

# **City of Highwood, Illinois**

Annual Financial Report

April 30, 2021



# City of Highwood, Illinois

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## **Independent Auditor's Report**

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Highwood, Illinois, as of and for the year ended April 30, 2021, 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 did not audit the financial statements of Friends of the Highwood Public Library, the discretely presented component unit of the City of Highwood Public Library, which represent 26%, 39% and 46%, respectively, of the assets, net position and revenues of the discretely presented component unit of the City. Those statements were audited by other auditors whose report has been furnished to us, and our opinion on the discretely presented component unit, insofar as it relates to the amounts included for the Friends of the Highwood Public Library, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the City of Highwood Public Library and its discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Highwood Illinois as of April 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 1 to the financial statements, for the year ended April 30, 2021, the City adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which established standards for identifying, classifying and reporting fiduciary activities and modified certain disclosures in the notes to financial statements. Our opinions are not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and budgetary comparison information for the General Fund, and pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated December 1, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*BKD, LLP*

Oakbrook Terrace, Illinois  
December 1, 2021

**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed  
in Accordance With *Government Auditing Standards***

**Independent Auditor's Report**

Honorable Mayor and City Council  
City of Highwood, Illinois  
Highwood, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Highwood, Illinois, (City), as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon, dated December 1, 2021. Our report contained an "Emphasis of Matter" paragraph regarding a change in accounting principles and a reference to other auditors who audited the financial statements of Friends of the Highwood Public Library, a component unit of the City of Highwood Public Library, as described in our report on the City's financial statements. The financial statements of the City of Highwood Public Library and its discretely presented component unit, the Friends of the Highwood Public Library, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the City of Highwood Public Library and its discretely presented component unit, the Friends of the Highwood Public Library.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a

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

timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Oakbrook Terrace, Illinois  
December 1, 2021

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

## City of Highwood, Illinois

### Management's Discussion and Analysis April 30, 2021

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Our discussion and analysis of the City of Highwood's financial performance provides an overview of the City of Highwood's financial activities for the fiscal year ended April 30, 2021. Please read it in conjunction with the City of Highwood's financial statements, which begin on page 19.

#### FINANCIAL HIGHLIGHTS

- The City of Highwood's net position increased by a total of \$1,345,209. Net position of business-type activities increased by \$396,330 or 73.3 percent; net position of our governmental activities increased by \$948,879 or 35.4 percent.
- During the year, expenses were \$948,879 less than the \$7,256,926 generated in tax and other revenues for governmental programs. In the prior year, expenses were \$298,356 less than the \$6,520,552 generated in tax and other revenues for the governmental programs.
- Revenues for business-type activities increased 4.7 percent to \$1,708,948 while expenses decreased by 27.4 percent to \$1,312,618. The increase in the business-type activities revenue is due to rate increases as well as to an increase in consumption. The decrease in the business-type activities expenses occurred largely due to the payments to the City of Highland Park for Highwood's portion of the repairs to their shared lift station in the prior year for \$308,224. No such large projects occurred in the current fiscal year.
- Total cost of all programs decreased by \$408,307 or 5.1 percent in the current year.
- The General Fund reported a surplus this year of \$696,287 which took fund balance from \$2,423,188 to \$3,119,475 at the end of the current year.
- The resources available for appropriation were \$860,799 more than budgeted for the General Fund. In addition, expenditures were under budget by \$167,508.

#### 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 19-22, provide information about the activities of the City of Highwood as a whole and present a longer-term view of the City of Highwood's finances. Fund financial statements begin on page 23. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City of Highwood's operations in more detail than the government-wide statements by providing information about the City of Highwood's most significant funds. The remaining statements provide financial information about activities for which the City of Highwood acts solely as a trustee or agent for the benefit of those outside of the government.

## City of Highwood, Illinois

### Management's Discussion and Analysis

April 30, 2021

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#### USING THIS ANNUAL REPORT - Continued

##### **Government-Wide Financial Statements**

The government-wide financial statements provide readers with a broad overview of the City of Highwood's finances, in a matter similar to a private-sector business. The government-wide financial statements can be found on pages 19-22 of this report.

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

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

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

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

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

##### **Fund Financial Statements**

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

## City of Highwood, Illinois

### Management's Discussion and Analysis April 30, 2021

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#### USING THIS ANNUAL REPORT - Continued

##### **Governmental Funds**

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

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

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

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

The basic governmental fund financial statements can be found on pages 23-25 of this report.

##### **Proprietary Funds**

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

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

The basic proprietary fund financial statements can be found on pages 27-30 of this report.

## **City of Highwood, Illinois**

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

**April 30, 2021**

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#### **USING THIS ANNUAL REPORT - Continued**

##### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Highwood's own programs. 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 31 and 32 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 33-91 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 IMRF and Police and Firefighters' pension obligations. Required supplementary information can be found on pages 92-103 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 104-118 of this report.

## City of Highwood, Illinois

### Management's Discussion and Analysis April 30, 2021

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following table shows that in the case of the City of Highwood, assets and deferred outflows exceeded liabilities and deferred inflows by \$4,566,190, increasing by 41.8 percent over the prior year.

#### Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 8.5	\$ 6.8	\$ 1.0	\$ 0.6	\$ 9.5	\$ 7.4
Capital Assets	6.1	6.1	5.4	5.6	11.5	11.7
Deferred Outflows	0.2	0.4	-	-	0.2	0.4
<b>Total Assets and Deferred Outflows</b>	<b>14.8</b>	<b>13.3</b>	<b>6.4</b>	<b>6.2</b>	<b>21.2</b>	<b>19.5</b>
Long-Term Debt Outstanding	5.6	6.7	5.3	5.5	10.9	12.2
Other Liabilities	0.9	0.6	0.2	0.2	1.1	0.8
Deferred Inflows	4.8	3.3	-	-	4.8	3.3
<b>Total Liabilities and Deferred Inflows</b>	<b>11.3</b>	<b>10.6</b>	<b>5.5</b>	<b>5.7</b>	<b>16.8</b>	<b>16.3</b>
<b>Net Position</b>						
Net Investment in Capital						
Assets	3.7	3.4	0.1	2.6	1.0	3.3
Restricted	1.4	1.2	-	-	1.4	1.2
Unrestricted (Deficit)	(1.5)	(1.9)	0.8	(2.1)	2.1	(1.3)
<b>Total Net Position</b>	<b>\$ 3.6</b>	<b>\$ 2.7</b>	<b>\$ 0.9</b>	<b>\$ 0.5</b>	<b>\$ 4.5</b>	<b>\$ 3.2</b>

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

## City of Highwood, Illinois

### Management's Discussion and Analysis April 30, 2021

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

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

#### Net Position (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 1.1	\$ 1.2	\$ 1.6	\$ 1.5	\$ 2.7	\$ 2.7
Operating Grants/Contributions	0.4	0.2	0.1	0.1	0.5	0.3
Capital Grants/Contributions	0.4	-	-	-	0.4	-
General Revenues					-	-
Property Taxes	2.5	2.2	-	-	2.5	2.2
Utility Taxes	0.3	0.3	-	-	0.3	0.3
Sales Taxes	0.8	0.9	-	-	0.8	0.9
Intergovernmental	1.6	1.5	-	-	1.6	1.5
Other General Revenues	0.1	0.2	-	-	0.1	0.2
<b>Total Revenues</b>	<b>7.2</b>	<b>6.5</b>	<b>1.7</b>	<b>1.6</b>	<b>8.9</b>	<b>8.1</b>
<b>Expenses</b>						
General Government	1.0	1.4	-	-	1.0	1.4
Public Safety	3.1	3.1	-	-	3.1	3.1
Public Works	1.4	1.3	-	-	1.4	1.3
Culture and Recreation	0.2	0.2	-	-	0.2	0.2
Economic Development	0.5	0.1	-	-	0.5	0.1
Interest and Fiscal Charges	0.1	0.1	-	-	0.1	0.1
Water	-	-	0.9	1.4	0.9	1.4
Garbage	-	-	0.4	0.4	0.4	0.4
<b>Total Expenses</b>	<b>6.3</b>	<b>6.2</b>	<b>1.3</b>	<b>1.8</b>	<b>7.6</b>	<b>8.0</b>
Increase (Decrease) in Net Position	0.9	0.3	0.4	(0.2)	1.3	0.1
Net Position - Beginning	2.7	2.4	0.5	0.7	3.2	3.1
Net Position - Ending	<b>\$ 3.6</b>	<b>\$ 2.7</b>	<b>\$ 0.9</b>	<b>\$ 0.5</b>	<b>\$ 4.5</b>	<b>\$ 3.2</b>

Net position of the City of Highwood governmental activities increased by 35.4 percent, or \$948,879. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, increased from (\$1,930,414) in the previous fiscal year to (\$1,461,934) in the current year.

# City of Highwood, Illinois

## Management’s Discussion and Analysis April 30, 2021

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### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Net position of business-type activities increased \$396,330 in the current year. The City of Highwood can generally only use this net position to finance the continuing operations of the waterworks and sewerage, and garbage operations.

Total revenues increased by \$0.7 million compared to prior years. The increase in the current year is due largely to more property tax collections as well as the receipt of several grants received in the current year that were not received in the prior year (CARES, Rebuild Illinois, and OSLAD).

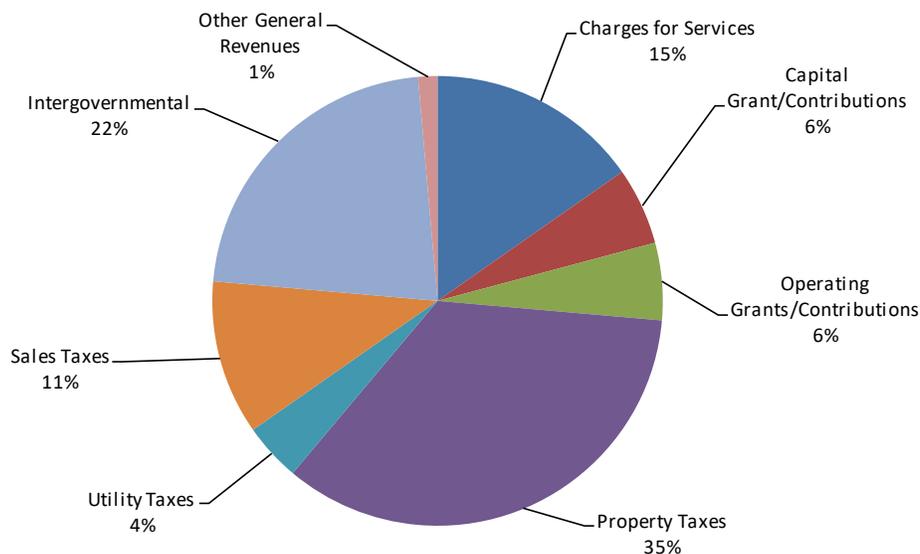
### Governmental Activities

Revenues for governmental activities increased \$736,374. Expenses increased \$85,851.

The cost of all governmental activities this year was \$6.3 million, an increase of \$0.1 million from the prior year. Overall, governmental program revenues were \$1.9 million, including intergovernmental aid and fees for services. This was an increase from the \$1.4 million in program revenue in FY20. The \$0.5 million increase was due to the receipt of new grants in FY21.

The following table graphically depicts the major revenue sources of the City of Highwood. It clearly identifies the reliance of property taxes, intergovernmental revenue, and charges for services to fund governmental activities. The City continues to evaluate different revenue streams to fund the different operations of the City.

### Revenues by Sources - Governmental Activities



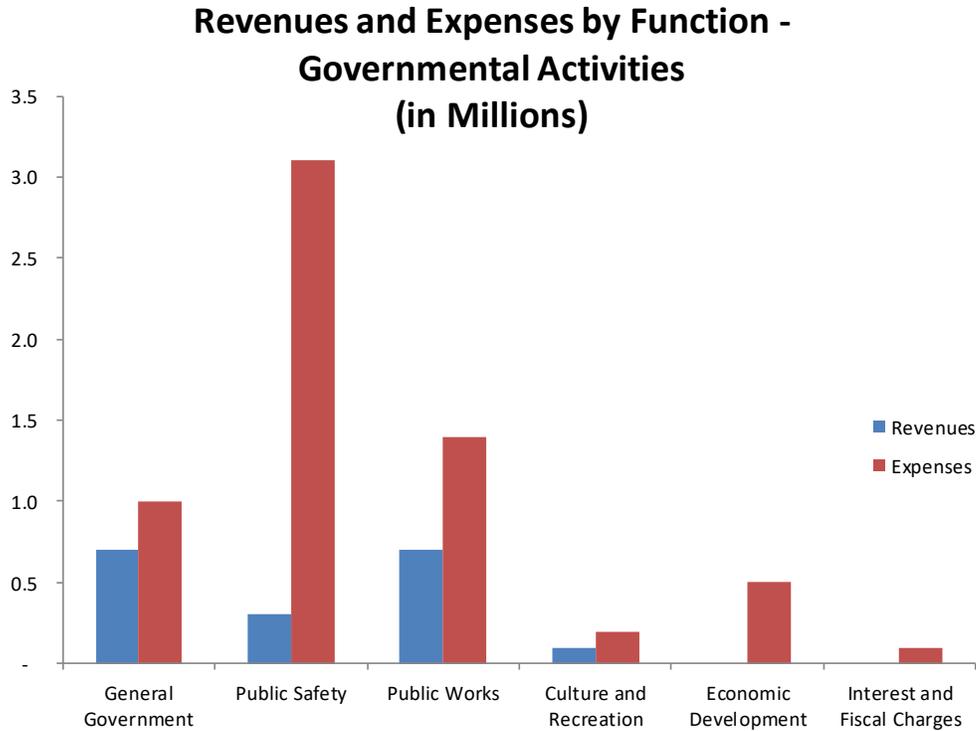
City of Highwood, Illinois

Management’s Discussion and Analysis  
April 30, 2021

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GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental Activities – Continued



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

## City of Highwood, Illinois

### Management's Discussion and Analysis April 30, 2021

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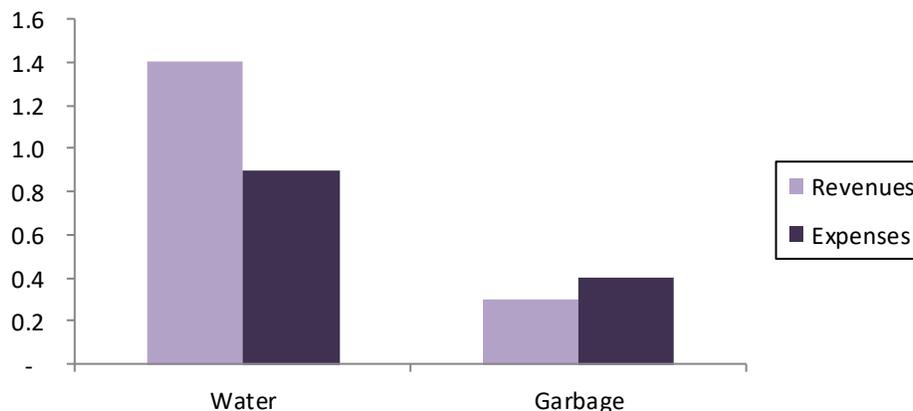
#### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

##### Business-Type Activities

Revenues of the City's business-type activities increased slightly (from \$1.6 million in 2020 to \$1.7 million in 2021) and expenses decreased by 27.4 percent (\$1.3 million in 2021 compared to \$1.8 million in 2020). Key factors behind these results include:

- The waterworks and sewerage system is dependent upon the sale of water. In the City of Highwood, our costs related to the water and sewer system tend to be consistent year to year due to the fact that our water sold is based on water pumped out of Lake Michigan. City staff analyze operating expenses, project systems and capital projects, and aim to set aside funds to replace portions of the system as needed. The decrease in expenses is due to no large repair projects being done in FY21. In FY20 there were repairs needed at the lift station in Highland Park that is shared by the City of Highwood.
- The slight increase in revenue was due to small rate increases from 2020 as well as higher consumption.
- The Garbage Fund operated at a loss of (\$19,046) for the fiscal year. This was the fourth year of the garbage contract.

