	6,666	1,051,174
Deferred Inflows of Resources						
Unavailable Revenue - Property Taxes	1,064,230		453,199			1,517,429
Unavailable Revenue - Other Taxes	96,910					96,910
Total Deferred Inflows of Resources	1,161,140	-	453,199	-	-	1,614,339
Fund Balances						
Nonspendable						
Prepaid Items	8,895					8,895
Restricted						
Debt Service			634,856			634,856
Road Construction					135,257	135,257
Public Safety	14,713				52,919	67,632
Unassigned	712,388					712,388
Total Fund Balances	735,996	-	634,856	-	188,176	1,559,028
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 2,418,718	-	1,088,156	522,825	194,842	4,224,541

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

CITY OF HIGHWOOD, ILLINOIS

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

April 30, 2013

Total Fund Balances - Governmental Funds	\$ 1,559,028
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,069,573
Some receivables that are not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	96,910
The Net Pension Asset for Fire Pension funding is not reported in the governmental funds	2,078
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and Notes Payable	(3,437,616)
Compensated Absences	(203,692)
Net Pension Obligations	(46,452)
Accrued Interest	(41,450)
Net Position of Governmental Activities	<u>\$ 1,998,379</u>

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

CITY OF HIGHWOOD, ILLINOIS

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

Year Ended April 30, 2013

	General Fund	TIF Debt Service Fund	TIF Capital Projects Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property Tax	\$ 971,710		532,254			1,503,964
Other Taxes	955,392				50,084	1,005,476
Intergovernmental	1,170,209		33,237	87,568	154,588	1,445,602
Licenses and Permits	367,814					367,814
Fines, Forfeitures and Penalties	105,473					105,473
Public Charges for Services	874,685					874,685
Investment Income	1,294	238	1,819		396	3,747
Miscellaneous	155,223					155,223
Total Revenues	4,601,800	238	567,310	87,568	205,068	5,461,984
Expenditures						
Current						
General Government	969,644		14,756			984,400
Public Safety	2,592,427				52,508	2,644,935
Public Works	565,067				146,005	711,072
Culture, Recreation and Education	121,351					121,351
Capital Outlay	466,702		1,242,546	237,568	3,601	1,950,417
Debt Service						
Principal	16,695		160,000			176,695
Interest	2,295		107,125			109,420
Total Expenditures	4,734,181	-	1,524,427	237,568	202,114	6,698,290
Excess (Deficiency) of Revenues over Expenditures	(132,381)	238	(957,117)	(150,000)	2,954	(1,236,306)
Other Financing Sources (Uses)						
Transfers In			1,451,349	150,000		1,601,349
Transfers Out		(1,451,349)			(150,000)	(1,601,349)
Proceeds from Capital Leases	191,176		110,339			301,515
Proceeds from Loan	320,000					320,000
Proceeds from Sale of Capital Assets	630					630
Other Financing Sources (Uses)	511,806	(1,451,349)	1,561,688	150,000	(150,000)	622,145
Net Change in Fund Balance	379,425	(1,451,111)	604,571		(147,046)	(614,161)
Fund Balance						
May 1 (as Restated)	356,571	1,451,111	30,285		335,222	2,173,189
April 30	\$ 735,996	-	634,856	-	188,176	1,559,028

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

CITY OF HIGHWOOD, ILLINOIS

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

Year Ended April 30, 2013

Net Change in Fund Balances - Total Governmental Funds \$ (614,161)

Amounts reported for governmental activities in the Statement of Activities are
different because:

Receivables not currently available are reported as revenue when collected or currently
available in the fund financial statements but are recognized as revenue when earned in
the government-wide financial statements. (309)

The issuance of long-term debt is reported as an other financing source in governmental funds,
but as an increase of principal outstanding in the Statement of Net Position. (621,515)

Debt issued provides current financial resources to governmental funds, but issuing
debt increases long-term liabilities in the Statement of Net Position. Repayment of debt
principal is an expenditure in the governmental funds, but the repayment reduces
long-term liabilities in the Statement of Net Position.

Principal Repaid 176,695

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. (36,774)

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 (1,249)
Net Pension Obligation/Asset (14,154)
Accrued Interest on Debt 87,528

Change in Net Position \$ (1,023,939)

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

CITY OF HIGHWOOD, ILLINOIS

Statement of Net Position - Proprietary Funds

April 30, 2013

	Waterworks and Sewerage Fund	Nonmajor Enterprise Fund - Garbage Fund	Total
Assets			
Current Assets			
Cash and Investments	\$ 622,160	175,532	797,692
Receivables			
Accounts	175,771	3,183	178,954
Intergovernmental	104,383		104,383
Due from Other Funds	221,285		221,285
Prepaid Items	2,339		2,339
Restricted Assets			
Cash and Investments	378,062		378,062
Total Current Assets	<u>1,504,000</u>	<u>178,715</u>	<u>1,682,715</u>
Noncurrent Assets			
Capital Assets			
Land	83,196		83,196
Property and Equipment	9,798,998		9,798,998
Less: Accumulated Depreciation	(2,447,448)		(2,447,448)
Total Noncurrent Assets	<u>7,434,746</u>	<u>-</u>	<u>7,434,746</u>
Total Assets	<u>8,938,746</u>	<u>178,715</u>	<u>9,117,461</u>
Liabilities			
Current Liabilities			
Accounts Payable	31,804	17,441	49,245
Accrued Payroll	38,321	1,034	39,355
Other Current Liabilities	2,700		2,700
Due to Other Funds	103,182		103,182
Interest Payable	112,679		112,679
Total Current Liabilities	<u>288,686</u>	<u>18,475</u>	<u>307,161</u>
Noncurrent Liabilities			
Long-Term Debt			
Due Within One Year	234,903		234,903
Due in More Than One Year	4,664,226		4,664,226
Total Noncurrent Liabilities	<u>4,899,129</u>	<u>-</u>	<u>4,899,129</u>
Total Liabilities	<u>5,187,815</u>	<u>18,475</u>	<u>5,206,290</u>
Net Position			
Net Investment in Capital Assets	3,207,083		3,207,083
Unrestricted	543,848	160,240	704,088
Total Net Position	<u>\$ 3,750,931</u>	<u>160,240</u>	<u>3,911,171</u>

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

CITY OF HIGHWOOD, ILLINOIS

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

Year Ended April 30, 2013

	Waterworks and Sewerage Fund	Nonmajor Enterprise Fund - Garbage Fund	Total
Operating Revenues			
Public Charges for Services	\$ 878,821	248,488	1,127,309
Operating Expenses			
Personnel	371,967	25,080	397,047
Contractual Services	270,925	212,405	483,330
Materials and Supplies	25,806	7,000	32,806
Total Operating Expenses	668,698	244,485	913,183
Operating Income	210,123	4,003	214,126
Nonoperating Revenues (Expenses)			
Investment Income	1,373	263	1,636
Grant Revenue	495,171		495,171
Interest Subsidy	97,663		97,663
Miscellaneous Revenue	6,928	23,752	30,680
Miscellaneous Expense	(3)		(3)
Interest Expense	(394,368)		(394,368)
Fiscal Agent Fees	(1,430)		(1,430)
	205,334	24,015	229,349
Changes in Net Position	415,457	28,018	443,475
Net Position			
May 1, as Restated	3,335,474	132,222	3,467,696
April 30	\$ 3,750,931	160,240	3,911,171

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

CITY OF HIGHWOOD, ILLINOIS

Statement of Cash Flows - Proprietary Funds

Year Ended April 30, 2013

	Waterworks and Sewerage Fund	Nonmajor Enterprise Fund - Garbage Fund	Total
Cash Flows from Operating Activities			
Received from Customers	\$ 892,586	250,035	1,142,621
Paid to Suppliers for Grounds and Services	(289,593)	(205,625)	(495,218)
Paid to Employees for Services	(340,888)	(24,228)	(365,116)
Other Operating Expenses	(1,433)		(1,433)
	<u>260,672</u>	<u>20,182</u>	<u>280,854</u>
Cash Flows from Investing Activities			
Investment Income	1,373	263	1,636
Other Income	104,591	23,752	128,343
	<u>105,964</u>	<u>24,015</u>	<u>129,979</u>
Cash Flows from Noncapital Financing Activities			
Interfund Transactions	3,014,424	190	3,014,614
Cash Flows from Capital and Related Financing Activities			
Capital Grants	390,788		390,788
Proceeds from Loans	380,000		380,000
Bond Discount	2,603		2,603
Debt Retired	(278,863)		(278,863)
Interest Paid	(256,575)		(256,575)
Purchases of Capital Assets	(3,287,190)		(3,287,190)
	<u>(3,049,237)</u>	<u>-</u>	<u>(3,049,237)</u>
Net Increase in Cash and Cash Equivalents	331,823	44,387	376,210
Cash and Cash Equivalents			
May 1	668,399	131,145	799,544
April 30	<u>\$ 1,000,222</u>	<u>175,532</u>	<u>1,175,754</u>
Represented by			
Unrestricted	\$ 622,160	175,532	797,692
Restricted	378,062		378,062
	<u>\$ 1,000,222</u>	<u>175,532</u>	<u>1,175,754</u>

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

(Cont.)