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



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

## City of Highwood, Illinois

### Management's Discussion and Analysis April 30, 2021

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#### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

##### Governmental funds

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

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$4.5 million which is an increase of \$849,918 over the prior year. Although there was a net increase in fund balances, individual funds had different results. The General Fund has an increase of \$696,287 over the prior year. The TIF Fund had an increase of \$41,513; the Capital Projects Fund had a decrease of \$84,802 the Debt Service Fund had a decrease of \$87; the MFT Fund increased \$18,902. Rebuild Illinois is a new fund for fiscal year 2021 that was set up in response to a grant program implemented by the Illinois Department of Transportation. The City received the first two of six allotments from the State for a total of \$178,105. None of these funds were spent in fiscal year 2021.

##### 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 Garbage Fund is also reported as a major proprietary fund. It accounts for the operations of the City's refuse collection system.

The City intends to run the funds 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 Waterworks and Sewerage Fund had a surplus during the current fiscal year of \$415,376. The Garbage Fund had a draw down of \$19,046. The net effect on the Proprietary funds Net Positions was an increase of \$396,330.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

Actual charges to appropriations (expenditures) were \$167,508 under the budget amounts. Many accounts had expenditures come in slightly under budget. The legal department had a large budget over actual variance of \$88,651 due to the reduction of activities that needed attorney review as a result of the pandemic. Public works contractual service expenditures came in over budget by \$84,674 due to more street and sidewalk repair projects being completed than were anticipated at the time the budget was prepared.

## City of Highwood, Illinois

### Management's Discussion and Analysis April 30, 2021

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#### GENERAL FUND BUDGETARY HIGHLIGHTS - Continued

In addition, resources available for appropriation were \$860,799 above the final budgeted amount. Several state taxes came in higher than anticipated (receipts over budget were \$96,155 for local use tax and \$255,117 for income tax). Many state revenues were budgeted low due to the expectation of lower collections due to the pandemic. Permit revenue was also \$104,984 over the amount budgeted, as the City had more construction projects by businesses and residents than was expected at the time the budget was prepared. The City received \$220,457 in funds from the CARES Act that was not budgeted for as it was unknown at the time of the budget if any federal funding would be distributed.

#### 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, 2021, was \$11.4 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 only addition the City had to their capital assets during the fiscal year was \$533,451 in construction in progress. This is due to the Evert's Park reconstruction project that began this year, which is expected to be finished in fiscal year 2022. The additional overall decreases in both governmental and business-type activities is attributable to current year depreciation.

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 2.3	\$ 2.7	\$ -	\$ -	\$ 2.3	\$ 2.7
CIP	0.5	-	-	-	0.5	-
Land Improvements	-	-	0.2	0.2	0.2	0.2
Buildings	0.5	0.6	1.6	1.6	2.1	2.2
Machinery and Equipment	0.2	0.2	-	0.1	0.2	0.3
Infrastructure	2.5	2.6	3.6	3.7	6.1	6.3
Total	\$ 6.0	\$ 6.1	\$ 5.4	\$ 5.6	\$ 11.4	\$ 11.7

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, 2021

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#### CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

##### Debt

At year-end, the City of Highwood had total outstanding debt of \$7.5 million as compared to \$8.3 million the previous year, a decrease of 9.6 percent. The decrease is attributable to the City continuing to pay down existing debt during the current fiscal year. During fiscal year 2021, the City refunded the 2010B Bond with the 2020 Bonds, which will save the on interest expenses in future years, however the net effect on the principal portion of the bonds did not affect the overall long-term debt balance. The following is a comparative statement of outstanding debt:

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Bonds	\$ 2.1	\$ 2.7	\$ 3.0	\$ 2.9	\$ 5.1	\$ 5.6
Loan Payable	-	-	0.1	0.1	0.1	0.1
IEPA Loans	-	-	2.2	2.5	2.2	2.5
Other Liabilities	0.1	0.1	-	-	0.1	0.1
Total	\$ 2.2	\$ 2.8	\$ 5.3	\$ 5.5	\$ 7.5	\$ 8.3

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 2021 budget, tax rates, and fees that will be charged for its governmental and business-type activities. One of those factors is the economy. While the City has had several years of positive financial performance, the economy continues to play a role in future decisions.

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

The City of Highwood has a large restaurant base which supports the operations of the City and relies heavily on intergovernmental and sales taxes. The City continues to find revenues streams which do not create undue burden on these reliable revenue bases.

## **City of Highwood, Illinois**

### **Management's Discussion and Analysis April 30, 2021**

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

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result of the pandemic, the City has experienced loss of revenue and jobs. The City will rely on reserves to continue to provide the same high level of service to its residents during these challenging times. These economic uncertainties may negatively impact changes in fund balance/net position. Other financial impact could occur though such potential impact is unknown at this time.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Highwood's 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 the City Administrator, City of Highwood, 17 Highwood Avenue, Highwood, Illinois, 60040.

## **Basic Financial Statements**

**City of Highwood, Illinois**  
**Statement of Net Position**  
**April 30, 2021**

	Governmental Activities	Business-Type Activities	Total	Component Unit
<b>Assets</b>				
Cash and investments	\$ 4,819,795	\$ 634,207	\$ 5,454,002	\$ 751,650
Receivables, net				
Taxes	2,858,726	-	2,858,726	296,326
Intergovernmental	366,467	-	366,467	-
Accounts	-	316,394	316,394	-
Other	46,108	-	46,108	-
Prepaid expenses	17,314	1,150	18,464	681
Due from general government	-	-	-	829
Restricted assets				
Cash and investments	-	22,598	22,598	-
Capital assets				
Land	2,331,350	-	2,331,350	-
Construction in progress	533,451	-	533,451	-
Other capital assets, net of depreciation	3,209,133	5,371,071	8,580,204	458,039
Net pension asset	433,592	63,640	497,232	88,172
	<u>14,615,936</u>	<u>6,409,060</u>	<u>21,024,996</u>	<u>1,595,697</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows of resources - pensions	226,916	3,730	230,646	5,168
Unamortized loss on refunding	629	28,046	28,675	-
	<u>227,545</u>	<u>31,776</u>	<u>259,321</u>	<u>5,168</u>
<b>Liabilities</b>				
Accounts payable	588,933	60,071	649,004	9,421
Accrued liabilities and deposits	56,882	6,733	63,615	18,011
Other accrued liabilities	20,917	50,525	71,442	-
Unearned rent	120,171	-	120,171	-
Unearned revenue - others	10,000	-	10,000	124,402
Accrued interest payable	28,981	44,046	73,027	-
Escrow and deposits payable	55,016	-	55,016	-
Retainage payable	40,037	-	40,037	-
Due to component unit	829	-	829	-
Noncurrent liabilities				
Net pension liability - Police	998,671	-	998,671	-
Net pension liability - Firefighters	2,372,237	-	2,372,237	-
Other due within one year	542,264	293,875	836,139	-
Other due in more than one year	1,628,145	4,995,287	6,623,432	-
	<u>6,463,083</u>	<u>5,450,537</u>	<u>11,913,620</u>	<u>151,834</u>

(Cont.)

**City of Highwood, Illinois**  
**Statement of Net Position**  
**April 30, 2021**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows of resources - pensions	\$ 1,987,003	\$ 53,111	\$ 2,040,114	\$ 73,584
Deferred property taxes	2,764,393	-	2,764,393	292,501
Total deferred inflows of resources	<u>4,751,396</u>	<u>53,111</u>	<u>4,804,507</u>	<u>366,085</u>
<b>Net Position</b>				
Net investment in capital assets	3,664,095	158,631	1,012,429	458,039
Restricted for				
Civic and cultural	-	-	-	333,749
Debt service	1,041,101	-	1,041,101	-
Road construction and maintenance	362,220	-	362,220	-
Public safety	23,520	-	23,520	-
Unrestricted	<u>(1,461,934)</u>	<u>778,557</u>	<u>2,126,920</u>	<u>291,158</u>
Total net position	<u>\$ 3,629,002</u>	<u>\$ 937,188</u>	<u>\$ 4,566,190</u>	<u>\$ 1,082,946</u>

**City of Highwood, Illinois**  
**Statement of Activities**  
**Year Ended April 30, 2021**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 1,037,394	\$ 734,006	\$ -	\$ -
Public safety	3,169,334	50,445	225,761	-
Public works	1,394,319	156,478	205,685	378,105
Culture, education and recreation	173,700	140,543	-	-
Economic development	465,496	-	-	-
Interest and fiscal charges	67,804	-	-	-
Total governmental activities	<u>6,308,047</u>	<u>1,081,472</u>	<u>431,446</u>	<u>378,105</u>
<b>Business-Type Activities</b>				
Water and sewer	975,565	1,303,796	79,141	-
Garbage	407,305	339,911	-	-
Total business-type activities	<u>1,382,870</u>	<u>1,643,707</u>	<u>79,141</u>	<u>-</u>
Total primary government	<u>\$ 7,690,917</u>	<u>\$ 2,725,179</u>	<u>\$ 510,587</u>	<u>\$ 378,105</u>
<b>Component Unit</b>				
Highwood Library	<u>\$ 476,824</u>	<u>\$ 164</u>	<u>\$ 517,447</u>	<u>\$ -</u>

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

Change in Net Position

Net Position  
May 1  
Restatement (Note 1)  
May 1, as restated  
April 30

<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (303,388)	\$ -	\$ (303,388)	\$ -
(2,893,128)	-	(2,893,128)	-
(654,051)	-	(654,051)	-
(33,157)	-	(33,157)	-
(465,496)	-	(465,496)	-
(67,804)	-	(67,804)	-
<u>(4,417,024)</u>	<u>-</u>	<u>(4,417,024)</u>	<u>-</u>
-	407,372	407,372	-
-	(67,394)	(67,394)	-
<u>-</u>	<u>339,978</u>	<u>339,978</u>	<u>-</u>
<u>(4,417,024)</u>	<u>339,978</u>	<u>(4,077,046)</u>	<u>-</u>
<u>40,787</u>	<u>-</u>	<u>-</u>	<u>40,787</u>
2,532,557	-	2,532,557	291,644
284,743	-	284,743	-
773,033	-	773,033	-
558,623	-	558,623	-
1,089,660	-	1,089,660	-
3,988	1,694	5,682	74
31,000	-	31,000	-
92,299	54,658	146,957	7,409
<u>5,365,903</u>	<u>56,352</u>	<u>5,422,255</u>	<u>299,127</u>
<u>948,879</u>	<u>396,330</u>	<u>1,345,209</u>	<u>339,914</u>
2,680,123	540,858	3,220,981	728,032
<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
<u>2,680,123</u>	<u>540,858</u>	<u>3,220,981</u>	<u>743,032</u>
<u>\$ 3,629,002</u>	<u>\$ 937,188</u>	<u>\$ 4,566,190</u>	<u>\$ 1,082,946</u>

**City of Highwood, Illinois**  
**Governmental Funds Balance Sheet**  
**April 30, 2021**

	General Fund	Downtown Redevelopment TIF Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 3,387,751	\$ 1,038,972	\$ -	\$ 393,072	\$ 4,819,795
Receivables					
Property tax	1,387,289	1,177,311	-	199,793	2,764,393
Other taxes	94,333	-	-	-	94,333
Intergovernmental	348,661	-	-	17,806	366,467
Other receivables, net	46,108	-	-	-	46,108
Prepaid items	17,314	-	-	-	17,314
Due from other funds	-	-	250,832	-	250,832
	<u>5,281,456</u>	<u>2,216,283</u>	<u>250,832</u>	<u>610,671</u>	<u>8,359,242</u>
Total assets	<u>\$ 5,281,456</u>	<u>\$ 2,216,283</u>	<u>\$ 250,832</u>	<u>\$ 610,671</u>	<u>\$ 8,359,242</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 260,045	\$ 17,548	\$ 311,340	\$ -	\$ 588,933
Retainage payable	-	-	40,037	-	40,037
Accrued payroll	56,882	-	-	-	56,882
Other payroll related liabilities	20,917	-	-	-	20,917
Due to other funds	250,832	-	-	-	250,832
Escrow and refundable deposits	55,016	-	-	-	55,016
Due to public library	829	-	-	-	829
Unearned revenues	130,171	-	-	-	130,171
	<u>774,692</u>	<u>17,548</u>	<u>351,377</u>	<u>-</u>	<u>1,143,617</u>
Total liabilities	<u>774,692</u>	<u>17,548</u>	<u>351,377</u>	<u>-</u>	<u>1,143,617</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	1,387,289	1,177,311	-	199,793	2,764,393
	<u>1,387,289</u>	<u>1,177,311</u>	<u>-</u>	<u>199,793</u>	<u>2,764,393</u>
<b>Fund Balances</b>					
Nonspendable					
Prepaid items	17,314	-	-	-	17,314
Restricted					
Debt service	-	1,021,424	-	48,658	1,070,082
Road construction and maintenance	-	-	-	362,220	362,220
Public safety	23,520	-	-	-	23,520
Unassigned (deficit)	3,078,641	-	(100,545)	-	2,978,096
	<u>3,119,475</u>	<u>1,021,424</u>	<u>(100,545)</u>	<u>410,878</u>	<u>4,451,232</u>
Total fund balances	<u>3,119,475</u>	<u>1,021,424</u>	<u>(100,545)</u>	<u>410,878</u>	<u>4,451,232</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,281,456</u>	<u>\$ 2,216,283</u>	<u>\$ 250,832</u>	<u>\$ 610,671</u>	<u>\$ 8,359,242</u>

**City of Highwood, Illinois**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Position**  
**April 30, 2021**

<b>Total Fund Balances - Governmental Funds</b>		\$ 4,451,232
<p>Amounts reported for governmental activities in the statement of net position are different because</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		6,073,934
<p>Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Bonds, notes, loans and capital leases payable	\$ (2,035,000)	
Compensated absences	(111,318)	
Net pension asset/liabilities	(2,937,316)	
Accrued interest	<u>(28,981)</u>	
		(5,112,615)
<p>Premiums on bonds are another financing source in the year of issuance but are shown as an increase in bonds payable and amortized over the life of the bonds on the statement of net position.</p>		(24,091)
<p>Deferred outflows of resources related to pensions are recorded on the statement of net position.</p>		226,916
<p>Deferred inflows of resources related to pensions are recorded on the statement of net position.</p>		(1,987,003)
<p>Losses on issuance of refunding bonds are reported as a deferred outflow and amortized over the life of the bonds on the the statement of net position.</p>		<u>629</u>
<b>Net Position of Governmental Activities</b>		<u><u>\$ 3,629,002</u></u>

**City of Highwood, Illinois**  
**Governmental Funds Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Year Ended April 30, 2021**

	General Fund	Downtown Redevelopment TIF Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property tax	\$ 1,334,640	\$ 995,605	\$ -	\$ 202,312	\$ 2,532,557
Other taxes	1,057,776	-	-	-	1,057,776
Grants	-	-	200,000	-	200,000
Intergovernmental	1,959,954	-	-	371,626	2,331,580
Licenses and permits	321,513	-	-	-	321,513
Fines, forfeitures and penalties	21,083	-	-	-	21,083
Public charges for services	736,377	-	-	-	736,377
Investment income	2,814	479	-	695	3,988
Miscellaneous	21,052	-	-	-	21,052
Total revenues	<u>5,455,209</u>	<u>996,084</u>	<u>200,000</u>	<u>574,633</u>	<u>7,225,926</u>
<b>Expenditures</b>					
Current					
General government	1,100,184	5,000	-	-	1,105,184
Public safety	2,459,114	-	-	-	2,459,114
Public works	661,621	-	-	175,000	836,621
Culture, recreation and education	176,407	-	-	-	176,407
Economic development	-	465,496	-	-	465,496
Capital outlay	9,340	-	987,058	-	996,398
Debt service					
Principal	-	455,000	-	145,000	600,000
Interest	-	28,200	-	57,238	85,438
Fiscal agent fees	-	875	-	475	1,350
Total expenditures	<u>4,406,666</u>	<u>954,571</u>	<u>987,058</u>	<u>377,713</u>	<u>6,726,008</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,048,543</u>	<u>41,513</u>	<u>(787,058)</u>	<u>196,920</u>	<u>499,918</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	702,256	-	702,256
Transfers out	(702,256)	-	-	-	(702,256)
Proceeds from the sale of capital assets	350,000	-	-	-	350,000
Total other financing sources (uses)	<u>(352,256)</u>	<u>-</u>	<u>702,256</u>	<u>-</u>	<u>350,000</u>
<b>Net Change in Fund Balance</b>	696,287	41,513	(84,802)	196,920	849,918
<b>Fund Balance</b>					
May 1	<u>2,423,188</u>	<u>979,911</u>	<u>(15,743)</u>	<u>213,958</u>	<u>3,601,314</u>
April 30	<u>\$ 3,119,475</u>	<u>\$ 1,021,424</u>	<u>\$ (100,545)</u>	<u>\$ 410,878</u>	<u>\$ 4,451,232</u>

**City of Highwood, Illinois**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**Year Ended April 30, 2021**

**Net Change in Fund Balances - Total Governmental Funds** \$ 849,918

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

Governmental funds report capital outlay as expenditures. However, in the statement of net position, the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements. 533,451

Depreciation is reported in the government-wide financial statements. (240,117)

Cash received related to sale of capital assets is recognized as other financing sources in the fund financial statements but is reduced by the amount of the remaining net book value to arrive at gain or loss on sale as reported in the statement of activities. (319,000)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 600,000

The amortization of premiums on bonds and losses on refunding are not a use of financial resources in the governmental funds. 12,366

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	(14,093)
Deferred outflows of resources - pensions	(187,413)
Net pension liabilities	892,691
Deferred inflows of resources - pensions	(1,185,542)
Accrued interest on debt	6,618

**Change in Net Position** \$ 948,879

**City of Highwood, Illinois**  
**Proprietary Funds Statement of Net Position**  
**April 30, 2021**

	<b>Major Funds</b>		
	<b>Waterworks and Sewerage Fund</b>	<b>Garbage Fund</b>	<b>Total</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and investments	\$ 584,562	\$ 49,645	\$ 634,207
Receivables			
Accounts, net	296,388	20,006	316,394
Prepaid items	1,150	-	1,150
Restricted assets			
Cash and investments	22,598	-	22,598
Total current assets	<u>904,698</u>	<u>69,651</u>	<u>974,349</u>
<b>Noncurrent Assets</b>			
Capital assets			
Property and equipment	11,424,391	198,289	11,622,680
Less accumulated depreciation	<u>(6,211,951)</u>	<u>(39,658)</u>	<u>(6,251,609)</u>
Capital assets, net	5,212,440	158,631	5,371,071
Net pension asset	63,640	-	63,640
Total noncurrent assets	<u>5,276,080</u>	<u>158,631</u>	<u>5,434,711</u>
Total assets	<u>6,180,778</u>	<u>228,282</u>	<u>6,409,060</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources - loss on refunding	28,046	-	28,046
Deferred outflows of resources - pensions	<u>3,730</u>	<u>-</u>	<u>3,730</u>
Total deferred outflows of resources	<u>31,776</u>	<u>-</u>	<u>31,776</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	35,256	24,815	60,071
Accrued payroll	4,416	2,317	6,733
Other current liabilities	46,528	3,997	50,525
Interest payable	<u>44,046</u>	<u>-</u>	<u>44,046</u>
Total current liabilities	<u>130,246</u>	<u>31,129</u>	<u>161,375</u>
<b>Noncurrent Liabilities</b>			
Long-term debt			
Other due within one year	293,875	-	293,875
Other due in more than one year	<u>4,995,287</u>	<u>-</u>	<u>4,995,287</u>
Total noncurrent liabilities	<u>5,289,162</u>	<u>-</u>	<u>5,289,162</u>
Total liabilities	<u>5,419,408</u>	<u>31,129</u>	<u>5,450,537</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources - pensions	<u>53,111</u>	<u>-</u>	<u>53,111</u>
<b>Net Position</b>			
Net investment in capital assets	-	158,631	158,631
Unrestricted	<u>740,035</u>	<u>38,522</u>	<u>778,557</u>
Total net position	<u>\$ 740,035</u>	<u>\$ 197,153</u>	<u>\$ 937,188</u>

**City of Highwood, Illinois**  
**Proprietary Funds Statement of Revenues,**  
**Expenses, and Changes in Net Position**  
**Year Ended April 30, 2021**

	<u>Major Enterprise Funds</u>		<u>Total</u>
	<u>Waterworks and Sewerage Fund</u>	<u>Garbage Fund</u>	
<b>Operating Revenues</b>			
Public charges for services	\$ 1,303,796	\$ 339,911	\$ 1,643,707
<b>Operating Expenses</b>			
Personnel	166,526	100,570	267,096
Contractual services	341,161	296,821	637,982
Materials and supplies	38,827	-	38,827
Depreciation	201,612	9,914	211,526
Total operating expenses	<u>748,126</u>	<u>407,305</u>	<u>1,155,431</u>
<b>Operating Income (Loss)</b>	<u>555,670</u>	<u>(67,394)</u>	<u>488,276</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	1,194	500	1,694
Interest subsidy	79,141	-	79,141
Miscellaneous revenue	6,810	47,848	54,658
Miscellaneous expense	(70,252)	-	(70,252)
Interest expense	(157,131)	-	(157,131)
Fiscal agent fees	(56)	-	(56)
Total nonoperating revenues (expenses)	<u>(140,294)</u>	<u>48,348</u>	<u>(91,946)</u>
<b>Changes in Net Position</b>	415,376	(19,046)	396,330
<b>Net Position</b>			
May 1	<u>324,659</u>	<u>216,199</u>	<u>540,858</u>
April 30	<u>\$ 740,035</u>	<u>\$ 197,153</u>	<u>\$ 937,188</u>

**City of Highwood, Illinois**  
**Proprietary Funds Statement of Cash Flows**  
**Year Ended April 30, 2021**

	<u>Major Funds</u>		
	<u>Waterworks and Sewerage Fund</u>	<u>Garbage Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>			
Received from customers	\$ 1,252,062	\$ 353,721	\$ 1,605,783
Paid to suppliers for grounds and services	(380,947)	(292,762)	(673,709)
Paid to employees for services	(191,484)	(101,023)	(292,507)
Other miscellaneous receipts	6,754	47,848	54,602
	<u>686,385</u>	<u>7,784</u>	<u>694,169</u>
<b>Net cash provided by operating activities</b>			
	<u>686,385</u>	<u>7,784</u>	<u>694,169</u>
<b>Cash Flows from Investing Activities</b>			
Net cash provided by investing activities - investment income	1,194	500	1,694
	<u>1,194</u>	<u>500</u>	<u>1,694</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from bond issuance	2,670,000	-	2,670,000
Premium from bond issuance	325,157	-	325,157
Bonds retired	(2,905,000)	-	(2,905,000)
Bond issuance cost	(70,252)	-	(70,252)
Debt retired	(237,960)	-	(237,960)
Interest paid	(178,881)	-	(178,881)
	<u>(396,936)</u>	<u>-</u>	<u>(396,936)</u>
<b>Net cash used in capital and related financial activities</b>			
	<u>(396,936)</u>	<u>-</u>	<u>(396,936)</u>
<b>Net Change in Cash and Cash Equivalents</b>	290,643	8,284	298,927
<b>Cash and Cash Equivalents</b>			
May 1	<u>316,517</u>	<u>41,361</u>	<u>357,878</u>
April 30	<u>\$ 607,160</u>	<u>\$ 49,645</u>	<u>\$ 656,805</u>
<b>Represented by</b>			
Unrestricted	\$ 584,562	\$ 49,645	\$ 634,207
Restricted	<u>22,598</u>	<u>-</u>	<u>22,598</u>
	<u>\$ 607,160</u>	<u>\$ 49,645</u>	<u>\$ 656,805</u>

**City of Highwood, Illinois**  
**Proprietary Funds Statement of Cash Flows**  
**Year Ended April 30, 2021**

	<b>Major Funds</b>		
	<b>Waterworks and Sewerage Fund</b>	<b>Garbage Fund</b>	<b>Total</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating income (loss)	\$ 555,670	\$ (67,394)	\$ 488,276
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	201,612	9,914	211,526
Other miscellaneous revenue	6,810	47,848	54,658
Other miscellaneous expense	(56)	-	(56)
Deferred outflows of resources - pension	1,518	-	1,518
Net pension liability/asset	(52,455)	-	(52,455)
Deferred inflows of resources - pension	25,994	-	25,994
Changes in assets and liabilities			
Accounts receivable	(51,734)	13,810	(37,924)
Prepaid expenses	(125)	-	(125)
Accounts payable	(6,698)	519	(6,179)
Accrued payroll	(15)	(453)	(468)
Other liabilities	5,864	3,540	9,404
	<u>\$ 686,385</u>	<u>\$ 7,784</u>	<u>\$ 694,169</u>
Net cash provided by operating activities	<u>\$ 686,385</u>	<u>\$ 7,784</u>	<u>\$ 694,169</u>

**City of Highwood, Illinois**  
**Statement of Fiduciary Net Position**  
**April 30, 2021**

	<b>Pension Trust Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 39,011
Investments	
Certificate of deposit	201,511
U.S. treasuries	673,175
U.S. agencies	3,157,844
Mutual funds	4,082,444
Corporate bonds	880,199
Municipal bonds	775,868
Receivables, net	
Accrued interest	33,720
	9,843,772
Total assets	9,843,772
<b>Liabilities</b>	
Accounts payable	6,033
	6,033
<b>Net Position</b>	
Restricted for pensions	\$ 9,837,739
	9,837,739

**City of Highwood, Illinois**  
**Statement of Changes in Fiduciary Net Position**  
**Year End April 30, 2021**

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions	
Employer	\$ 429,224
Plan members	87,184
Total contributions	516,408
<b>Investment Income (Loss)</b>	
Investment income	215,543
Net appreciation in fair value of investments	1,408,048
Investment expense	(37,249)
Net investment income	1,586,342
Total additions	2,102,750
<b>Deductions</b>	
Benefits	374,706
Administration	65,751
Total deductions	440,457
<b>Change in Net Position</b>	1,662,293
<b>Net Position Restricted for Pensions</b>	
May 1	8,175,446
April 30	\$ 9,837,739

# City of Highwood, Illinois

## Notes to Financial Statements

### April 30, 2021

#### **Note 1: Summary of Significant Accounting Policies**

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

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

#### ***Reporting Entity***

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

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

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

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

# City of Highwood, Illinois

## Notes to Financial Statements

### April 30, 2021

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 a fiduciary component unit under the provisions of GASB Statement No. 14, *The Financial Reporting Entity* (GASB 14), as amended and GASB Statement No. 84, *Fiduciary Activities* (GASB 84) as amended. PPERS is reported as a pension trust fund. No separate annual financial report is issued for the PPERS.