CITY OF HIGHWOOD, ILLINOIS

Statement of Cash Flows - Proprietary Funds (Cont.)

Year Ended April 30, 2013

	Waterworks and Sewerage Fund	Nonmajor Enterprise Fund - Garbage Fund	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 210,123	4,003	214,126
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Other Operating Expenses	(1,433)		(1,433)
Changes in Assets and Liabilities			
Decrease in Accounts Receivables	13,765	1,547	15,312
Decrease in Prepaid Expenses	1,651		1,651
Increase in Accounts Payable	2,787	14,181	16,968
Decrease in Other Liabilities	33,779	451	34,230
Net Cash Provided by Operating Activities	<u>\$ 260,672</u>	<u>20,182</u>	<u>280,854</u>

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

CITY OF HIGHWOOD, ILLINOIS

Statement of Fiduciary Net Position - Fiduciary Funds

April 30, 2013

	Pension Trust Funds	Agency Fund
Assets		
Cash and Cash Equivalents	\$ 124,558	91,333
Investments		
U.S. Treasuries	902,016	
U.S. Agencies	2,584,680	
Mutual Funds	1,161,212	
Municipal Bonds	463,155	
Receivables, Net	-	
Accrued Interest	38,350	
Total Assets	<u>5,273,971</u>	<u>91,333</u>
Liabilities		
Accounts Payable	4,489	
Deposits		1,791
Due to Other Organizations		80,502
Due to City		9,040
Total Liabilities	<u>4,489</u>	<u>91,333</u>
Net Position		
Held in Trust for Pension Benefits	<u>\$ 5,269,482</u>	<u>-</u>

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

CITY OF HIGHWOOD, ILLINOIS

Statement of Changes in Fiduciary Net Position - Pension Trust Funds

Year Ended April 30, 2013

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer	\$ 271,034
Plan Members	101,034
Repayment of Refunds	42,228
	<u>414,296</u>
Investment Income	
Investment Income	169,267
Gains/Losses on Investments	133,058
Investment Expense	(20,498)
	<u>281,827</u>
Total Additions	<u>696,123</u>
Deductions	
Benefits	121,970
Administration	64,102
Refunds of Contributions	9,684
	<u>195,756</u>
Total Deductions	<u>195,756</u>
Change in Net Position	500,367
Net Position Held in Trust for Pension Benefits	
May 1	<u>4,769,115</u>
April 30	<u>\$ 5,269,482</u>

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

1. Summary of Significant Accounting Policies (Cont.)

A. Reporting Entity (Cont.)

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

Discretely Presented Component Unit

Highwood Public Library

The government-wide financial statements include the Highwood Public Library (Library) as a component unit. The Library is a legally separate organization. The Board of the Library is appointed by the Mayor with the approval of the City Council. The Library's budget and tax levy is subject to approval by the City Council. As a component unit, the Library's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended April 30, 2013. The Library does not issue separate financial statements.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

1. Summary of Significant Accounting Policies (Cont.)

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

Fund Financial Statements

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The **Capital Projects Fund** accounts for financial resources used for various capital projects related to the waterworks system and the streets of the City.

The City reports the following major enterprise fund:

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

1. Summary of Significant Accounting Policies (Cont.)

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

Fund Financial Statements (Cont.)

The City reports the following nonmajor governmental and enterprise funds:

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

Motor Fuel Tax Fund
E-911 Fund

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

Garbage Fund

In addition, the City reports the following fund types:

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

Police Pension Fund
Firefighters' Pension Fund

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

Escrow Fund

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

Government-Wide Financial Statements

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

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

Government-Wide Financial Statements (Cont.)

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of income taxes. Income taxes received after 60 days will be considered as available in order to properly reflect 12 months of revenue in the financial statements. The current fiscal problems facing the State of Illinois have caused delays in these payments. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

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

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

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

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

1. Summary of Significant Accounting Policies (Cont.)

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

Fund Financial Statements (Cont.)

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

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City adopted Governmental Accounting Standards No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB No. 63). GASB No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The City also adopted Governmental Accounting Standards No. 65, *Items Previously Reported as Assets and Liabilities* (GASB No. 65). GASB No. 65 reclassifies as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

The City reports deferred inflows of resources on its statement of net position. Deferred inflows of resources arise when resources are received by the City that represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. In subsequent periods, when the City has a legal claim to the resources, the deferred inflow of resources is removed from the statement of net position and revenue is recognized.

Accounting Estimates

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

D. Assets, Liabilities, and Net Position or Equity

Deposits and Investments

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

1. Summary of Significant Accounting Policies (Cont.)

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

Deposits and Investments (Cont.)

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

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

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

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

1. Summary of Significant Accounting Policies (Cont.)

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

Deposits and Investments (Cont.)

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

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

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

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

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

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

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

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

1. Summary of Significant Accounting Policies (Cont.)

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

Receivables

Property taxes for levy year 2012 attaches as an enforceable lien on January 1, 2012, on property values assessed as of the same date. Taxes are levied by December following the lien date (by passage of a Tax Levy Ordinance). The 2013 tax levy, which attached as an enforceable lien on the property as of January 1, 2013, has not been recorded as a receivable and deferral as of April 30, 2013, as the tax has not yet been levied by the City and will not be levied until December 2013 and, therefore, the levy is not measurable at April 30, 2013.

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

The County collects such taxes and remits them periodically. The 2012 property tax levy is recognized as a receivable and deferral in fiscal 2013, net the allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues. At April 30, 2013, the property taxes receivable and deferred tax revenue consisted of the estimated amount collectible from the 2012 levy.

Based on experience with real estate tax collections in the past, the City does not record an allowance for uncollectible accounts.

Interfunds

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

Restricted Assets

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

Capital Assets

Government-Wide Statements

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

1. Summary of Significant Accounting Policies (Cont.)

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

Capital Assets (Cont.)

Government-Wide Statements (Cont.)

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

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

The City did not maintain adequate records to report capital assets activity during fiscal year ended April 30, 2013.

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, 2013 are determined on the basis of current salary rates and include salary related payments. The City did not maintain adequate records to support the activity of the outstanding balances of compensated absences disclosed in Note 9.

Long-Term Obligations

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

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

1. Summary of Significant Accounting Policies (Cont.)

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

Claims and Judgments

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

Equity Classifications

Government-Wide Statements

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

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

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

Fund Financial Statements

There are five classifications of fund balance:

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

1. Summary of Significant Accounting Policies (Cont.)

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

Fund Financial Statements (Cont.)

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

2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Deficit Balances

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

As of April 30, 2013, no individual funds report a deficit balance.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2013

3. Deposits and Investments

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

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

	Carrying Value	Bank/Broker Statement Balances
Deposits	\$ 2,800,923	3,114,326
Illinois Funds	568,122	568,122
Investments	5,111,063	5,111,063
Petty Cash	600	600
	<u>\$ 8,480,708</u>	<u>8,794,111</u>

Reconciliation to financial statements:

Per Statement of Net Position

Unrestricted Cash and Investments	\$ 2,006,928
Restricted Cash and Investments	1,146,826

Per Statement of Net Position - Fiduciary Funds

Cash	124,558
U.S. Government and Agency Obligations	3,486,696
Mutual Funds	1,161,212
Municipal Bonds	463,155
Agency Fund	91,333
	<u>\$ 8,480,708</u>

Custodial Credit Risk

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

Deposits – As of April 30, 2013, none of the City's total bank balances were exposed to custodial credit risk.

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2013

3. Deposits and Investments (Cont.)

Credit Risk

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

All of the pensions' investments subject to credit risk had either AAA, AA+, or "AA ratings with their applicable rating agency, except for the following Municipal Bonds in the Police Pension Fund: DeKalb, IL rated AA-, Melrose Park, IL rated Baa2. The value of the DeKalb, IL and Melrose Park, IL Bonds at April 30, 2013 were \$21,758 and \$26,343, respectively.

Concentration of Credit Risk

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

At April 30, 2013, the City did not have any one individual investment (other than those issued or guaranteed by the U.S. Government) that represented more than 5% of its overall portfolio.

Interest Rate Risk

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

As of April 30, 2013, the City's investments in the Illinois Funds were due within one year.