The Firefighters' Pension Employees Retirement System (FPERS) is established for the City's firefighters. FPERS functions for the benefit of these employees and is governed by a five-member pension board. The City's Mayor appoints all five members of the board. The City and the FPERS participants are obligated to fund all FPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the City is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it possesses many characteristics of a legally separate government, FPERS is reported as a fiduciary component unit under the provisions of GASB 14, as amended, and GASB 84, as amended. 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 discretely presented 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, 2021. The Library issues a stand-alone financial report.

##### Friends of Highwood Public Library

The Highwood Public Library's financial statements include the Friends of Highwood Public Library (Friends) as a component unit. The Friends is a legally separate Illinois not for profit 501(c)(3) corporation. The Friends' main purpose is to raise funds and apply for grants for the Library. As a component unit, the Friends' financial statements have been presented as a discrete column in the Library's financial statements to emphasize that it is an Illinois non-profit corporation, which is legally separate from the Library. The Friends issued a separate financial report for the fiscal year ended April 30, 2021, which was audited by another auditor.

# City of Highwood, Illinois

## Notes to Financial Statements

### April 30, 2021

#### **Government-Wide and Fund Financial Statements**

##### *Government-Wide Financial Statements*

The statement of net position and statement of activities display information about the reporting government as a whole, except for fiduciary activities. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities of the City and its discretely presented component unit. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

##### *Fund Financial Statements*

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred inflows/outflows of resources, liabilities, net position/fund balance (deficit), revenues, and expenditures/expenses.

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The **Downtown Redevelopment TIF Fund** is a capital project fund that accounts for resources accumulated and payments made for development within the TIF District.

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

The City reports the following major enterprise funds:

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

The **Garbage Fund** accounts for the operations for the operation of the City's refuse collection system.

The City reports the following nonmajor governmental 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

Rebuild Illinois Fund

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

Debt Service Fund

In addition, the City reports the following fiduciary fund type:

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 and are as follows:

Police Pension Fund

Firefighters' Pension Fund

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

***Measurement Focus, Basis of Accounting, and Basis of Presentation***

*Government-Wide Financial Statements*

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

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

*Fund Financial Statements*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

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

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

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.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

The City reports unavailable and unearned revenues on its governmental funds balance sheet. For the governmental fund financial statements, unavailable revenues arise when revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. The revenue is recognized in the period when the revenue becomes both “measurable” and “available.” Unavailable revenues arise from taxes levied in the current year which are intended to finance the subsequent year’s operations and when the resources for a receivable are not received within 60 days of fiscal year end. Unearned revenues arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures, or rent collected in advance of the period earned. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

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

***Accounting Estimates***

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

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

***Deposits and Investments***

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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

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

***Receivables***

Property taxes for levy year 2020 attached as an enforceable lien on January 1, 2020, on property values assessed as of the same date. Taxes are levied by December following the lien date (by passage of a Tax Levy Ordinance). Property taxes for levy year 2020 still outstanding as of April 30, 2021, are recorded as receivables. The 2021 tax levy, which attached as an enforceable lien on the property as of January 1, 2021, has not been recorded as a receivable and deferral as of April 30, 2021, as the tax has not yet been levied by the City and will not be levied until December 2021. Therefore, the levy is not measurable at April 30, 2021. The property tax receivable at April 30, 2021, is related to remaining distributions on the 2020 levy.

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

The County collects the property taxes and remits them periodically. The 2020 property tax levy is recognized as a receivable and deferral in fiscal 2021, net of the allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues at the fund and entity-wide levels. At April 30, 2021, the property taxes receivable and deferred inflows consisted of the estimated amount collectible from the 2020 levy.

***Prepaid Expenses***

Prepaid expenses are accounted for under the consumption method, whereby amounts are recorded as expenditures during the period benefited by the goods or services.

***Interfunds***

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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

***Restricted Assets***

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

***Capital Assets***

*Government-Wide Statements*

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$10,000 for general capital assets and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of capital asset is as follows:

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

***Fund Financial Statements***

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

***Compensated Absences***

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

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

# **City of Highwood, Illinois**

## **Notes to Financial Statements**

### **April 30, 2021**

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, 2021, are determined on the basis of current salary rates and include incremental salary related payments.

#### ***Deferred Outflows/Inflows of Resources***

The City reports deferred outflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of liability) until then. The City has two items that qualify for reporting in this category; they are the unamortized loss on refunding of bonds and deferred outflows for pensions reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The deferred outflows related to pensions represents pension items that will be recognized as pension expense/reduction of liability in future periods.

The City reports deferred inflows of resources on its statement of net position and on its balance sheet - governmental funds. Deferred inflows of resources represent an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Accordingly, the items, unavailable/unearned property taxes and deferred inflows for pensions, are reported in the statement of net position and the governmental funds balance sheet, as noted. The unavailable/deferred property taxes are recognized as an inflow of resources in the period that the amount becomes available and/or were intended to finance. The deferred inflows related to pensions represents pension items that will be recognized as reductions in pension expense in future periods.

#### ***Long-Term Obligations***

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

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of the long-term debt, plus any premiums or less any discounts, are reported as other financing sources in the period issued and payments of principal and interest are reported as expenditures when made. The accounting in proprietary funds is the same as it is in the government-wide statements.

#### ***Claims and Judgments***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. The liability for claims and judgments is only reported in

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

governmental funds if it has matured. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. Refer to Note 14 for Commitments and Contingencies.

***Pensions***

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

***Equity Classifications***

*Government-Wide and Proprietary Fund Financial Statements*

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

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

*Governmental Fund Financial Statements*

There are five classifications of fund balance:

- (1) **Nonspendable** – amounts that are not in spendable form (such as inventory or land held for resale) or are required to be maintained intact.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
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- (2) **Restricted** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) or imposed by law through constitutional provisions or enabling legislation.
- (3) **Committed** – amounts constrained to a specific purpose by a government itself, using its highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action (the adoption of another ordinance) to remove or change the constraint.
- (4) **Assigned** – amounts a government intends to use for a specific purpose. Intent can be expressed by the City Manager.
- (5) **Unassigned** – amounts that are available for any purpose. These amounts are only reported in the General Fund, except for deficit balances in other funds.

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

***Change in Accounting Principle***

The City adopted the provisions of GASB Statement No. 84, *Fiduciary Activities* (GASB 84), for fiscal year ended April 30, 2021. As a result of the implementation of GASB 84, the City determined that the Escrow Fund previously reported as an agency fund did not qualify as a custodial fund under GASB Statement No. 84. As a result, the balances associated with the Escrow Fund have been presented in the General Fund at April 30, 2021. This change had no impact on fund balance or net position.

***Restatement – Component Unit***

The \$15,000 restatement is to correct the beginning balance of grants receivable of Friends of Highwood Public Library.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

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

***Budgetary Information***

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

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

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

***Deficit Fund Balances***

The fund below has a deficit fund balance as of April 30, 2021:

<b>Fund</b>	<b>Deficit Fund Balance</b>
Capital Project Fund (major fund)	\$ (100,545)

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

**Note 3: Deposits and Investments**

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

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

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

	<b>Carrying Value</b>	<b>Bank/Broker Statement Balances</b>
Deposits	\$ 3,369,432	\$ 3,375,677
Illinois Funds (investments)	2,105,968	2,105,430
Petty cash	1,200	-
	<b>\$ 5,476,600</b>	<b>\$ 5,481,107</b>

Reconciliation to financial statements:

	<b>Government-Wide Statement of Net Position</b>
Cash and investments - unrestricted	\$ 5,454,002
Cash and investments - restricted	22,598
	<b>\$ 5,476,600</b>

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

**Custodial Credit Risk**

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

# City of Highwood, Illinois

## Notes to Financial Statements

### April 30, 2021

#### *Deposits*

The City's investment policy states that funds on deposit (checking accounts, certificates of deposit, etc.) in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement, and held at an independent, third-party institution in the name of municipality. As of April 30, 2021, approximately \$36,000 of the City's total bank balances were exposed to custodial credit risk.

#### *Investments*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states that securities will be held by an independent third-party custodian designated by the Treasurer and evidenced by safekeeping receipts and a written custodial agreement. The City does not have any investments exposed to custodial credit risk.

#### **Credit Risk**

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

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

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

#### **Interest Rate Risk**

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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

**Note 4: Receivables**

	Governmental Funds			Proprietary Funds		Total
	General Fund	Downtown Redevelopment TIF Fund	Nonmajor Funds	Waterworks and Sewerage Fund	Garbage Fund	
Receivables						
Property taxes	\$ 1,387,289	\$ 1,177,311	\$ 199,793	\$ -	\$ -	\$ 2,764,393
Other taxes						
Sales tax	94,333	-	-	-	-	94,333
Intergovernmental						
Sales tax	131,191	-	-	-	-	131,191
Telecom	9,828	-	-	-	-	9,828
Use tax	32,028	-	-	-	-	32,028
Income tax	170,750	-	-	-	-	170,750
Replacement tax	3,526	-	-	-	-	3,526
Cannabis tax	1,338	-	-	-	-	1,338
Motor fuel tax	-	-	17,806	-	-	17,806
Accounts, net	46,108	-	-	296,388	20,006	362,502
	<u>\$ 1,876,391</u>	<u>\$ 1,177,311</u>	<u>\$ 217,599</u>	<u>\$ 296,388</u>	<u>\$ 20,006</u>	<u>\$ 3,587,695</u>

All of the receivables on the balance sheet are expected to be collected within one year. As of April 30, 2021, the General, Waterworks and Sewerage, and Garbage Funds have recorded allowance for uncollectible accounts of \$31,050, \$89,168, and \$13,030, respectively.

**Note 5: Restricted Assets**

The following represent the balances of the restricted assets:

Unspent portion of 2010 A and B Series Bonds at April 30, 2021.

	Restricted Assets	Noncurrent Liabilities Payable From Restricted Assets	Restricted Net Position
Business-type activities			
Unspent bond proceeds	\$ 22,598	\$ (22,598)	\$ -

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

**Note 6: Capital Assets**

***Governmental Activities***

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

	<b>Balances May 1</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balances April 30</b>
Capital assets not being depreciated				
Land	\$ 2,650,350	\$ -	\$ 319,000	\$ 2,331,350
Construction in progress	-	533,451	-	533,451
	<u>2,650,350</u>	<u>533,451</u>	<u>319,000</u>	<u>2,864,801</u>
Capital assets being depreciated				
Land improvements	737,840	-	-	737,840
Buildings	2,274,947	-	-	2,274,947
Equipment and vehicles	792,568	-	-	792,568
Infrastructure	13,468,516	-	-	13,468,516
	<u>17,273,871</u>	<u>-</u>	<u>-</u>	<u>17,273,871</u>
Less accumulated depreciation for				
Land improvements	737,840	-	-	737,840
Buildings	1,723,333	43,299	-	1,766,632
Equipment and vehicles	544,326	53,448	-	597,774
Infrastructure	10,819,122	143,370	-	10,962,492
	<u>13,824,621</u>	<u>240,117</u>	<u>-</u>	<u>14,064,738</u>
Total capital assets being depreciated, net	<u>3,449,250</u>	<u>(240,117)</u>	<u>-</u>	<u>3,209,133</u>
Governmental activities capital assets, net	<u>\$ 6,099,600</u>	<u>\$ 293,334</u>	<u>\$ 319,000</u>	<u>\$ 6,073,934</u>

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

***Business-Type Activities***

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

	<b>Balances May 1</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balances April 30</b>
Capital assets being depreciated				
Land improvements	\$ 240,189	\$ -	\$ -	\$ 240,189
Buildings	3,851,500	-	-	3,851,500
Machinery and equipment	350,600	-	-	350,600
Waterworks and sewerage system	7,180,391	-	-	7,180,391
	<u>11,622,680</u>	<u>-</u>	<u>-</u>	<u>11,622,680</u>
Less accumulated depreciation for				
Land improvements	71,642	9,914	-	81,556
Buildings	2,218,735	58,450	-	2,277,185
Machinery and equipment	299,538	8,164	-	307,702
Waterworks and sewerage system	3,450,168	134,998	-	3,585,166
	<u>6,040,083</u>	<u>211,526</u>	<u>-</u>	<u>6,251,609</u>
Total capital assets being depreciated, net	<u>5,582,597</u>	<u>(211,526)</u>	<u>-</u>	<u>5,371,071</u>
Business-type activities capital assets, net	<u>\$ 5,582,597</u>	<u>\$ (211,526)</u>	<u>\$ -</u>	<u>\$ 5,371,071</u>

***Depreciation Expense***

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

Governmental activities	
General government	\$ 41,807
Public safety	33,798
Public works	162,490
Culture, education and recreation	2,022
	<u>\$ 240,117</u>
Business-type activities	
Water	\$ 146,730
Sewer	54,882
Garbage	9,914
	<u>\$ 211,526</u>

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
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**Note 7: Interfund Transactions**

***Interfund Receivables/Payables***

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

The following is a schedule of interfund receivables and payables:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Component unit (Public Library)	General Fund	\$ 829
Capital Projects Fund (Major Fund)	General Fund	\$ 250,832

All amounts are due within one year.

***Transfers***

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

The transfer below occurred in 2021.