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

Police Pension

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	Over 10
U.S. Treasuries	\$ 416,440		275,945	140,495	
U.S. Agencies	1,444,471	87,271	595,542	684,375	77,283
Municipal Bonds	250,402		110,679	104,785	34,938
	<u>\$ 2,111,313</u>	<u>87,271</u>	<u>982,166</u>	<u>929,655</u>	<u>112,221</u>
Not Subject to Interest Rate Risk					
	<u>Fair Value</u>				
Mutual Funds	<u>\$ 247,122</u>				

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2013

3. Deposits and Investments (Cont.)

Firefighters' Pension

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	Over 10
U.S. Treasuries	\$ 485,576		216,631	268,945	
U.S. Agencies	1,140,209	103,015	274,092	708,855	54,247
Municipal Bonds	212,753	51,311	90,591	35,913	34,938
	<u>\$ 1,838,538</u>	<u>154,326</u>	<u>581,314</u>	<u>1,013,713</u>	<u>89,185</u>

Not Subject to Interest Rate Risk

	Fair Value
Mutual Funds	<u>\$ 914,090</u>

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

4. Receivables

	General Fund	TIF Capital Projects Fund	Nonmajor and Other Funds	Total
Receivables				
Property Taxes	\$ 1,064,230	498,414		1,562,644
Sales Tax	110,149			110,149
Utility Tax	11,603			11,603
Intergovernmental - Sales Tax	133,301			133,301
Intergovernmental - Telecom	36,084			36,084
Intergovernmental - Use Tax	5,466			5,466
Intergovernmental - Income	202,232			202,232
Intergovernmental - Replacement	1,786			1,786
Motor Fuel Tax			9,295	9,295
Accounts	56,508		3,665	60,173
	<u>\$ 1,621,359</u>	<u>498,414</u>	<u>12,960</u>	<u>2,132,733</u>

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

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 fiscal year and had not been spent entirely out of the escrow at April 30, 2013.

Following is a list of restricted assets at April 30, 2013:

	Restricted Assets	Noncurrent Liabilities Payable from Restricted Assets	Restricted Net Assets
<u>Governmental Activities</u>			
Unspent Bond Proceeds	\$ 321,729	(321,729)	
Deposits in Escrow	281,531	(281,531)	
<u>Business-Type Activities</u>			
Deposits in Escrow	378,062	(378,062)	
Total	<u>\$ 981,322</u>	<u>(981,322)</u>	-

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2013

6. Capital Assets

A. Governmental Activities

The City did not maintain adequate records to report capital assets in the current or prior year. Therefore, no activity, including depreciation, has been reported in governmental activities. The City recorded additions to infrastructure in the enterprise fund financial statements to account for significant additions associated with the Western Ave. Lift Station Grant and the 2010 A and B Bonds which were transferred to enterprise fund debt in the current fiscal year. Following is the governmental activities balance carried forward from the beginning of the year which has been included in the statement of net position:

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2013

6. Capital Assets

B. Business-Type Activities

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

	Restated Balances May 1	Additions	Deletions	Balances April 30
Capital Assets Not Being Depreciated				
Land	\$ 83,196			83,196
Capital Assets Being Depreciated				
Buildings and Improvements	1,045,984			1,045,984
Machinery and Equipment	231,730			231,730
Waterworks and Sewerage System	5,234,094	3,287,190		8,521,284
	<u>6,511,808</u>	<u>3,287,190</u>	-	<u>9,798,998</u>
Less Accumulated Depreciation for				
Buildings and Improvements	667,463			667,463
Machinery and Equipment	231,730			231,730
Waterworks and Sewerage System	1,548,255			1,548,255
	<u>2,447,448</u>	-	-	<u>2,447,448</u>
Total Capital Assets Being Depreciated, Net	<u>4,064,360</u>	<u>3,287,190</u>	-	<u>7,351,550</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,147,556</u>	<u>3,287,190</u>	-	<u>7,434,746</u>

7. Interfund Transactions

A. Interfund Receivables/Payables

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

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2013

7. Interfund Transactions (Cont.)

A. Interfund Receivables/Payables (Cont.)

The following is a schedule of interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
Water and Sewer	Capital Projects Fund	\$ 221,285
TIF Capital Projects Fund	Water and Sewer	103,182
TIF Capital Projects Fund	General	<u>124</u>
Total - Fund Financial Statements		324,591
Less: Government-wide Eliminations		(124)
Less: Offsetting balances between Business-Type and Governmental Activities		<u>(206,364)</u>
Total Internal Balances - Government-wide Statement of Net Position		<u><u>\$ 118,103</u></u>
Agency	General	<u><u>\$ 9,040</u></u>

All amounts are due within one year.

B. Transfers

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

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
TIF Capital Projects	TIF Debt Service	\$ 1,451,349	To closeout TIF Debt Service fund.
Capital Projects	Motor Fuel Tax	150,000	To reimburse for street expenditures associated with project with Motor Fuel Tax funds.
		<u><u>1,601,349</u></u>	

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2013

8. Deferred Inflows of Resources and Unearned Income

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At the end of the current fiscal year, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Deferred Inflows of Resources	Unearned	Total
Property Taxes Receivable for Subsequent Year	\$ 1,517,429		1,517,429
Telecom Tax	10,876		10,876
Sales Tax	86,034		86,034
Rental Income Received in Advance		132,179	132,179
 Total Deferred/Unearned Revenue for Governmental Funds	 \$ 1,614,339	 132,179	 1,746,518

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

	Deferred Inflows of Resources	Unearned	Total
Property Taxes Receivable for Subsequent Year	\$ 1,517,429		1,517,429
Rental Income Received in Advance		132,179	132,179
 Total Deferred/Unearned Revenue per Statement of Net Position	 \$ 1,517,429	 132,179	 1,649,608

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

9. Long-Term Debt Obligations

Long-term Obligations activity for the year ended April 30, 2013 were as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
<u>Governmental Activities</u>					
Bonds and Notes Payable					
Alternative Revenue Bonds	\$ 2,943,637 *	36,774	160,000	2,820,411	195,000
Capital Leases Payable		301,515	6,121	295,394	58,672
Loans Payable		320,000		320,000	52,669
Note Payable	12,385		10,574	1,811	1,811
	<u>2,956,022</u>	<u>659,680</u>	<u>176,695</u>	<u>3,437,616</u>	<u>308,152</u>
Other Liabilities					
Vested Compensated Absences	202,443	1,249		203,692	40,738
Net Pension Obligation	39,876	6,576		46,452	
	<u>242,319</u>	<u>7,825</u>	<u>-</u>	<u>250,144</u>	<u>40,738</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 3,198,341</u>	<u>667,505</u>	<u>176,695</u>	<u>3,687,760</u>	<u>348,890</u>

* Represents accreted interest on Capital Appreciation Bonds

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
<u>Business-Type Activities</u>					
Bonds and Notes Payable					
Alternative Revenue Bonds	\$ 360,000		220,000	140,000	140,000
2010A General Obligation Build America Bonds	800,000			800,000	
2010B General Obligation Build Recovery Zone Economic Development Bonds	3,000,000			3,000,000	
Bond Discount	(32,794)		(2,603)	(30,191)	
Loan Payable		380,000		380,000	34,539
IEPA Loan	661,009		58,863	602,146	60,364
	<u>4,788,215</u>	<u>380,000</u>	<u>276,260</u>	<u>4,891,955</u>	<u>234,903</u>
Other Liabilities					
Vested Compensated Absences	8,201		1,027	7,174	
Total Governmental Activities Long-Term Liabilities	<u>\$ 4,796,416</u>	<u>380,000</u>	<u>277,287</u>	<u>4,899,129</u>	<u>234,903</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2013

9. Long-Term Debt Obligations (Cont.)

The General Fund is expected to pay the Net Pension Obligation. For the governmental activities, the compensated absences are generally liquidated by the General Fund. The City is subject to the Illinois Municipal Code, which limits the amount of certain indebtedness to 8.625% of the most recent available equalized assessed valuation of the City. As of April 30, 2013, the statutory debt limit for the City was \$10,875,580, providing a debt margin of \$4,145,360.

Alternative Revenue Debt

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

Governmental Activities Alternative Revenue Debt

Alternative revenue debt payable at April 30, 2013 consists of the following:

Governmental Activities Alternative Revenue Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance April 30, 2013
Series 2002	2002	1/1/2022	3.70%-5.10%	\$ 2,330,000	\$ 2,125,000
Series 2002 CAB	2002	1/1/2021	4.00%-5.40%	624,207	695,411
Total Governmental Activities - Alternative Revenue Debt					<u>\$ 2,820,411</u>

Business-Type Activities Alternative Revenue Debt

Business-Type Activities Alternative Revenue Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 4/30/2013
Series 2004	2004	5/1/2014	1.30%-3.70%	\$ 1,860,000	<u>\$ 140,000</u>

General Obligation Debt

Business-Type Activities General Obligation Debt

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

General obligation debt payable at April 30, 2013, consists of the following:

Governmental Activities Alternative Revenue Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 4/30/2013
Series 2010A	2011	12/1/2019	3.22%-4.72%	\$ 800,000	\$ 800,000
Series 2010B	2011	12/1/2033	5.62%-6.84%	3,000,000	3,000,000
Total Governmental Activities - General Obligation Debt					<u>\$ 3,800,000</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

9. Long-Term Debt Obligations (Cont.)

Debt service requirements to maturity are as follows:

Year	Governmental Activities Alternative Revenue Source		Business-Type Activities Alternative Revenue Source	
	Principal	Interest	Principal	Interest
2014	\$ 195,000	100,643	\$ 140,000	5,180
2015	230,000	95,458		
2016	265,000	88,884		
2017	300,000	80,776		
2018	345,000	70,590		
2019-2022	1,660,000	139,840		
	<u>\$ 2,995,000</u>	<u>576,191</u>	<u>\$ 140,000</u>	<u>5,180</u>

Year	2010A General Obligation Build America Bonds			2010B General Obligation Recovery Zone Economic Development Bonds		
	Principal	Gross Interest	Net Interest*	Principal	Gross Interest	Net Interest**
2014	\$	33,560	21,814	\$	190,926	105,009
2015	140,000	33,560	21,814		190,926	105,009
2016	140,000	29,052	18,883		190,926	105,009
2017	150,000	24,544	15,954		190,926	105,009
2018	150,000	17,464	11,352		190,926	105,009
2019-2023	220,000	13,452	8,744	605,000	910,513	500,782
2024-2028				975,000	676,529	372,091
2029-2033				1,160,000	332,766	183,021
2034				260,000	17,784	9,781
	<u>\$ 800,000</u>	<u>151,632</u>	<u>98,561</u>	<u>\$ 3,000,000</u>	<u>2,892,222</u>	<u>1,590,720</u>

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

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

Other Notes or Loans Payable

The City entered into a commercial loan agreement with Hometown National Bank for the purchase and installation of LED streetlights. The total amount of the note is \$165,000. The note was dated November 21, 2012, with five future minimum payments of \$35,703 including interest at 2.850%, beginning on September 15, 2013 and ending on September 15, 2017. The streetlights purchased through the commercial loan have not yet been reported in the City's capital asset records due to the City's qualified opinion on capital assets. See Note 6 for further detail.

The City entered into a commercial loan agreement with Hometown National Bank for the purchase of fire alarm monitoring equipment. The total amount of the note is \$155,000. The note was dated November 21, 2012, with seven future minimum payments of \$24,861 including interest at 3.120%, beginning on September 15, 2013 and ending on September 15, 2019. The equipment purchased through the commercial loan has not yet been reported in the City's capital asset records due to the City's qualified opinion on capital assets. See Note 6 for further detail.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

9. Long-Term Debt Obligations (Cont.)

Other Bonds or Notes or Loans Payable (Cont.)

The City entered into a commercial loan agreement with Midwest Bank for the purchase and installation of a new water meter and monitoring system. The total amount of the note is \$380,000. The note was dated September 15, 2012, with ten future minimum payments of \$45,134 including interest at 2.600%, beginning on September 15, 2013 and ending on September 15, 2022. The equipment purchased through the commercial loan has not yet been reported in the City's capital asset records due to the City's qualified opinion on capital assets. See Note 6 for further detail.

Governmental Activities - Other Notes or Loans Payable	Date of Issue	Original Indebtedness	Final Maturity	Interest Rates	Balance April 30, 2013
Note Payable of 2009	2009	\$ 48,685	6/30/2013	4.62%	<u>\$ 1,811</u>
LED Light Loan	2012	\$ 165,000	9/15/2017	2.85%	\$ 165,000
Fire Alarm Monitoring Equipment Loan	2012	155,000	9/15/2019	3.12%	<u>155,000</u>
					<u>\$ 320,000</u>

Business-Type Activities - Other Notes or Loans Payable	Date of Issue	Original Indebtedness	Final Maturity	Interest Rates	Balance April 30, 2013
Illinois Environmental Protection Agency (IEPA) Loan Payable of 2002	2002	\$ 1,170,000	12/30/2021	2.54%	<u>\$ 602,146</u>
Water Meter Loan	2012	\$ 380,000	9/15/2022	Various	<u>\$ 380,000</u>

Debt service requirements to maturity are as follows:

Year	Governmental Activities Other Bonds or Notes or Loans Payable		Business-Type Activities Other Bonds or Notes or Loans Payable	
	Principal	Interest	Principal	Interest
2014	\$ 54,479	7,907	\$ 94,903	25,480
2015	52,583	7,981	95,402	24,981
2016	54,137	6,427	98,111	22,272
2017	55,738	4,826	100,896	19,487
2018	57,386	3,178	103,762	16,620
2019-2023	47,488	2,234	489,072	37,591
	<u>\$ 321,811</u>	<u>32,553</u>	<u>\$ 982,146</u>	<u>146,431</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

9. Long-Term Debt Obligations (Cont.)

Capital Leases Payable

The City entered into a capital lease agreement with Hometown National Bank for the purchase of three police vehicles and equipment. The total amount of the lease is \$99,495. The lease was dated October 5, 2012, with three future minimum payments of \$35,249 including interest at 3.110%, beginning on October 5, 2013 and ending on October 5, 2015. The equipment purchased through the capital lease has not yet been reported in the City's capital asset records due to the City's not reporting its capital assets activity. See Note 6 for further information.

The City entered into a capital lease agreement with Central Trust Bank for the purchase of a public works vehicle and equipment. The total amount of the lease is \$202,020. The lease was dated October 16, 2012, with 28 future minimum payments of \$8,066 including interest at 3.090%, beginning on April 1, 2013 and ending on January 1, 2020. The equipment purchased through the capital lease has not been reported in the City's capital asset records due to the City's not reporting its capital assets activity. See Note 6 for further information.

Governmental Activities - Capital Leases Payable	Date of Issue	Original Indebtedness	Final Maturity	Interest Rates	Balance April 30, 2013
Police Vehicles Capital Lease	2012	\$ 99,495	10/15/2015	3.11%	<u>\$ 99,495</u>
Public Works Capital Lease	2012	\$ 202,020	1/1/2020	3.00%	<u>\$ 195,899</u>

Debt service requirements to maturity are as follows:

Year	Governmental Activities Other Bonds or Notes or Loans Payable	
	Principal	Interest
2014	\$ 58,672	8,842
2015	60,501	7,013
2016	62,387	5,127
2017	29,083	3,183
2018	29,992	2,274
2019-2020	54,759	1,705
	<u>\$ 295,394</u>	<u>28,144</u>

Conduit Debt

The City issued \$5,830,000 of Industrial Project Revenue Bonds for the B'nai Torah Project during the year ended April 30, 2007. The City has no obligation to pay this debt. The Project Revenue Bonds were refunded during the year ended April 30, 2013. The Project Revenue Bonds for the B'nai Torah Project had an outstanding balance of \$5,495,280 at April 30, 2013.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

10. Highwood Public Library – Component Unit

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

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

A. Basis of Accounting/Measurement Focus

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

B. Deposits and Investments

	<u>Carrying Value</u>	<u>Statement Balance</u>
The Illinois Funds	\$ 341,926	341,632

C. Custodial Credit Risk

Deposits

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

Investments

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

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

D. Interest Rate Risk

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

As of April 30, 2013, the Library's investments in The Illinois Funds were all due within one year.

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2013

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

E. Capital Assets

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

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

11. Defined Benefit Pension Plans

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

A. Illinois Municipal Retirement Fund

Plan Description

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

Funding Policy

As set by State statute, Regular plan members are required to contribute 4.50% of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City contribution rate for calendar year 2012 was 11.42% of annual covered payroll. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

11. Defined Benefit Pension Plans (Cont.)

A. Illinois Municipal Retirement Fund (Cont.)

Annual Pension Cost, Net Pension Obligation and Actuarial Assumptions

For December 31, 2012, the City's actual contributions were \$68,653. The annual pension cost was \$68,653. The required contribution for 2012 was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method.

The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative and direct investment expenses); (b) projected salary increases of 4% a year attributable to inflation; (c) additional projected salary increases ranging from .4% to 10% per year, depending on age and service attributable to seniority/merit; and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The employer plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at the December 31, 2010 valuation was 30 years.

As of December 31, 2012, the most recent actuarial valuation date, the Regular Plan was 84.52% funded. The actuarial accrued liability was \$2,842,408 and the actuarial value of assets was \$2,402,476, resulting in an unfunded actuarial accrued liability of \$439,932. The covered payroll for 2012 was \$601,163 and the ratio of the UAAL to the covered payroll was 73.18%.

In addition, certain public safety employees were previously covered by the IMRF Sheriff's Law Enforcement Personnel (SLEP) Plan. The SLEP Plan was 328.67% funded. Actuarial accrued liability was \$15,300 and actuarial value of assets was \$50,287, resulting in an overfunded actuarial accrued liability of \$34,987.

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

Three-Year Trend Information for the Regular Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2012	\$ 68,653	100.00%	0
12/31/2011	62,544	100.00%	0
12/31/2010	80,887	100.00%	0

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2013

11. Defined Benefit Pension Plans (Cont.)

A. Illinois Municipal Retirement Fund (Cont.)

Three-Year Trend Information for the SLEP Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2012	\$	100.00%	0
12/31/2011		100.00%	0
12/31/2010	6,227	100.00%	0

B. Police Pension

Plan Description and Provisions

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

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

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2013

11. Defined Benefit Pension Plans (Cont.)

B. Police Pension (Cont.)

Plan Description and Provisions (Cont.)

The City's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2013 was \$489,862. At April 30, 2013, the Police Pension Plan's membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but Not Yet Receiving Them	6
Current Employees	
Vested	4
Nonvested	5
Total	15

Summary Significant Accounting Policies

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

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

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

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

Concentration of Investments – The Police Pension Fund did not have any investments (other than U.S. Government and U.S. Government guaranteed obligations) in any one organization that represents 5% or more of net assets available for benefits).