<b>Transferring Fund</b>	<b>Receiving Fund</b>	<b>Amount</b>
General Fund	Capital Projects Fund (Major)	\$ 702,256

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
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**Note 8: Deferred Inflows of Resources and Unearned Income**

As of April 30, 2021, the various components of deferred inflows of resources related to revenue recognition (excludes pension items) and unearned revenue reported in the governmental funds balance sheet, and the governmental activities in the statement of net position were as follows:

	<b>Deferred Inflows of Resources</b>	<b>Unearned Income</b>	<b>Total</b>
Property taxes receivable for subsequent year	\$ 2,764,393	\$ -	\$ 2,764,393
Other deferred revenues	-	10,000	10,000
Rental income received in advance	-	120,171	120,171
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total deferred/unearned revenue per governmental funds balance sheet and statement of net position	<u>\$ 2,764,393</u>	<u>\$ 130,171</u>	<u>\$ 2,894,564</u>

**Note 9: Long-Term Obligations**

Long-term obligations activity for the year ended April 30, 2021, was as follows:

***Governmental Activities***

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Bonds and notes payable					
Alternate revenue bonds	\$ 830,000	\$ -	\$ 455,000	\$ 375,000	\$ 375,000
General obligation bonds	1,805,000	-	145,000	1,660,000	145,000
Bond premium	37,639	-	13,548	24,091	-
	<u>2,672,639</u>	<u>-</u>	<u>613,548</u>	<u>2,059,091</u>	<u>520,000</u>
Other liabilities					
Vested compensated absences	97,225	111,318	97,225	111,318	22,264
	<u>97,225</u>	<u>111,318</u>	<u>97,225</u>	<u>111,318</u>	<u>22,264</u>
Total governmental activities long-term liabilities	<u>\$ 2,769,864</u>	<u>\$ 111,318</u>	<u>\$ 710,773</u>	<u>\$ 2,170,409</u>	<u>\$ 542,264</u>

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
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***Business-Type Activities***

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Amount Due Within One Year</b>
Bonds and notes payable					
2010B General Obligation					
Recovery Zone Economic					
Development Bonds	\$ 2,905,000	\$ -	\$ 2,905,000	\$ -	\$ -
Bond discount	(14,063)	-	(14,063)	-	-
2020 General Obligation Bonds	-	2,670,000	-	2,670,000	50,000
Bond premium	-	325,157	41,000	284,157	-
Loan payable	126,776	-	40,873	85,903	42,240
IEPA loans	2,446,189	-	197,087	2,249,102	201,635
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total business-type activities	\$ 5,463,902	\$ 2,995,157	\$ 3,169,897	\$ 5,289,162	\$ 293,875
long-term liabilities	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The City is subject to the Illinois Municipal Code, which limits the amount of certain indebtedness to 8.625% of the most recent available equalized assessed valuation of the City.

***Legal Debt Margin***

Assessed valuation – 2020	<u>\$ 147,652,696</u>
Legal debt limit – 8.625% of assessed valuation	\$ 12,735,045
Amount of debt applicable to debt limit	<u>1,660,000</u>
Legal debt margin	<u>\$ 11,075,045</u>

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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
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**Alternate Revenue Bonds**

The alternate revenue bonds are direct obligations and pledge the full faith and credit of the City. Governmental activities alternate revenue bonds are payable from revenues derived from tax increment revenues and are paid by the Downtown Redevelopment TIF Fund.

**Governmental Activities - Alternate Revenue and General Obligation Bonds**

Alternate revenue debt payable at April 30, 2021, consists of the following:

<b>Governmental Activities</b>	<b>Date of Issue</b>	<b>Final Maturity</b>	<b>Interest Rates</b>	<b>Original Indebtedness</b>	<b>Balance April 30, 2021</b>
Series 2013 GO	2013	1/1/2022	2.00% - 4.00%	\$ 2,160,000	\$ 375,000
Series 2015 GO	2015	12/1/2030	1.85% - 4.00%	2,355,000	<u>1,660,000</u>
Total governmental activities - alternate revenue and general obligation bonds					<u>\$ 2,035,000</u>

**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, 2021, consists of the following:

<b>Business-Type Activities General Obligation Debt</b>	<b>Date of Issue</b>	<b>Final Maturity</b>	<b>Interest Rates</b>	<b>Original Indebtedness</b>	<b>Balance April 30, 2021</b>
Series 2020 GO	2020	12/1/2033	3.00%	\$ 2,670,000	<u>\$ 2,670,000</u>

Debt service requirements to maturity are as follows:

<b>Year</b>	<b>Governmental Activities Alternate Revenue and General Obligation</b>	
	<b>Principal</b>	<b>Interest</b>
2022	\$ 520,000	\$ 69,555
2023	150,000	51,075
2024	155,000	47,475
2025	155,000	43,213
2026	160,000	38,950
2027-2031	<u>895,000</u>	<u>108,750</u>
	<u>\$ 2,035,000</u>	<u>\$ 359,018</u>

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
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<b>Year</b>	<b>Business-Type Activities</b>	
	<b>2020 General Obligation</b>	
	<b>Principal</b>	<b>Interest</b>
2022	\$ 50,000	\$ 80,100
2023	125,000	78,600
2024	195,000	74,850
2025	205,000	69,000
2026	210,000	62,850
2027-2031	1,130,000	216,600
2032-2034	755,000	45,750
	<u>\$ 2,670,000</u>	<u>\$ 627,750</u>

***Other Notes or Loans Payable***

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

<b>Business-Type Activities - Other Notes or Loans Payable</b>	<b>Date of Issue</b>	<b>Original Indebtedness</b>	<b>Final Maturity</b>	<b>Interest Rates</b>	<b>Balance April 30, 2021</b>
Illinois Environmental Protection Agency (IEPA) loan payable of 2002	4/30/2002	\$ 1,170,000	12/30/2021	2.54%	\$ 73,841
Loan payable - water	3/10/2016	2,610,846	8/26/2035	2.21%	1,617,568
Loan payable - sewer	3/10/2016	249,578	9/4/2035	2.21%	163,075
Loan payable - water tower	4/30/2017	571,500	8/2/2036	1.86%	<u>394,618</u>
					<u>\$ 2,249,102</u>
Water meter loan	11/21/2012	380,000	9/15/2022	Various	<u>\$ 85,903</u>

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

<u>Year</u>	<u>Business-Type Activities</u>	
	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 243,875	\$ 50,309
2023	174,217	44,717
2024	133,375	40,428
2025	136,257	37,546
2026	139,200	34,602
2027-2031	742,452	126,561
2032-2036	754,155	42,758
2037-2038	11,474	107
	<u>\$ 2,335,005</u>	<u>\$ 377,028</u>

***Refunding***

On October 6, 2020, the City issued \$2,670,000 in General Obligation Refunding Bonds, Series 2020 with interest rate of 3.00% to refund the \$2,905,000 outstanding balance of the 2010B General Obligation Recovery Zone Economic Development Bonds (RZED). The net proceeds of \$2,917,238 (after payment of underwriting fees, insurance, and other issuance cost) were deposited with the escrow agent paying to settle the balance of the 2010B RZED Bonds. The balance of 2010B RZED Bonds has been removed from the City’s financial statements.

Although this current refunding resulted in the recognition of an accounting loss of \$30,274 for the year ended April 30, 2021, the City in effect reduced its aggregate debt service payments by almost \$397,615 over the next thirteen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$389,131.

**Note 10: Highwood Public Library – Component Unit**

This report contains the Highwood Public Library (Library), which is included as a component unit. Financial information is presented as a discrete column in the statement of net position and statement of activities. The Library’s financial information includes the balances and operating results of The Friends of Highwood Public Library, which was determined to be a component unit of the Library. The Friends of Highwood Public Library’s financial information at April 30, 2021, is presented as a discrete column in the statement of net position and statement of activities of the Library.

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.

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

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

***Deposits and Investments***

	<b>Carrying Value</b>	<b>Bank Statement Balance</b>
Deposits	\$ 731,538	\$ 741,873
Illinois Metropolitan Investment Fund	20,112	20,112
	\$ 751,650	\$ 761,985

***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.

Library’s unsecured and uncollateralized bank deposits amounted to \$72,790 at April 30, 2021.

*Interest Rate Risk*

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

**City of Highwood, Illinois**  
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**Capital Assets**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Useful Lives (Years)</b>
Building and improvements	\$ 1,120,894	\$ -	\$ -	\$ 1,120,894	20 - 50
Machinery and equipment	1,282,000	24,833	-	1,306,833	5 - 20
Less accumulated depreciation	<u>(1,945,314)</u>	<u>(24,374)</u>	<u>-</u>	<u>(1,969,688)</u>	
	<u><u>\$ 457,580</u></u>	<u><u>\$ 459</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 458,039</u></u>	

**Note 11: Employee Retirement Systems**

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

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

	<b>Governmental Activities</b>	<b>Business-Type Activities*</b>	<b>Total City</b>	<b>Component Unit Library</b>	<b>Plan Totals</b>
Net pension liability/(asset)					
IMRF	\$ (433,592)	\$ (63,640)	\$ (497,232)	\$ (88,172)	\$ (585,404)
Police	998,671	-	998,671	-	998,671
Firefighters	<u>2,372,237</u>	<u>-</u>	<u>2,372,237</u>	<u>-</u>	<u>2,372,237</u>
	<u>\$ 2,937,316</u>	<u>\$ (63,640)</u>	<u>\$ 2,873,676</u>	<u>\$ (88,172)</u>	<u>\$ 2,785,504</u>
Deferred outflows of Resources					
IMRF	\$ 23,342	\$ 3,730	\$ 27,072	\$ 5,168	\$ 32,240
Police	<u>203,574</u>	<u>-</u>	<u>203,574</u>	<u>-</u>	<u>203,574</u>
	<u>\$ 226,916</u>	<u>\$ 3,730</u>	<u>\$ 230,646</u>	<u>\$ 5,168</u>	<u>\$ 235,814</u>
Deferred inflows of Resources					
IMRF	\$ 338,863	\$ 53,111	\$ 391,974	\$ 73,584	\$ 465,558
Police	1,240,704	-	1,240,704	-	1,240,704
Firefighters	<u>407,436</u>	<u>-</u>	<u>407,436</u>	<u>-</u>	<u>407,436</u>
	<u>\$ 1,987,003</u>	<u>\$ 53,111</u>	<u>\$ 2,040,114</u>	<u>\$ 73,584</u>	<u>\$ 2,113,698</u>
Pension expense					
IMRF	\$ (108,968)	\$ (16,788)	\$ (125,756)	\$ (23,260)	\$ (149,016)
Police	142,716	-	142,716	-	142,716
Firefighters	<u>928,307</u>	<u>-</u>	<u>928,307</u>	<u>-</u>	<u>928,307</u>
	<u>\$ 962,055</u>	<u>\$ (16,788)</u>	<u>\$ 945,267</u>	<u>\$ (23,260)</u>	<u>\$ 922,007</u>

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

**Illinois Municipal Retirement Fund**

*Plan Description*

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

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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/](http://www.imrf.org/pubs/) or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees of the City of Highwood Library (Library), a component unit of the City, also participates in the City's IMRF plan. Pension items have been allocated to the Library on the basis of employer contributions to total employer contributions for the fiscal year. The City's portion was 91.9%.

*Benefits Provided*

All employees (other than those covered by the Police or Firefighters' Pension Plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after 8 years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with 8 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute.

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

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*Employees Covered by Benefit Terms*

At December 31, 2020, the measurement date for the net pension liability, the following employees were covered by the benefit terms:

	<b>Regular</b>	<b>SLEP</b>
Retirees and beneficiaries	26	1
Inactive, nonretired members	34	-
Active members	12	-
	72	1

*Contributions*

As set by statute, employees participating in the IMRF plan are required to contribute 4.50% of their annual covered salary. The member rate is also established by State statute. The City is required to contribute at an actuarially determined rate. The employer annual required contribution rate for the Regular Plan for calendar year 2020 was 8.69% and for 2021, it is 8.13%. For the year ended April 30, 2021, the City contributed \$64,169 to the plan. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. For the SLEP Plan, members are required to contribute 7.50% of their annual covered salary. The employer rate for calendar years 2021 and 2020 was 0.00%. For the year ended April 30, 2021, the City contributed \$0 to the SLEP Plan.

*Net Pension Liability*

The City's net pension liability at April 30, 2021, was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The net pension asset as of April 30, 2021, is \$550,045 for the Regular Plan and \$35,359 for the SLEP Plan.

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*Actuarial Assumptions*

The following are the methods and assumptions used to determine the net pension liability as of April 30, 2021:

Actuarial valuation date	December 31, 2020
Measurement date	December 31, 2020
Actuarial cost method	Entry-age normal
Assumptions	
Price inflation	2.25%
Salary increases - Regular	2.85% to 13.75%
Investment rate of return	7.25%
Asset valuation method	Market value of assets

Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the period 2017-2019.

*Mortality*

For nondisabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

*Assumption Changes*

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

- Salary increases changed from 3.35% to 14.25% in 2020 to 2.85% to 13.75% in 2021.
- Price inflation changed from 2.5% in 2020 to 2.25% in 2021.
- Municipal bond rate used in calculating the single discount rate changed from 2.75% in 2020 to 2.00% in 2021.