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

11. Defined Benefit Pension Plans (Cont.)

C. Firefighters' Pension Plan

Plan Description and Provisions

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

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

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

The City's payroll for employees covered by the Firefighters' Pension Plan for the year ended April 30, 2013 was \$437,230. At April 30, 2013, the Firefighters' Pension Plan's membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits but Not Yet Receiving Them	4
Current Employees	
Vested	4
Nonvested	<u>4</u>
Total	<u>12</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

11. Defined Benefit Pension Plans (Cont.)

C. Firefighters' Pension Plan (Cont.)

Summary Significant Accounting Policies

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

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

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

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

Concentrations of Investments – The Firefighters' Pension Fund did not have any investments (other than U.S. government and U.S. government guaranteed obligations) in any one organization that represents 5% or more of net assets available for benefits.

D. Summary of Significant Accounting Policies and Plan Asset Matters

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2013

11. Defined Benefit Pension Plans (Cont.)

D. Summary of Significant Accounting Policies and Plan Asset Matters (Cont.)

Computation of Net Pension Obligation (Asset) at April 30, 2013

	Police Pension	Firefighters' Pension	Total
Annual Required Contribution	\$ 150,630	133,712	284,342
Interest on the NPO	2,691	(651)	2,040
Adjustments to the ARC	(1,633)	439	(1,194)
Annual Pension Cost	151,688	133,500	285,188
Contributions Made	145,112	125,922	271,034
Change in the Net Pension Obligation (Asset)	6,576	7,578	14,154
Net Pension Obligation (Asset) at May 1, 2012	39,876	(9,656)	30,220
Net Pension Obligation (Asset) at April 30, 2013	<u>\$ 46,452</u>	<u>(2,078)</u>	<u>44,374</u>

E. Financial Statement Information

Statement of Net Position

	Police Pension	Firefighters' Pension
Assets		
Cash, Cash Equivalents and Investments	\$ 2,419,959	2,815,662
Interest Receivable	21,181	17,169
Total Assets	2,441,140	2,832,831
Liabilities		
Other Payables	2,575	1,914
Net Position		
Held in Trust for Pension Benefits	<u>\$ 2,438,565</u>	<u>2,830,917</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2013

11. Defined Benefit Pension Plans (Cont.)

E. Financial Statement Information (Cont.)

Statement of Changes in Net Position

	Police Pension	Firefighters' Pension
Additions		
Contributions		
Employer	\$ 145,112	125,922
Plan Members	59,505	41,529
Repayment of Refunds		42,228
	<u>204,617</u>	<u>209,679</u>
Investment Income		
Net Appreciation in Fair Value of Investments	104,134	198,191
Investment Fees	(9,686)	(10,812)
	<u>94,448</u>	<u>187,379</u>
Total Additions	<u>299,065</u>	<u>397,058</u>
Deductions		
Administration	41,594	22,508
Benefits	101,942	20,028
Refunds of Contributions	9,684	
	<u>153,220</u>	<u>42,536</u>
Total Deductions	<u>153,220</u>	<u>42,536</u>
Change in Net Position	145,845	354,522
Net Position		
Beginning	<u>2,292,720</u>	<u>2,476,395</u>
Ending	<u>\$ 2,438,565</u>	<u>2,830,917</u>

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

11. Defined Benefit Pension Plans (Cont.)

F. Significant Actuarial Assumptions

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

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial Valuation Date	December 31, 2012	April 30, 2012	April 30, 2012
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Market Value	Market Value	Market Value
Amortization Method	Level Percentage of Projected Payroll - Closed Basis	Level Percentage of Projected Payroll - Closed Basis	Level Percentage of Projected Payroll - Closed Basis
Significant Actuarial Assumptions			
(a) Remaining Amortization Period (Years)	30	30	30
(b) Rate of Return on Investment of Present and Future Assets	7.50% Compounded Annually	6.75% Compounded Annually	6.75% Compounded Annually
(c) Projected Salary Increases - Attributable to Inflation	4.00% Compounded Annually	5.50% Compounded Annually	5.50% Compounded Annually
(d) Additional Projected Salary Increases - Attributable to Seniority/Merit	0.4% to 10.0%	<i>(Note: Separate Information for (c) and (d) not available)</i>	
(e) Postretirement Benefit Increases	3.00%	3.00% Compounded Annually	3.00% Compounded Annually

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

11. Defined Benefit Pension Plans (Cont.)

G. Funding Status at April 30, 2013 (Police and Fire Pension as of April 30, 2012 which is the most recent available date).

Plan	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
Illinois Municipal Retirement	\$ 2,402,476	2,842,408	439,932	84.52%	601,163	73.18%
IMRF - SLEP	50,287	15,300	(34,987)	328.67%		N/A
Police Pension	2,292,720	3,603,045	1,310,325	63.63%	597,167	219.42%
Firefighters' Pension	2,476,395	3,149,852	673,457	78.62%	431,021	156.25%

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

H. Trend Information

	Fiscal Year	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual Pension Cost	2013	\$ 68,653	150,630	133,712
	2012	62,544	168,328	125,932
	2011	80,877	199,483	143,733
Percent Contributed	2013	100%	96.31%	94.15%
	2012	100%	99.00%	100.30%
	2011	100%	83.50%	99.90%
Net Pension Obligation (Asset)	2013		46,452	(2,078)
	2012		39,876	(9,656)
	2011		38,189	8,912

12. Risk Management

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

12. Risk Management (Cont.)

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

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

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

13. Tax Increment Financing Districts

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

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

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

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
 April 30, 2013

14. Restatements

During the current fiscal year, the City adjusted beginning net position and fund balance to correctly reflect the 2010 A and B General Obligation Bonds in the Waterworks and Sewerage Fund and to recognize the expenditures associated with those proceeds as infrastructure assets in the Waterworks and Sewerage Fund. It was determined that these bond proceeds were initially issued for Waterworks and Sewerage related infrastructure projects and were intended to be funded by the Waterworks and Sewerage Fund. As a result, the related debt is now being presented in the Waterworks and Sewerage Fund. A prior period adjustment has been posted to correctly reflect the net position and fund balance at May 1, 2012 for Governmental Activities, Business-Type Activities, the Waterworks and Sewerage Fund, and the Capital Projects Fund.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	<u>Waterworks and Sewerage Fund</u>		<u>Capital Projects Fund</u>
Balance, as Previously Reported	\$ 2,427,872					\$ 3,131,993
Remove Liability for Bonds Payable (1)	3,800,000					
Remove Bond Discount (2)	(32,794)					
Remove Bond Issuance Costs (3)	(40,767)					
Record Due to Other Funds for Cash Held in Capital Projects Fund for Water Fund (4)	<u>(3,131,993)</u>					<u>(3,131,993)</u>
Balance, as Restated	<u>\$ 3,022,318</u>					<u>\$ -</u>
Balance, as Previously Reported		\$ 3,612,069	3,479,847			
Record Liability for Bonds Payable (per 1 above)		(3,800,000)	(3,800,000)			
Record Bond Discount (per 2 above)		32,794	32,794			
Record Bond Issuance Costs (per 3 above)		40,767	40,767			
Record Due to Other Funds for Cash Held in Capital Projects Fund for Water Fund (per 4 above)		3,131,993	3,131,993			
Record Infrastructure Expended in Prior Fiscal Years		<u>450,073</u>	<u>450,073</u>			
Balance, as Restated		<u>\$ 3,467,696</u>	<u>3,335,474</u>			

CITY OF HIGHWOOD, ILLINOIS

Notes to the Financial Statements
April 30, 2013

15. Subsequent Events

On July 31, 2013, the City issued \$2,160,000 of General Obligation Refunding Bonds, Series 2013 to currently refund a portion of the City's outstanding General Obligation Bonds, Series 2002, and pay the costs associated with the issuance of the Bonds. The Bonds will be paid over nine years with a final maturity of January 1, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIGHWOOD, ILLINOIS

Required Supplemental Information

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

Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Property Taxes	\$ 975,000	971,710	(3,290)
Other Taxes	1,017,000	955,392	(61,608)
Licenses and Permits	294,000	367,814	73,814
Intergovernmental	1,011,190	1,170,209	159,019
Charges for Services	724,850	874,685	149,835
Fines and Forfeits	116,000	105,473	(10,527)
Interest	1,250	1,294	44
Miscellaneous	215,500	155,223	(60,277)
Total Revenues	4,354,790	4,601,800	247,010
Expenditures			
Current			
General Government	1,522,746	969,644	(553,102)
Public Safety	2,396,404	2,592,427	196,023
Public Works	660,780	565,067	(95,713)
Culture and Recreation	137,508	121,351	(16,157)
Capital Outlay	185,887	466,702	280,815
Debt Service			
Principal	27,000	16,695	(10,305)
Interest		2,295	2,295
Total Expenditures	4,930,325	4,734,181	(196,144)
Excess (Deficiency) of Revenues over Expenditures	(575,535)	(132,381)	443,154
Other Financing Sources			
Proceeds from Capital Leases	77,000	191,176	114,176
Proceeds from Loan		320,000	320,000
Proceeds from Sale of Capital Assets	6,000	630	(5,370)
Total Other Financing Sources	83,000	511,806	428,806
Net Change in Fund Balance	\$ (492,535)	379,425	871,960
Fund Balance			
May 1		356,571	
April 30		735,996	

See accompanying Note to the Required Supplementary Information.