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*Investments*

The long-term expected rate of return on pension plan investments of 7.25% (7.50% in the prior year) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Portfolio Target Percentage</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	37%	5.00%
International equity	18%	6.00%
Fixed income	28%	1.30%
Alternative investments	7%	2.85% - 6.95%
Real estate	9%	6.20%
Short term	1%	0.70%
	<u>100.00%</u>	

*Discount Rate*

A single discount rate (SDR) of 7.25% (same as prior year for both the Regular and SLEP Plans) for the Regular Plan and SLEP Fund was used to measure the total pension liability. The projection of cash flows used to determine the SDR assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, both pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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*Changes in Net Pension Liability – Regular Plan*

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balance, beginning of year	\$ 5,006,037	\$ 5,096,094	\$ (90,057)
Changes for the year			
Service cost	77,578	-	77,578
Interest	357,501	-	357,501
Differences between expected and actual experience	37,909	-	37,909
Changes in assumptions	(46,040)	-	(46,040)
Contributions - employer	-	68,018	(68,018)
Contributions - employee	-	35,222	(35,222)
Net investment income	-	726,757	(726,757)
Benefit payments, including refunds of employees' contributions	(227,564)	(227,564)	-
Administrative expenses	-	-	-
Other (net transfer)	-	56,939	(56,939)
Net changes	199,384	659,372	(459,988)
Balance, end of year	\$ 5,205,421	\$ 5,755,466	\$ (550,045)

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

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a)-(b)</b>
Balance, beginning of year	\$ 50,585	\$ 77,160	\$ (26,575)
Changes for the year			
Service cost	-	-	-
Interest	3,538	-	3,538
Differences between expected and actual experience	387	-	387
Changes in assumptions	217	-	217
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	12,225	(12,225)
Benefit payments, including refunds of employees' contributions	(3,576)	(3,576)	-
Administrative expenses	-	-	-
Other (net transfer)	-	701	(701)
Net changes	566	9,350	(8,784)
Balance, end of year	\$ 51,151	\$ 86,510	\$ (35,359)

*Discount Rate Sensitivity*

The following is an analysis of the sensitivity of the City's net pension liability (asset) to changes in the discount rate. The table below represents the net pension liability (asset) of the City's Regular Plan and SLEP Fund calculated using the discount rate of 7.25%, as well as what the City's net pension liability (asset) would be if it were calculated using discount rates that are one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

*Regular Plan*

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
City's net pension liability (asset)	\$ 109,058	\$ (550,045)	\$ (1,058,098)

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*SLEP*

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Net pension asset	\$ (29,674)	\$ (35,359)	\$ (40,129)

*Pension Plan Fiduciary Net Position*

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

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

For the year ended April 30, 2021, the City recognized pension expense of \$(145,102) and \$(3,914) for the Regular Plan and SLEP, respectively. At April 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Regular Plan</b>		<b>SLEP</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Deferred Amounts Related to Pensions</b>				
Differences between expected and actual experience	\$ 13,850	\$ -	\$ -	\$ -
Changes of assumptions	-	16,821	-	-
Net difference between projected and actual earnings on pension plan investments	-	442,219	-	6,518
Total deferred amounts to be recognized in pension expense in future periods	13,850	459,040	-	6,518
Pension contributions made subsequent to the measurement date	18,390	-	-	-
	\$ 32,240	\$ 459,040	\$ -	\$ 6,518

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Deferred outflows of resources of \$18,390 for City contributions made subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended April 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<b>Year Ending April 30,</b>	<b>Regular</b>	<b>SLEP</b>	<b>Total</b>
2022	\$ (142,379)	\$ (1,916)	\$ (144,295)
2023	(54,497)	(806)	(55,303)
2024	(176,369)	(2,449)	(178,818)
2025	(71,945)	(1,347)	(73,292)
	<u>\$ (445,190)</u>	<u>\$ (6,518)</u>	<u>\$ (451,708)</u>

**Police Pension**

*Plan Description and Provisions*

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

*Benefits Provided*

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 2.5% of final salary for each year of service up to 30 years, to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% simple interest annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of one-half of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of

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

*Employees Covered by Benefit Terms*

At April 30, 2021, the Police Pension membership consisted of:

Inactive plan members currently receiving benefits	6
Inactive plan members entitled but not yet receiving benefits	6
Active plan members	12
	24

*Contributions*

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the Plan, as actuarially determined by an enrolled actuary. By the year 2040, the City’s contributions must accumulate to the point where the past service cost for the Police Pension Plan is 90% funded. Administrative expenses are generally paid from plan assets. For the year ended April 30, 2021, the City contributed \$323,053 to the Police Pension Plan.

*Investment Policy*

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

- General accounts of Illinois-licensed life insurance companies
- Separate accounts of Illinois-licensed insurance companies invested in stocks, bonds, and real estate, limited to 10% of the Fund’s investments
- Bonds issued by any county, city, township, incorporated town, municipal corporation, or school district in Illinois
- Tax anticipation warrants issued by any city, township, incorporated town, or fire protection district in Illinois

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- Equity accounts up to a limit of 45% of the aggregate fair value of the Fund’s assets
- Direct obligations of the State of Israel

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

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

<b>Asset Class</b>	<b>Portfolio Target Percentage</b>	<b>Long-Term Expected Real Rate of Return</b>
Large cap domestic equity	28.00%	5.60%
Small cap domestic equity	8.00%	7.40%
International equity	4.00%	6.90%
Fixed income	60.00%	1.20%
	<u>100.00%</u>	

The long-term expected rate of return of the Police Pension Fund’s investments of 6.50% was determined using an asset allocation study conducted by the Police Pension Fund’s investment manager consultant in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in the Fund’s target asset allocation as of April 30, 2021, are listed in the table above.

***Valuation of Investments***

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

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the accompanying statement of fiduciary net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at April 30, 2021:

<b>Investment Type</b>	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Debt securities</b>				
U.S. treasuries	\$ 370,868	\$ 370,868	\$ -	\$ -
U.S. agencies	1,599,636	-	1,599,636	-
Municipal bonds	421,991	-	421,991	-
Corporate bonds	462,630	-	462,630	-
Certificate of deposit	176,096	-	176,096	-
	<u>3,031,221</u>	<u>370,868</u>	<u>2,660,353</u>	<u>-</u>
<b>Equity securities</b>				
Mutual funds - equity	2,180,880	2,180,880	-	-
	<u>2,180,880</u>	<u>2,180,880</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>\$ 5,212,101</u>	<u>\$ 2,551,748</u>	<u>\$ 2,660,353</u>	<u>\$ -</u>

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

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

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

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

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*Investment Rate of Return*

For the year ended April 30, 2021, the annual money-weighted rate of return on the Police Pension Plan investments, net of pension plan investment expense, was 17.31%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Deposits With Financial Institutions*

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

*Interest Rate Risk*

As of April 30, 2021, the Police Pension Fund has the following investments and maturities:

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1 to 5	6 to 10	Greater Than 10
U.S. treasuries	\$ 370,868	\$ 20,212	\$ 206,962	\$ 143,694	\$ -
U.S. agency securities	1,599,636	35,595	535,465	997,785	30,791
Municipal bonds	421,991	45,256	183,637	193,098	-
Corporate bonds	462,630	-	135,645	326,985	-
Certificate of deposit	176,096	-	176,096	-	-
Total	<u>\$ 3,031,221</u>	<u>\$ 101,063</u>	<u>\$ 1,237,805</u>	<u>\$ 1,661,562</u>	<u>\$ 30,791</u>
Not subject to interest rate risk					
Mutual funds	<u>\$ 2,180,880</u>				

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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

*Credit Risk*

The Police Pension Fund limits its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. As of April 30, 2021, the investments in securities of the U.S. government and agency obligations were rated accordingly:

<b>Type of Investment</b>	<b>Fair Value</b>	<b>Moody's / S&amp;P Ratings</b>
U.S. agencies	\$ 1,527,006	Aaa / AA+
U.S. agencies	<u>72,630</u>	NR / NR
Total U.S. agencies	<u><u>\$ 1,599,636</u></u>	
Municipal bonds	\$ 20,000	A1/AA
Municipal bonds	41,300	Aa2/NR
Municipal bonds	31,609	Aa3/NR
Municipal bonds	67,542	Aaa/NR
Municipal bonds	104,369	NR/AA
Municipal bonds	50,000	NR/AA-
Municipal bonds	59,733	NR/AA+
Municipal bonds	<u>47,438</u>	NR/AAA
Total municipal bonds	<u><u>\$ 421,991</u></u>	
Corporate bonds	\$ 84,222	A1/A+
Corporate bonds	64,921	A2/A
Corporate bonds	14,832	A2/A-
Corporate bonds	26,250	A2/A+
Corporate bonds	26,072	A2/BBB+
Corporate bonds	24,957	A3/BBB+
Corporate bonds	24,957	Aa1/AA+
Corporate bonds	26,179	Aa2/A+
Corporate bonds	10,481	Aa2/AA
Corporate bonds	9,850	Aa2/AA-
Corporate bonds	20,548	Aa3/A+
Corporate bonds	43,671	Aa3/AA-
Corporate bonds	51,023	Aaa/AAA
Corporate bonds	20,322	Baa2/A
Corporate bonds	<u>14,345</u>	NR / NR
Total corporate bonds	<u><u>\$ 462,630</u></u>	

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

*Investment Concentrations*

At April 30, 2021, the Pension Fund does not have any investments over 5% of total investments available for benefits (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments). Agency investments represent a large portion of the portfolio; however, the investments are diversified by maturity date and as mentioned earlier are backed by the issuing organization. Although unlike treasuries, agency securities do not have the “full faith and credit” backing of the U.S. government, they are considered to have a moral obligation of implicit backing and are supported by treasury lines of credit and increasingly stringent federal regulation.

*Custodial Credit Risk*

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Police Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Police Pension Fund requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Police Pension Fund’s agency separate from where the investment was purchased. The mutual funds and common stocks are not subject to custodial credit risk.

*Net Pension Liability*

The City’s net pension liability was measured as of April 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of May 1, 2020, rolled forward to April 30, 2021.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
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*Actuarial Assumptions*

The total pension liability above was determined by an actuarial valuation performed as of May 1, 2020, using the following actuarial methods and assumptions.

Actuarial valuation date	May 1, 2020
Measurement date	April 30, 2021
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.25%
Salary increases	3.75% - 10.58%
Investment rate of return	6.50%
Asset valuation method	Market value of assets

Mortality rates are based on Pub-2010 Adjusted for Plan Status, Demographics, and Illinois Public Pension Data, as described.

*Assumption Changes*

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

- The assumed rate of High Quality 20-Year Tax-Exempt G.O. Bonds was changed from 2.56% to 2.27% for the current year.

*Discount Rate*

The discount rate used to measure the total pension liability was 6.50% (same as prior year). The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Police Pension Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
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*Changes in Net Pension Liability*

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balance, beginning of year	\$ 6,170,309	\$ 4,181,501	\$ 1,988,808
Changes for the year			
Service cost	294,314	-	294,314
Interest	369,803	-	369,803
Changes of benefits term	-	-	-
Difference between expected and actual experience	(395,741)	-	(395,741)
Changes of assumptions	-	-	-
Contributions - employer	-	323,053	(323,053)
Contributions - employee	-	87,184	(87,184)
Net investment income	-	881,752	(881,752)
Benefit payments, including refunds of employees' contributions	(188,356)	(188,356)	-
Administrative expenses	-	(33,476)	33,476
Net changes	<u>80,020</u>	<u>1,070,157</u>	<u>(990,137)</u>
Balance, end of year	<u>\$ 6,250,329</u>	<u>\$ 5,251,658</u>	<u>\$ 998,671</u>

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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

*Discount Rate Sensitivity*

The following is an analysis of the sensitivity of the City’s net pension liability to changes in the discount rate. The table below represents the net pension liability of the City calculated using the discount rate of 6.50% as well as what the City’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	<b>1% Decrease (5.50%)</b>	<b>Current Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
City’s net pension liability	\$ 2,063,257	\$ 998,671	\$ 149,162

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

For the year ended April 30, 2021, the City recognized pension expense of \$142,716. At April 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Amounts Related to Pensions</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 169,903	\$ 619,681
Changes of assumptions	33,671	200,665
Net differences between projected and actual earnings on pension plan investments	-	420,358
	\$ 203,574	\$ 1,240,704

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

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

<b>Year Ending April 30,</b>	<b>Amount</b>
2022	\$ (186,096)
2023	(205,445)
2024	(232,953)
2025	(256,446)
2026	(132,041)
Thereafter	<u>(24,149)</u>
	<u><u>\$ (1,037,130)</u></u>

***Firefighters' Pension***

*Plan Description and Provisions*

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

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service. The monthly pension shall be increased by one-twelfth of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years to a maximum of 75% of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement, and paid upon reaching at least the age 55, by 3% of the original pension and 3% annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for pension purposes is capped at \$106,800, plus the lesser of one-half of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of

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

*Employees Covered by Benefit Terms*

At April 30, 2021, the Firefighters’ Pension Plan membership consisted of:

Inactive plan members currently receiving benefits	8
Inactive plan members entitled but not yet receiving benefits	7
Active plan members	1
	16

*Contributions*

Covered employees are required to contribute 9.455% of their base salary to the Firefighters’ Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan, as actuarially determined by an enrolled actuary. By the year 2040, the City’s contributions must accumulate to the point where the past service cost for the Firefighters’ Pension Plan is 90% funded. Administrative expenses are generally paid from plan assets. For the year ended April 30, 2021, the City contributed \$106,171 to the Firefighters’ Pension Plan.

*Investment Policy*

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

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

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

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

<b>Asset Class</b>	<b>Portfolio Target Percentage</b>	<b>Long-Term Expected Real Rate of Return</b>
Large cap domestic equity	28.00%	5.60%
Small cap domestic equity	8.00%	7.40%
International equity	4.00%	6.90%
Fixed income	<u>60.00%</u>	1.20%
	<u><u>100.00%</u></u>	

The long-term expected rate of return of the Firefighters’ Pension Fund’s investments of 5.00% was determined using an asset allocation study conducted by the Firefighters’ Pension Fund’s investment manager consultant in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in the Fund’s target asset allocation as of April 30, 2021, are listed in the table above.

*Valuation of Investments*

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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at April 30, 2021:

<b>Investment Type</b>	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Debt securities				
Certificate of deposit	\$ 25,415	\$ -	\$ 25,415	\$ -
U.S. treasuries	302,307	302,307	-	-
U.S. agencies	1,558,208	-	1,558,208	-
Municipal bonds	353,877	-	353,877	-
Corporate bonds	417,569	-	417,569	-
	<u>2,657,376</u>	<u>302,307</u>	<u>2,355,069</u>	<u>-</u>
Equity securities				
Mutual funds - equity	1,901,564	1,901,564	-	-
	<u>\$ 4,558,940</u>	<u>\$ 2,203,871</u>	<u>\$ 2,355,069</u>	<u>\$ -</u>

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

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

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

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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

*Investment Rate of Return*

For the year ended April 30, 2021, the annual money-weighted rate of return on the Firefighters' Pension Plan investments, net of pension plan investment expense, was 17.69%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Deposits With Financial Institutions*

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

*Interest Rate Risk*

As of April 30, 2021, the Firefighters' Pension Fund has the following investments and maturities:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities in Years</b>			
		<b>Less Than 1</b>	<b>1 to 5</b>	<b>6 to 10</b>	<b>Greater Than 10</b>
Certificate of deposit	\$ 25,415	\$ 25,415	\$ -	\$ -	\$ -
U.S. treasuries	302,307	91,378	78,798	132,131	-
U.S. agency securities	1,558,208	-	598,953	928,464	30,791
Municipal bonds	353,877	30,285	118,045	205,547	-
Corporate bonds	417,569	-	135,645	281,924	-
<b>Total</b>	<b>\$ 2,657,376</b>	<b>\$ 147,078</b>	<b>\$ 931,441</b>	<b>\$ 1,548,066</b>	<b>\$ 30,791</b>
Not subject to interest rate risk					
Mutual funds	<u>\$ 1,901,564</u>				

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
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*Credit Risk*

The Firefighters' Pension Fund limits its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. As of April 30, 2021, the investments in securities of the U.S. government and agency obligations were rated accordingly:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>S&amp;P Ratings</u>
U.S. agencies	\$ 1,529,282	Aaa / AA+
U.S. agencies	28,926	NR / NR
	<hr/>	
Total U.S. agencies	\$ 1,558,208	
	<hr/> <hr/>	
Municipal bonds	\$ 30,000	A3/NR
Municipal bonds	30,672	Aa1/NR
Municipal bonds	9,606	Aa2/AA+
Municipal bonds	61,213	Aa2/NR
Municipal bonds	31,609	Aa3/NR
Municipal bonds	85,338	NR/AA
Municipal bonds	20,121	NR/AA+
Municipal bonds	50,000	NR/AAA
Municipal bonds	30,000	NR/AA-
Municipal bonds	5,318	NR/NR
	<hr/>	
Total municipal bonds	\$ 353,877	
	<hr/> <hr/>	
Corporate bonds	\$ 79,349	A1/A+
Corporate bonds	54,939	A2/A
Corporate bonds	14,832	A2/A-
Corporate bonds	26,250	A2/A+
Corporate bonds	26,072	A2/BBB+
Corporate bonds	24,957	A3/BBB+
Corporate bonds	24,957	Aa1/AA+
Corporate bonds	26,179	Aa2/A+
Corporate bonds	10,481	Aa2/AA
Corporate bonds	9,850	Aa2/AA-
Corporate bonds	33,967	Aa3/AA-
Corporate bonds	51,023	Aaa/AAA
Corporate bonds	20,322	Baa2/A
Corporate bonds	14,391	NR/NR
	<hr/>	
Total corporate bonds	\$ 417,569	
	<hr/> <hr/>	

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

*Investment Concentrations*

At April 30, 2021, the Pension Fund does not have any investments over 5% of total investments available for benefits (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments). Agency investments represent a large portion of the portfolio; however, the investments are diversified by maturity date and as mentioned earlier are backed by the issuing organization. Although unlike treasuries, agency securities do not have the “full faith and credit” backing of the U.S. government, they are considered to have a moral obligation of implicit backing and are supported by treasury lines of credit and increasingly stringent federal regulation.

*Custodial Credit Risk*

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Firefighters’ Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Firefighters’ Pension Fund requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Firefighters’ Pension Fund’s agent separate from where the investment was purchased. The mutual funds and common stocks are not subject to custodial credit risk.

*Net Pension Liability*

The City’s net pension liability was measured as of April 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of May 1, 2020, rolled forward to April 30, 2021.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

*Actuarial Assumptions*

The total pension liability above was determined by an actuarial valuation performed as of May 1, 2020, using the following actuarial methods and assumptions.

Actuarial valuation date	May 1, 2020
Measurement date	April 30, 2021
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.25%
Salary increases	0.00%
Investment rate of return	5.00%
Asset valuation method	Market value of assets

Mortality rates are based on Pub-2010 Adjusted for Plan Status, Demographics, and Illinois Public Pension Data.

*Assumption Changes*

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

- The discount rate used decreased from 4.26% in 2020 to 3.92% in 2021.
- The assumed rate of High Quality 20-Year Tax-Exempt G.O. Bonds was changed from 2.56% to 2.27% for the current year.

*Discount Rate*

The discount rate used to measure the total pension liability was 3.92% (4.26% in 2020). The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Firefighters' Pension Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

*Changes to Net Pension Liability*

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balance, beginning of year	\$ 5,933,314	\$ 3,993,945	\$ 1,939,369
Changes for the year			
Service cost	28,630	-	28,630
Interest	271,161	-	271,161
Difference between expected and actual experience	519,188	-	519,188
Changes of assumptions	392,375	-	392,375
Contributions - employer	-	106,171	(106,171)
Contributions - employee	-	-	-
Net investment income	-	704,590	(704,590)
Benefit payments, including refunds of employees' contributions	(186,350)	(186,350)	-
Administrative expenses	-	(32,275)	32,275
Net changes	<u>1,025,004</u>	<u>592,136</u>	<u>432,868</u>
Balance, end of year	<u>\$ 6,958,318</u>	<u>\$ 4,586,081</u>	<u>\$ 2,372,237</u>

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

*Discount Rate Sensitivity*

The following is an analysis of the sensitivity of the City's net pension liability to changes in the discount rate. The table below represents the net pension liability of the City calculated using the discount rate of 3.92%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.92%) or one percentage point higher (4.92%) than the current rate:

	<b>1% Decrease (2.92%)</b>	<b>Current Discount Rate (3.92%)</b>	<b>1% Increase (4.92%)</b>
City's net pension liability	\$ 3,755,980	\$ 2,372,237	\$ 1,309,244

**City of Highwood, Illinois**  
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*Pension Expense and Deferred Inflows of Resources Related to Pensions*

For the year ended April 30, 2021, the City recognized pension expense of \$928,307. At April 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Amounts Related to Pensions</b>	<b>Deferred Inflows of Resources</b>
Net differences between projected and actual earnings on pension plan investments	\$ 407,436

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

<b>Year Ending April 30,</b>	<b>Amount</b>
2022	\$ (103,349)
2023	(105,930)
2024	(96,618)
2025	(101,539)
	\$ (407,436)

*Basis of Accounting*

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

*Related Party Transactions*

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

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

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

Schedule of fiduciary net position as of April 30, 2021:

	<b>Police Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 25,126	\$ 13,885	\$ 39,011
Investments			
Certificate of deposit	176,096	25,415	201,511
U.S. treasuries	370,868	302,307	673,175
U.S. agencies	1,599,636	1,558,208	3,157,844
Mutual funds	2,180,880	1,901,564	4,082,444
Corporate bonds	462,630	417,569	880,199
Municipal bonds	421,991	353,877	775,868
Receivables			
Accrued interest	17,516	16,204	33,720
Total assets	<u>5,254,743</u>	<u>4,589,029</u>	<u>9,843,772</u>
<b>Liabilities</b>			
Accounts payable	<u>3,085</u>	<u>2,948</u>	<u>6,033</u>
<b>Net Position</b>			
Restricted for pensions	<u>\$ 5,251,658</u>	<u>\$ 4,586,081</u>	<u>\$ 9,837,739</u>

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
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Schedule of changes in fiduciary net position for the year ended April 30, 2021:

	<b>Police Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Total</b>
<b>Additions</b>			
Contributions			
Employer	\$ 323,053	\$ 106,171	\$ 429,224
Plan members	87,184	-	87,184
Total contributions	<u>410,237</u>	<u>106,171</u>	<u>516,408</u>
<b>Investment Income (Loss)</b>			
Investment income	110,991	104,552	215,543
Net appreciation in fair value of investments	790,485	617,563	1,408,048
Less investment expenses	<u>(19,724)</u>	<u>(17,525)</u>	<u>(37,249)</u>
Net investment income	<u>881,752</u>	<u>704,590</u>	<u>1,586,342</u>
 Total additions	 <u>1,291,989</u>	 <u>810,761</u>	 <u>2,102,750</u>
<b>Deductions</b>			
Benefits	188,356	186,350	374,706
Administration	<u>33,476</u>	<u>32,275</u>	<u>65,751</u>
 Total deductions	 <u>221,832</u>	 <u>218,625</u>	 <u>440,457</u>
 <b>Changes in Net Position</b>	 <u>1,070,157</u>	 <u>592,136</u>	 <u>1,662,293</u>
 <b>Net Position, May 1</b>	 <u>4,181,501</u>	 <u>3,993,945</u>	 <u>8,175,446</u>
 <b>Net Position, April 30</b>	 <u>\$ 5,251,658</u>	 <u>\$ 4,586,081</u>	 <u>\$ 9,837,739</u>

**Note 13: Risk Management**

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

The City of Highwood participates in the Illinois Public Risk Fund (IPRF) for workers' compensation coverage. IPRF is a self-funded workers' compensation pool for public entities, established to provide a cost-effective alternative to escalating workers' compensation premiums and related costs. This workers' compensation pool is reinsured through Safety National, rated A+

# City of Highwood, Illinois

## Notes to Financial Statements

### April 30, 2021

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 individual entity's premiums paid and losses to be used towards safety equipment or other safety programs.

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

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

#### **Note 14: Commitments and Contingent Liabilities**

The City Council has approved an economic development agreement with a developer to provide a fixed amount of reimbursement to the developer for specific redevelopment costs within the City's TIF District. The maximum reimbursable amount is \$500,000. The initial payment is not to be made until the issuance of a certificate of occupancy for the building within the redevelopment area. Construction was completed and a certificate of occupancy was issued in the prior year. The City made the second payment of \$125,000 in December 2019. The City made the third payment of \$125,000 in January 2021. The fourth and final payment of \$125,000 is due December 31, 2021.

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

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

#### **Note 15: Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees at their option, permits

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency occurs.

The City evaluated whether the plan is a fiduciary activity based on GASB Statement No. 84, *Fiduciary Activities*, and concluded that it is not a fiduciary activity. The City does not contribute to the Plan and has no control over the plan assets. The assets of the plan are held in trust, for the exclusive benefit of the plan participants and their beneficiaries. The assets cannot be diverted for any other purpose.

**Note 16: Subsequent Events**

On September 16, 2021, the City issued \$9,255,000 General Obligation Bonds, Series 2021 at a premium of \$911,628. Proceeds from the bonds will be used to finance the construction of the City's Police Station.

**Note 17: Future Pronouncements**

The Governmental Accounting Standards Board (GASB) recently issued the following standards:

**GASB Statement No. 87, Leases (GASB 87)**

In June 2017, GASB published Statement No. 87, *Leases*. The standard was the result of a multi-year project to reexamine the accounting and financial reporting for leases. The new standard establishes a single model for lease accounting based on the principle that leases represent the financing of the right to use an underlying asset. Specifically, GASB 87 includes the following accounting guidance for lessees and lessors:

Lessee Accounting - A lessee will recognize a liability measured at the present value of payments expected to be made for the lease term, and an intangible asset measured at the amount of the initial lease liability, plus any payments made to the lessor at or before the beginning of the lease and certain indirect costs. A lessee will reduce the liability as payments are made and recognize an outflow of resources for interest on the liability. The asset will be amortized by the lessee over the shorter of the lease term or the useful life of the asset.

Lessor Accounting - A lessor will recognize a receivable measured at the present value of the lease payments expected for the lease term and a deferred inflow of resources measured at the value of the lease receivable plus any payments received at or prior to the beginning of the lease that relate to future periods. The lessor will reduce the receivable as payments are received and recognize an inflow of resources from the deferred inflow of resources in a systematic and rational manner over the term of the lease. A lessor will not derecognize the asset underlying the lease. There is an exception for regulated leases for which certain criteria are met, such as airport-aeronautical agreements.

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

The lease term used to measure the asset or liability is based on the period in which the lessee has the noncancelable right to use the underlying asset. The lease term also contemplates any lease extension or termination option that is reasonably certain of being exercised.

GASB 87 does not apply to leases for intangible assets, biological assets (*i.e.*, timber and living plants and animals), service concession agreements or leases in which the underlying asset is financed with conduit debt that is reported by the lessor. Additionally, leases with a maximum possible term of 12 months or less are excluded. The effective date is for periods beginning after June 15, 2021.

**GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89)**

GASB 89 requires that interest costs incurred before the end of a construction period be recognized as expenses in the period in which the costs are incurred. As a result, the interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

GASB 89 is effective for financial statements for fiscal years beginning after December 15, 2020. Earlier application is encouraged. GASB 89 will be applied prospectively to interest incurred after the date of adoption.

**GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91)**

GASB 91 establishes consistent recognition, measurement and disclosure between governments for conduit debt obligations. The guidance clarifies the existing definition of a conduit debt obligation, establishes a single method of reporting for issuers and enhances note disclosures. GASB 91 is effective for reporting periods beginning after December 15, 2021.

**GASB Statement No. 92, *Omnibus 2020* (GASB 92)**

GASB 92 addresses practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including issues related to leases, intra-entity transfers, fiduciary activities and fair value disclosures. GASB 92 is effective for reporting periods based on individual topics discussed therein. GASB 92 is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged and is permitted by individual topic to the extent that all requirements associated with an individual topic are implemented simultaneously.

**GASB Statement No. 96, *Subscription - Based Information Technology Arrangements* (GASB 96)**

GASB 96 provides guidance on governments utilizing more cloud-based solutions for their information technology (IT) needs, and paying for the use of third-parties' IT software on a subscription basis. The accounting and financial reporting for what the GASB refers to as subscription-based information technology arrangements (SBITAs) has been inconsistent because

**City of Highwood, Illinois**  
**Notes to Financial Statements**  
**April 30, 2021**

of a lack of authoritative guidance. The Standard is effective for reporting periods after June 15, 2022, and all reporting periods thereafter, with early implementation encouraged. The statement would be applied retroactively, using the facts and circumstances that exist at the beginning of the fiscal year of implementation.