CITY OF HIGHWOOD, ILLINOIS

Note to the Required Supplementary Information
April 30, 2013

Legal Compliance and Accountability

Budgetary Control

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

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

Expenditures may not legally exceed the appropriations at the fund level. During the year, no supplemental appropriations were necessary. At year end, the TIF Capital Projects Fund and TIF Debt Service Fund had expenditures that exceeded its appropriations in the amount of \$190,762 and \$238, respectively.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Illinois Municipal Retirement Fund

Schedule of Funding Progress

April 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2012	\$ 2,402,476	2,842,408	439,932	84.52 %	601,163	73.18 %
12/31/2011	2,211,696	2,635,602	423,906	83.92	619,865	68.39
12/31/2010	2,064,846	2,399,137	334,291	86.07	746,097	44.81
12/31/2009	1,886,488	2,147,187	260,699	87.86	822,056	31.71
12/31/2008	1,744,188	2,094,211	350,023	83.29	769,289	45.50
12/31/2007	2,098,077	2,015,687	(82,390)	104.09	731,709	(11.26)
12/31/2006	1,865,326	1,802,207	(63,119)	103.50	685,389	(9.21)

On a market basis, the actuarial value of assets as of December 31, 2011 is \$2,467,557. On a market basis, the funded ratio would be 86.81%.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

IMRF Sheriff's Law Enforcement Personnel Fund

Schedule of Funding Progress

April 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2012	\$ 50,287	15,300	(34,987)	328.67 %		%
12/31/2011	46,897	34,526	(12,371)	135.83		
12/31/2010	46,713	22,477	(24,236)	207.83	55,551	(43.63)
12/31/2009	35,273	2,544	(32,729)	1,386.52	74,092	(44.17)
12/31/2008	19,313	(11,961)	(31,274)	(161.47)	35,767	(87.44)
12/31/2007	14,376		(14,376)			

On a market basis, the actuarial value of assets as of December 31, 2011 is \$51,309. On a market basis, the funded ratio would be 335.35%.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Police Pension Fund

Schedule of Funding Progress

April 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
4/30/2012	\$ 2,292,720	3,603,045	1,310,325	63.63 %	597,167	219.42 %
4/30/2011	2,061,401	3,177,105	1,115,704	64.88	525,726	212.22
4/30/2010	1,861,066	2,904,501	1,043,435	64.08	567,861	183.75
4/30/2009	1,598,682	2,751,955	1,153,273	58.09	672,107	171.59
4/30/2008	1,504,144	2,698,517	1,194,373	55.74	631,291	189.20
4/30/2007	1,395,043	2,831,873	1,436,830	49.26	560,355	256.41

Note:

Most recent available information as of April 30, 2012.

CITY OF HIGHWOOD, ILLINOIS

Required Supplementary Information

Firefighters' Pension Fund

Schedule of Funding Progress

April 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
4/30/2012	\$ 2,476,395	3,149,852	673,457	78.62 %	431,021	156.25 %
4/30/2011	2,205,453	2,914,491	709,038	75.67	481,019	147.40
4/30/2010	1,976,913	2,522,861	545,948	78.36	443,025	123.23
4/30/2009	1,728,065	2,361,523	633,458	73.18	494,424	128.12
4/30/2008	1,653,853	2,098,150	444,297	78.82	428,628	103.66
4/30/2007	1,584,019	1,977,168	393,149	80.12	368,998	106.55

Note:

Most recent available information as of April 30, 2012.

**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, 2013

	Original and Final Budget	Actual
Taxes		
Property Tax	\$ 975,000	971,710
Non-Home Rule Sales Tax	600,000	576,420
Utility Taxes	417,000	378,972
	<u>1,992,000</u>	<u>1,927,102</u>
Licenses and Permits		
Licenses	265,000	325,717
Permits	29,000	42,097
	<u>294,000</u>	<u>367,814</u>
Intergovernmental		
Income Tax	415,104	542,739
Sales Tax	500,000	478,269
Replacement Tax	8,430	8,915
Fire Insurance Tax (2% Fire Dues)	5,500	6,003
Local Use Tax	82,156	85,870
Municipal Gas Tax		23,797
Grants		24,616
	<u>1,011,190</u>	<u>1,170,209</u>
Charges for Services		
Developers Fees		1,311
Parking Fees	53,000	46,663
Cable Franchise Fees	38,000	47,970
Zoning and Planning Fees	45,900	77,205
Rental Fees	342,000	339,930
Ambulance Fees	40,000	62,893
Alarm Systems and Calls	20,000	9,282
Seized Autos	40,000	46,250
Refunds and Reimbursements	25,600	87,505
Park Recreation Fees	111,000	124,703
2H Agreement		16,590
Miscellaneous Fees and Fines	9,350	14,383
	<u>724,850</u>	<u>874,685</u>
Fines and Forfeits		
Police Fines	41,000	37,055
Court Fines	75,000	68,418
	<u>116,000</u>	<u>105,473</u>
Interest		
Investment Income	1,250	1,294

(Cont.)

CITY OF HIGHWOOD, ILLINOIS

General Fund

Schedule of Revenues - Budget and Actual (Cont.)

Year Ended April 30, 2013

	Original and Final Budget	Actual
Miscellaneous		
Special Event Revenue	205,500	90,162
Donations	8,000	19,390
Miscellaneous Income	2,000	45,671
	<u>215,500</u>	<u>155,223</u>
 Total Revenue	 <u>\$ 4,354,790</u>	 <u>4,601,800</u>

CITY OF HIGHWOOD, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual

Year Ended April 30, 2013

	Original and Final Budget	Actual
General Government		
Administration		
Personnel	\$ 321,044	297,444
Contractual Services	233,044	221,376
Materials and Supplies	8,750	4,970
Miscellaneous	208,700	144,667
	<u>771,538</u>	<u>668,457</u>
Legal		
Contractual Services	236,000	140,072
Lawsuit Settlements	400,000	46,025
	<u>636,000</u>	<u>186,097</u>
Building, Zoning and Health Department		
Personnel	31,908	60,880
Contractual Services	78,300	44,971
Materials and Supplies		140
Miscellaneous	5,000	9,099
	<u>115,208</u>	<u>115,090</u>
Capital Outlay		
Equipment - General Administration	5,000	
	<u>5,000</u>	
Total General Government	<u>1,527,746</u>	<u>969,644</u>
Public Safety		
Police Department		
Personnel	934,160	1,013,463
Contractual Services	162,800	147,324
Materials and Supplies	46,300	50,911
Miscellaneous	400	738
	<u>1,143,660</u>	<u>1,212,436</u>
Fire Department		
Personnel	1,034,684	1,160,876
Contractual Services	176,560	179,592
Materials and Supplies	37,500	37,196
Miscellaneous	4,000	2,327
	<u>1,252,744</u>	<u>1,379,991</u>
Capital Outlay		
Police - Equipment	128,372	136,957
Fire	15,015	75,627
	<u>143,387</u>	<u>212,584</u>
Total Public Safety	<u>2,539,791</u>	<u>2,805,011</u>

(Cont.)

CITY OF HIGHWOOD, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual (Cont.)

Year Ended April 30, 2013

	Original and Final Budget	Actual
Public Works		
Highways and Streets		
Personnel	347,505	330,109
Contractual Services	194,275	160,939
Street Light Maintenance	50,000	5,940
Materials and Supplies	55,000	61,541
Miscellaneous	14,000	6,538
	<u>660,780</u>	<u>565,067</u>
Capital Outlay		
Public Works	37,000	254,118
	<u>37,000</u>	<u>254,118</u>
Total Public Works	<u>697,780</u>	<u>819,185</u>
Culture and Recreation		
Parks and Recreation		
Personnel	45,892	34,733
Contractual Services	37,450	46,671
Supplies and Materials	2,125	806
Special Events	51,000	37,032
Miscellaneous	1,041	2,109
	<u>137,508</u>	<u>121,351</u>
Capital Outlay		
Culture and Recreation	500	
	<u>500</u>	
Total Culture and Recreation	<u>138,008</u>	<u>121,351</u>
Debt Service		
Principal	27,000	16,695
Interest		2,295
	<u>27,000</u>	<u>18,990</u>
Total Debt Service	<u>27,000</u>	<u>18,990</u>
Total Expenditures	<u>\$ 4,930,325</u>	<u>4,734,181</u>

CITY OF HIGHWOOD, ILLINOIS

TIF Debt Service Fund (Major Fund)

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

Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Investment Income	\$	238	238
Expenditures			
Excess of Revenues over Expenditures	-	238	238
Other Financing Uses			
Transfers Out	(1,400,000)	(1,451,349)	(51,349)
Net Change in Fund Balance	<u>\$ (1,400,000)</u>	(1,451,111)	<u>(51,111)</u>
Fund Balance			
May 1		<u>1,451,111</u>	
April 30		<u>-</u>	

CITY OF HIGHWOOD, ILLINOIS

Capital Projects Fund (Major Fund)

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

Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Intergovernmental			
Grants	\$ 664,500	87,568	(576,932)
Investment Income	4,000		(4,000)
Miscellaneous Income	103,360		(103,360)
Total Revenues	<u>771,860</u>	<u>87,568</u>	<u>(684,292)</u>
Expenditures			
Capital Outlay	3,961,863	237,568	(3,724,295)
Interest and Fiscal Agent Fees	161,074		(161,074)
Total Expenditures	<u>4,122,937</u>	<u>237,568</u>	<u>(3,885,369)</u>
Excess (Deficiency) of Revenues over Expenditures	(3,351,077)	(150,000)	3,201,077
Other Financing Sources			
Transfers In		150,000	150,000
Net Change in Fund Balance	<u>\$ (3,351,077)</u>		<u>3,351,077</u>
Fund Balance			
Beginning of Year, as Restated		_____	
End of Year		<u> -</u>	

NONMAJOR GOVERNMENTAL FUNDS

CITY OF HIGHWOOD, ILLINOIS

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2013

	<u>Special Revenue Funds</u>		Total Nonmajor Government Funds
	Motor Fuel Tax Fund	E-911 Fund	
Assets			
Cash and Investments	\$ 129,821	52,061	181,882
Accounts Receivable	9,295	3,665	12,960
Total Assets	<u>\$ 139,116</u>	<u>55,726</u>	<u>194,842</u>
Liabilities			
Accounts Payable	<u>\$ 3,859</u>	<u>2,807</u>	<u>6,666</u>
Fund Balances			
Restricted			
Road Construction	135,257		135,257
Public Safety		52,919	52,919
Total Fund Balances	<u>135,257</u>	<u>52,919</u>	<u>188,176</u>
Total Liabilities and Fund Balances	<u>\$ 139,116</u>	<u>55,726</u>	<u>194,842</u>

CITY OF HIGHWOOD, ILLINOIS

Nonmajor Governmental Funds

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

Year Ended April 30, 2013

	<u>Special Revenue Funds</u>		Total Nonmajor Government Funds
	Motor Fuel Tax Fund	E-911 Fund	
Revenues			
Other Taxes	\$	50,084	50,084
Intergovernmental	154,588		154,588
Investment Income	260	136	396
Total Revenues	<u>154,848</u>	<u>50,220</u>	<u>205,068</u>
Expenditures			
Current			
Public Safety		52,508	52,508
Public Works	146,005		146,005
Capital Outlay		3,601	3,601
Total Expenditures	<u>146,005</u>	<u>56,109</u>	<u>202,114</u>
Excess (Deficiency) of Revenues over Expenditures	8,843	(5,889)	2,954
Other Financing Uses			
Transfers Out	<u>(150,000)</u>		<u>(150,000)</u>
Net Change in Fund Balance	(141,157)	(5,889)	(147,046)
Fund Balance			
May 1 (as Restated)	<u>276,414</u>	<u>58,808</u>	<u>335,222</u>
April 30	<u>\$ 135,257</u>	<u>52,919</u>	<u>188,176</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, 2013

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Intergovernmental			
Motor Fuel Tax	\$ 134,585	154,588	20,003
Investment Income	400	260	(140)
Total Revenues	<u>134,985</u>	<u>154,848</u>	<u>19,863</u>
Expenditures			
Public Works			
Street Improvements	334,000	146,005	(187,995)
Capital Outlay	2,500		(2,500)
Total Expenditures	<u>336,500</u>	<u>146,005</u>	<u>(190,495)</u>
Excess (Deficiency) of Revenues over Expenditures	(201,515)	8,843	210,358
Other Financing Uses			
Transfers Out		(150,000)	(150,000)
Net Change in Fund Balance	<u>\$ (201,515)</u>	(141,157)	<u>60,358</u>
Fund Balance			
May 1		<u>276,414</u>	
April 30		<u><u>135,257</u></u>	

CITY OF HIGHWOOD, ILLINOIS

E-911 Fund

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

Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Taxes			
911 Surcharge	\$ 49,000	50,084	1,084
Investment Income	250	136	(114)
Total Revenues	<u>49,250</u>	<u>50,220</u>	<u>970</u>
Expenditures			
Public Safety			
Materials and Supplies	18,500	15,373	(3,127)
Contractual Services	7,300	4,494	(2,806)
Emergency Communication (911)	50,000	32,641	(17,359)
Capital Outlay			
Equipment	62,000	3,601	(58,399)
Total Expenditures	<u>137,800</u>	<u>56,109</u>	<u>(81,691)</u>
Net Change in Fund Balance	<u>\$ (88,550)</u>	(5,889)	<u>82,661</u>
Fund Balance			
May 1		<u>58,808</u>	
April 30		<u>52,919</u>	

CAPITAL PROJECTS FUND

CITY OF HIGHWOOD, ILLINOIS

TIF Capital Projects Fund

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

Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues			
Taxes			
Property Taxes	\$ 531,000	532,254	1,254
Intergovernmental			
Grants		33,237	33,237
Investment Income	200	1,819	1,619
Total Revenues	<u>531,200</u>	<u>567,310</u>	<u>36,110</u>
Expenditures			
General Government			
Accounting Fees	5,000		(5,000)
Legal Fees	10,000	7,916	(2,084)
Special Events Marketing	20,000	6,840	(13,160)
Capital Outlay	1,060,000	1,242,546	182,546
Debt Service			
Principal	130,000	160,000	30,000
Interest	108,665	107,125	(1,540)
Total Expenditures	<u>1,333,665</u>	<u>1,524,427</u>	<u>190,762</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(802,465)</u>	<u>(957,117)</u>	<u>(154,652)</u>
Other Financing Sources			
Transfers In	1,400,000	1,451,349	51,349
Proceeds from Capital Lease		110,339	110,339
Total Other Financing Sources	<u>1,400,000</u>	<u>1,561,688</u>	<u>161,688</u>
Net Change in Fund Balance	<u>\$ 597,535</u>	604,571	<u>7,036</u>
Fund Balance			
Beginning of Year		<u>30,285</u>	
End of Year		<u>634,856</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, 2013

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues			
Charges for Services	\$ 936,000	878,821	(57,179)
Operating Expenses			
Personnel	350,570	371,967	21,397
Contractual Services	287,045	270,925	(16,120)
Materials and Supplies	42,650	25,806	(16,844)
Total Operating Expenses	<u>680,265</u>	<u>668,698</u>	<u>(11,567)</u>
Operating Income	<u>255,735</u>	<u>210,123</u>	<u>(45,612)</u>
Nonoperating Revenues (Expenses)			
Interest Income	750	1,373	623
Grant Revenue		495,171	495,171
Interest Subsidy		97,663	97,663
Miscellaneous Income	5,000	6,928	1,928
Miscellaneous Expense	(3,125)	(3)	3,122
Principal Payments	(295,000)	(278,863)	16,137
Interest Expense	(76,000)	(394,368)	(318,368)
Fiscal Agent Fees	(400)	(1,430)	(1,030)
Total Nonoperating Revenues (Expenses)	<u>(368,775)</u>	<u>(73,529)</u>	<u>295,246</u>
Changes in Net Position - Budgetary Basis	<u>\$ (113,040)</u>	<u>136,594</u>	<u>249,634</u>
Reconciliation of Budget Basis Change in Net Position to GAAP Basis Change in Net Position			
Change in Net Position - Budgetary Basis	\$ (113,040)	136,594	249,634
Plus: Principal Payments	<u>295,000</u>	<u>278,863</u>	<u>(16,137)</u>
Change in Net Position - GAAP Basis	<u>\$ 181,960</u>	<u>415,457</u>	<u>233,497</u>
Net Position			
May 1 (as Restated)		<u>3,335,474</u>	
April 30		<u>3,750,931</u>	

CITY OF HIGHWOOD, ILLINOIS

Garbage Fund

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

Year Ended April 30, 2013

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues			
Charges for Services			
Refuse and Garbage Collection	\$ 247,000	248,488	1,488
Operating Expenses			
Personnel	35,175	25,080	(10,095)
Contractual Services	245,100	212,405	(32,695)
Materials and Supplies	4,000	7,000	3,000
Total Operating Expenses	<u>284,275</u>	<u>244,485</u>	<u>(39,790)</u>
Operating Income (Loss)	<u>(37,275)</u>	4,003	41,278
Nonoperating Revenues (Expense)			
Interest Income	150	263	113
Miscellaneous Expense	49,000	23,752	(25,248)
Total Nonoperating Revenues (Expenses)	<u>49,150</u>	<u>24,015</u>	<u>(25,135)</u>
Change in Net Position	<u>\$ 11,875</u>	28,018	<u>16,143</u>
Net Position			
May 1		<u>132,222</u>	
April 30		<u><u>160,240</u></u>	

FIDUCIARY FUNDS

CITY OF HIGHWOOD, ILLINOIS

Fiduciary Funds

Combining Statement of Fiduciary Net Position - Pension Trust Funds

April 30, 2013

	Police Pension Fund	Firefighters' Pension Fund	Total
Assets			
Cash and Cash Equivalents	\$ 61,524	63,034	124,558
Investments			
U.S. Treasuries	416,440	485,576	902,016
U.S. Agencies	1,444,471	1,140,209	2,584,680
Mutual Funds	247,122	914,090	1,161,212
Municipal Bonds	250,402	212,753	463,155
Receivables			
Accrued Interest	21,181	17,169	38,350
Total Assets	2,441,140	2,832,831	5,273,971
Liabilities			
Accounts Payable	2,575	1,914	4,489
Net Position			
Held in Trust for Pension Benefits	\$ 2,438,565	2,830,917	5,269,482

CITY OF HIGHWOOD, ILLINOIS

Fiduciary Funds

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

Year Ended April 30, 2013

	Police Pension Fund	Firefighters' Pension Fund	Total
Additions			
Contributions			
Employer	\$ 145,112	125,922	271,034
Plan Members	59,505	41,529	101,034
Repayment of Refunds		42,228	42,228
Total Contributions	204,617	209,679	414,296
Investment Income			
Investment Income	77,624	91,643	169,267
Gains on Investments	26,510	106,548	133,058
Less Investment Expenses	(9,686)	(10,812)	(20,498)
Net Investment Income	94,448	187,379	281,827
Total Additions	299,065	397,058	696,123
Deductions			
Benefits	101,942	20,028	121,970
Administration	41,594	22,508	64,102
Refunds of Contributions	9,684		9,684
Total Deductions	153,220	42,536	195,756
Changes in Net Position	145,845	354,522	500,367
Net Position			
May 1	2,292,720	2,476,395	4,769,115
April 30	\$ 2,438,565	2,830,917	5,269,482

COMPONENT UNIT

CITY OF HIGHWOOD, ILLINOIS

Component Unit - Library

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

April 30, 2013

	General Fund	<u>Adjustments</u> Capital-Related Items*	Statement of Net Position
Assets			
Cash and Cash Equivalents	\$ 341,926		341,926
Receivables			
Property Taxes	226,969		226,969
Prepaid Items	1,019		1,019
Due from Primary Government	1,342		1,342
Capital Assets		377,544	377,544
Total Assets	\$ 571,256	377,544	948,800
Liabilities			
Accounts Payable	\$ 7,252		7,252
Accrued Payroll	6,072		6,072
Due to Primary Government	4,545		4,545
Total Liabilities	17,869	-	17,869
Deferred Inflows of Resources			
Deferred Property Taxes	226,969		226,969
Fund Balances/Net Position			
Invested in Capital Assets		377,544	377,544
Unassigned/Unrestricted	326,418		326,418
Total Fund Balances/Net Position	326,418	377,544	703,962
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 571,256	377,544	948,800

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

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, 2013

	General Fund	<u>Adjustments</u> Capital-Related Items*	Statement of Activities
Revenues			
Property Taxes	\$ 223,002		223,002
Intergovernmental	5,543		5,543
Charges for Services	3,901		3,901
Fines	3,480		3,480
Investment Income	336		336
Miscellaneous	10,524		10,524
Total Revenues	246,786	-	246,786
Expenditures			
Civic and Cultural	201,052		201,052
Net Change in Fund Balances/Net Position	45,734	-	45,734
Fund Balances/Net Position			
May 1	280,684	377,544	658,228
April 30	\$ 326,418	377,544	703,962

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

SUPPLEMENTAL DATA

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

General Obligation Build America
Bonds of 2010A

April 30, 2013

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
2014	\$	33,560	21,814	21,814
2015	140,000	33,560	21,814	161,814
2016	140,000	29,052	18,883	158,883
2017	150,000	24,544	15,954	165,954
2018	150,000	17,464	11,352	161,352
2019	155,000	10,384	6,750	161,750
2020	65,000	3,068	1,994	66,994
	<u>\$ 800,000</u>	<u>151,632</u>	<u>98,561</u>	<u>898,561</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, 2013

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
2014	\$	190,926	105,009	105,009
2015		190,926	105,009	105,009
2016		190,926	105,009	105,009
2017		190,926	105,009	105,009
2018		190,926	105,009	105,009
2019		190,926	105,009	105,009
2020	95,000	190,926	105,009	200,009
2021	165,000	185,587	102,073	267,073
2022	170,000	176,314	96,973	266,973
2023	175,000	166,760	91,718	266,718
2024	180,000	156,925	86,309	266,309
2025	190,000	146,809	80,745	270,745
2026	195,000	136,131	74,872	269,872
2027	200,000	125,172	68,845	268,845
2028	210,000	111,492	61,321	271,321
2029	215,000	97,128	53,420	268,420
2030	225,000	82,422	45,332	270,332
2031	230,000	67,032	36,868	266,868
2032	240,000	51,300	28,215	268,215
2033	250,000	34,884	19,186	269,186
2034	260,000	17,784	9,781	269,781
	<u>\$ 3,000,000</u>	<u>2,892,222</u>	<u>1,590,721</u>	<u>4,590,721</u>

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

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Note Payable of 2009

April 30, 2013

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

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 1,811</u>	<u>11</u>	<u>1,822</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Waterworks and Sewerage Alternate Revenue
Refunding Bonds of 2004

April 30, 2013

Date of Issue	April 1, 2004
Date of Maturity	May 1, 2014
Authorized Issue	\$ 1,860,000
Denomination of Bonds	\$ 5,000
Interest Rates	1.30% to 3.70%
Interest Dates	May 1 and November 1
Principal Maturity Date	May 1
Payable at	Cole Taylor Bank

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 140,000</u>	<u>2,590</u>	<u>142,590</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

IEPA Loan Payable of 2002

April 30, 2013

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

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 60,364	14,885	75,249
2015	61,904	13,345	75,249
2016	63,484	11,765	75,249
2017	65,103	10,146	75,249
2018	66,764	8,485	75,249
2019	68,467	6,782	75,249
2020	70,214	5,035	75,249
2021	72,005	3,244	75,249
2022	73,841	1,407	75,248
	<u>\$ 602,146</u>	<u>75,094</u>	<u>677,240</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Tax Increment Financing Alternate
Revenue Bonds of 2002

April 30, 2013

Date of Issue	August 1, 2002
Date of Maturity	January 1, 2022
Authorized Issue	\$ 2,330,000
Interest Rates	3.70% to 5.10%
Interest Dates	January 1 and July 1
Principal Maturity Date	January 1
Payable at	Cole Taylor Bank

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 110,000	100,643	210,643
2015	135,000	95,458	230,458
2016	165,000	88,884	253,884
2017	195,000	80,776	275,776
2018	230,000	70,590	300,590
2019	265,000	58,215	323,215
2020	300,000	44,090	344,090
2021	340,000	27,920	367,920
2022	385,000	9,615	394,615
	<u>\$ 2,125,000</u>	<u>576,191</u>	<u>2,701,191</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Tax Increment Financing Alternate Revenue
Capital Appreciation Bonds of 2002

April 30, 2013

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
2014	\$ 695,411	34,922	85,000	645,333
2015	645,333	32,373	95,000	582,706
2016	582,700	29,189	100,000	511,889
2017	511,895	25,560	105,000	432,455
2018	432,455	21,300	115,000	338,755
2019	338,755	16,267	120,000	235,022
2020	235,022	10,598	125,000	120,620
2021	120,620	4,380	125,000	
		<u>174,589</u>	<u>870,000</u>	

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

LED Light Loan Payable

April 30, 2013

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

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Principal	Interest	Total
2014	\$ 31,811	3,892	35,703
2015	31,907	3,796	35,703
2016	32,816	3,887	36,703
2017	33,752	1,951	35,703
2018	34,714	989	35,703
	<u>\$ 165,000</u>	<u>14,515</u>	<u>179,515</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Fire Alarm Monitoring Equipment Loan

April 30, 2013

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
2014	\$ 20,858	4,003	24,861
2015	20,676	4,185	24,861
2016	21,321	3,540	24,861
2017	21,986	2,875	24,861
2018	22,672	2,189	24,861
2019	23,379	1,482	24,861
2020	24,109	752	24,861
	<u>\$ 155,000</u>	<u>19,026</u>	<u>174,026</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Water Meter Loan

April 30, 2013

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

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 34,539	10,595	45,134
2015	33,498	11,636	45,134
2016	34,627	10,507	45,134
2017	35,793	9,341	45,134
2018	36,998	8,136	45,134
2019	38,244	6,889	45,133
2020	39,533	5,601	45,134
2021	40,864	4,270	45,134
2022	42,241	2,893	45,134
2023	43,663	1,471	45,134
	<u>\$ 380,000</u>	<u>71,339</u>	<u>451,339</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Police Vehicles Capital Lease

April 30, 2013

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

FUTURE PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 32,155	3,094	35,249
2015	33,155	2,094	35,249
2016	34,185	1,064	35,249
	<u>\$ 99,495</u>	<u>6,252</u>	<u>105,747</u>

CITY OF HIGHWOOD, ILLINOIS

Long-Term Debt Requirements

Public Works Capital Lease

April 30, 2013

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
2014	\$ 26,517	5,748	32,265
2015	27,346	4,919	32,265
2016	28,201	4,064	32,265
2017	29,083	3,183	32,265
2018	29,992	2,274	32,265
2019	30,929	1,336	32,265
2020	23,830	369	24,199
	<u>\$ 195,899</u>	<u>21,892</u>	<u>217,791</u>