**Required Supplementary Information  
(Unaudited)**

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended April 30, 2021**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Revenues</b>				
Property taxes	\$ 1,338,510	\$ 1,338,510	\$ 1,334,640	\$ (3,870)
Other taxes	1,047,000	1,047,000	1,057,776	10,776
Licenses and permits	205,500	205,500	321,513	116,013
Intergovernmental	1,295,200	1,295,200	1,959,954	664,754
Charges for services	632,500	632,500	736,377	103,877
Fines and forfeits	46,700	46,700	21,083	(25,617)
Interest	20,000	20,000	2,814	(17,186)
Miscellaneous	9,000	9,000	21,052	12,052
Total revenues	<u>4,594,410</u>	<u>4,594,410</u>	<u>5,455,209</u>	<u>860,799</u>
<b>Expenditures</b>				
Current				
General government	1,254,359	1,254,359	1,100,184	(154,175)
Public safety	2,500,743	2,500,743	2,459,114	(41,629)
Public works	623,713	623,713	661,621	37,908
Culture and recreation	187,859	187,859	176,407	(11,452)
Capital outlay	7,500	7,500	9,340	1,840
Total expenditures	<u>4,574,174</u>	<u>4,574,174</u>	<u>4,406,666</u>	<u>(167,508)</u>
<b>Excess of Revenues Over Expenditures</b>	<u>20,236</u>	<u>20,236</u>	<u>1,048,543</u>	<u>1,028,307</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(1,125,000)	(1,180,000)	(702,256)	477,744
Proceeds from sale of capital assets	-	-	350,000	350,000
Total other financial uses	<u>(1,125,000)</u>	<u>(1,180,000)</u>	<u>(352,256)</u>	<u>827,744</u>
<b>Net Change in Fund Balance</b>	<u>\$ (1,104,764)</u>	<u>\$ (1,159,764)</u>	696,287	<u>\$ 1,856,051</u>
<b>Fund Balance, May 1</b>			<u>2,423,188</u>	
<b>Fund Balance, April 30</b>			<u>\$ 3,119,475</u>	

**City of Highwood, Illinois**  
**Notes to Required Supplementary Information**  
**April 30, 2021**

**Legal Compliance and Accountability**

***Budgetary Control***

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

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

Expenditures may not legally exceed the appropriations at the fund level. During the year, no supplemental appropriations were necessary.

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Illinois Municipal Retirement Fund - Regular Plan**  
**Schedule of Changes in the City's Net Pension Liability and Related Ratios**  
**April 30, 2021**

Fiscal Year Ending April 30,	2021	2020	2019	2018	2017	2016
Total pension liability						
Service cost	\$ 77,578	\$ 66,438	\$ 75,849	\$ 76,713	\$ 67,467	\$ 78,742
Interest	357,501	339,017	354,799	339,233	326,523	320,640
Changes in benefit terms						
Differences between expected and actual experience	37,909	66,306	(376,166)	173,643	(48,909)	(121,880)
Change of assumptions	(46,040)	-	137,243	(158,933)	(5,963)	5,758
Benefit payments, including refunds of member contributions	<u>(227,564)</u>	<u>(217,206)</u>	<u>(265,952)</u>	<u>(179,405)</u>	<u>(180,746)</u>	<u>(205,996)</u>
Net change in total pension liability	199,384	254,555	(74,227)	251,251	158,372	77,264
Total pension liability - beginning	<u>5,006,037</u>	<u>4,751,482</u>	<u>4,825,709</u>	<u>4,574,458</u>	<u>4,416,086</u>	<u>4,338,822</u>
Total pension liability - ending	<u>\$ 5,205,421</u>	<u>\$ 5,006,037</u>	<u>\$ 4,751,482</u>	<u>\$ 4,825,709</u>	<u>\$ 4,574,458</u>	<u>\$ 4,416,086</u>
Plan fiduciary net position						
Contributions - city	\$ 68,018	\$ 70,697	\$ 71,087	\$ 84,703	\$ 79,039	\$ 76,453
Contributions - members	35,222	32,430	29,924	32,887	29,640	28,766
Net investment income	726,757	834,744	(258,493)	729,945	275,794	20,200
Benefit payments, including refunds of member contributions	<u>(227,564)</u>	<u>(217,206)</u>	<u>(265,952)</u>	<u>(179,405)</u>	<u>(180,746)</u>	<u>(205,996)</u>
Other (net transfer)	<u>56,939</u>	<u>12,282</u>	<u>52,124</u>	<u>(73,064)</u>	<u>(29,795)</u>	<u>(44,338)</u>
Net change in plan fiduciary net position	659,372	732,947	(371,310)	595,066	173,932	(124,915)
Plan net position - beginning	<u>5,096,094</u>	<u>4,363,147</u>	<u>4,734,457</u>	<u>4,139,391</u>	<u>3,965,459</u>	<u>4,090,374</u>
Plan net position - ending	<u>\$ 5,755,466</u>	<u>\$ 5,096,094</u>	<u>\$ 4,363,147</u>	<u>\$ 4,734,457</u>	<u>\$ 4,139,391</u>	<u>\$ 3,965,459</u>
City's net pension liability	<u>\$ (550,045)</u>	<u>\$ (90,057)</u>	<u>\$ 388,335</u>	<u>\$ 91,252</u>	<u>\$ 435,067</u>	<u>\$ 450,627</u>
Plan fiduciary net position as a percentage of the total pension liability	110.57%	101.80%	91.83%	98.11%	90.49%	89.80%
Covered employee payroll	\$ 782,721	\$ 720,661	\$ 664,983	\$ 730,834	\$ 658,661	\$ 639,244
City's net pension liability as a percentage of covered employee payroll	(70.27)%	(12.50)%	58.40%	12.49%	66.05%	70.49%

**Change in Assumptions**

Municipal bond rate used in calculating the single discount rate changed from 2.75% in 2020 to 2.00% in 2021.

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

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

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Illinois Municipal Retirement Fund - Sheriff's Law Enforcement Personnel Fund**  
**Schedule of Changes in the City's Net Pension Liability and Related Ratios**  
**April 30, 2021**

Fiscal Year Ending April 30,	2021	2020	2019	2018	2017	2016
Total pension liability						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	3,538	3,054	3,441	3,424	3,254	1,757
Changes in benefit terms						
Differences between expected and actual experience	387	10,484	(3,267)	(2,448)	(984)	(215)
Change of assumptions	217	-	1,145	(752)	-	-
Benefit payments, including refunds of member contributions	(3,576)	(10,147)	-	-	-	-
Net change in total pension liability	566	3,391	1,319	224	2,270	1,542
Total pension liability - beginning	50,585	47,194	45,875	45,651	43,381	41,839
Total pension liability - ending	<u>\$ 51,151</u>	<u>\$ 50,585</u>	<u>\$ 47,194</u>	<u>\$ 45,875</u>	<u>\$ 45,651</u>	<u>\$ 43,381</u>
Plan fiduciary net position						
Contributions - city	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 323
Contributions - members						
Net investment income	12,225	10,541	(2,598)	10,397	4,251	-
Benefit payments, including refunds of member contributions	(3,576)	(10,147)	-	-	-	-
Other (net transfer)	701	4,391	207	(138)	121	(4,812)
Net change in plan fiduciary net position	9,350	4,785	(2,391)	10,259	4,372	(4,489)
Plan net position - beginning	77,160	72,375	74,766	64,507	60,135	64,624
Plan net position - ending	<u>\$ 86,510</u>	<u>\$ 77,160</u>	<u>\$ 72,375</u>	<u>\$ 74,766</u>	<u>\$ 64,507</u>	<u>\$ 60,135</u>
City's net pension liability	<u>\$ (35,359)</u>	<u>\$ (26,575)</u>	<u>\$ (25,181)</u>	<u>\$ (28,891)</u>	<u>\$ (18,856)</u>	<u>\$ (16,754)</u>
Plan fiduciary net position as a percentage of the total pension liability	169.13%	152.54%	153.36%	162.98%	141.30%	138.62%
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's net pension liability as a percentage of covered employee payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**Change in Assumptions**

Municipal bond rate used in calculating the single discount rate changed from 2.75% in 2020 to 2.00% in 2021.

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

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

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

**Schedule of Changes in the City's Net Pension Liability and Related Ratios**  
**April 30, 2021**

Fiscal Year Ending April 30,	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 294,314	\$ 256,184	\$ 282,025	\$ 292,329	\$ 274,490	\$ 212,460	\$ 265,577
Interest	369,803	383,280	371,476	341,831	312,866	280,126	239,435
Changes in benefit terms	-	28,673	-	-	-	-	-
Differences between expected and actual experience	(395,741)	(169,094)	(213,559)	28,995	132,909	473,707	-
Change of assumptions	-	(173,850)	-	-	(70,359)	(225,443)	-
Benefit payments, including refunds of member contributions	(188,356)	(212,866)	(193,965)	(220,168)	(188,415)	(285,904)	(276,692)
Net change in total pension liability	80,020	112,327	245,977	442,987	461,491	454,946	228,320
Total pension liability - beginning	6,170,309	6,057,982	5,812,005	5,369,018	4,907,527	4,452,581	4,224,261
Total pension liability - ending	<u>\$ 6,250,329</u>	<u>\$ 6,170,309</u>	<u>\$ 6,057,982</u>	<u>\$ 5,812,005</u>	<u>\$ 5,369,018</u>	<u>\$ 4,907,527</u>	<u>\$ 4,452,581</u>
Plan fiduciary net position							
Contributions - city	\$ 323,053	\$ 367,731	\$ 381,524	\$ 307,415	\$ 268,542	\$ 267,185	\$ 250,138
Contributions - members	87,184	75,460	75,363	75,396	70,003	102,682	68,892
Net investment income	881,752	171,820	225,224	142,355	203,145	35,829	177,719
Benefit payments, including refunds of member contributions	(188,356)	(212,866)	(193,965)	(220,168)	(188,415)	(285,904)	(276,692)
Administrative expense	(33,476)	(41,052)	(38,082)	(33,848)	(42,340)	(76,332)	(39,043)
Net change in plan fiduciary net position	1,070,157	361,093	450,064	271,150	310,935	43,460	181,014
Plan net position - beginning	4,181,501	3,820,408	3,370,344	3,099,194	2,788,259	2,744,799	2,563,785
Plan net position - ending	<u>\$ 5,251,658</u>	<u>\$ 4,181,501</u>	<u>\$ 3,820,408</u>	<u>\$ 3,370,344</u>	<u>\$ 3,099,194</u>	<u>\$ 2,788,259</u>	<u>\$ 2,744,799</u>
City's net pension liability	<u>\$ 998,671</u>	<u>\$ 1,988,808</u>	<u>\$ 2,237,574</u>	<u>\$ 2,441,661</u>	<u>\$ 2,269,824</u>	<u>\$ 2,119,268</u>	<u>\$ 1,707,782</u>
Plan fiduciary net position as a percentage of the total pension liability	84.02%	67.77%	63.06%	57.99%	57.72%	56.82%	61.65%
Covered payroll	\$ 879,759	\$ 761,418	\$ 760,472	\$ 801,366	\$ 776,141	\$ 663,404	\$ 725,533
City's net pension liability as a percentage of covered payroll	113.52%	261.20%	294.23%	304.69%	292.45%	319.45%	235.38%

**Change in Assumptions**

The assumed rate of High Quality 20-Year Tax-Exempt G.O. Bonds was changed from 2.56% to 2.27% for the current year.

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

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Firefighters' Pension Fund**  
**Schedule of Changes in the City's Net Pension Liability and Related Ratios**  
**April 30, 2021**

Fiscal Year Ending April 30,	2021	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>							
Service cost	\$ 28,630	\$ 13,559	\$ 13,177	\$ 14,077	\$ 13,405	\$ 47,232	\$ 124,679
Interest	271,161	249,642	249,362	243,271	239,411	202,582	216,932
Differences between expected and actual experience	519,188	(83,563)	1,864	35,150	(51,684)	94,500	-
Change of assumptions	392,375	557,415	240,347	-	22,286	497,252	-
Benefit payments, including refunds of member contributions	(186,350)	(207,982)	(175,490)	(165,866)	(126,604)	(83,330)	(55,235)
Net change in total pension liability	1,025,004	529,071	329,260	126,632	96,814	758,236	286,376
Total pension liability - beginning	5,933,314	5,404,243	5,074,983	4,948,351	4,851,537	4,093,301	3,806,925
Total pension liability - ending	<u>\$ 6,958,318</u>	<u>\$ 5,933,314</u>	<u>\$ 5,404,243</u>	<u>\$ 5,074,983</u>	<u>\$ 4,948,351</u>	<u>\$ 4,851,537</u>	<u>\$ 4,093,301</u>
<b>Plan fiduciary net position</b>							
Contributions - city	\$ 106,171	\$ 106,573	\$ 93,142	\$ 92,225	\$ 92,383	\$ 120,163	\$ 137,914
Contributions - members	-	63,000	-	-	46,018	18,133	40,458
Net investment income	704,590	168,461	233,033	170,241	249,067	45,112	209,458
Benefit payments, including refunds of member contributions	(186,350)	(207,982)	(175,490)	(165,866)	(126,604)	(83,330)	(55,235)
Administrative expense	(32,275)	(43,066)	(28,140)	(25,087)	(28,062)	(25,416)	(26,227)
Net change in plan fiduciary net position	592,136	86,986	122,545	71,513	232,802	74,662	306,368
Plan net position - beginning	3,993,945	3,906,959	3,784,414	3,712,901	3,480,099	3,405,437	3,099,069
Plan net position - ending	<u>\$ 4,586,081</u>	<u>\$ 3,993,945</u>	<u>\$ 3,906,959</u>	<u>\$ 3,784,414</u>	<u>\$ 3,712,901</u>	<u>\$ 3,480,099</u>	<u>\$ 3,405,437</u>
City's net pension liability	<u>\$ 2,372,237</u>	<u>\$ 1,939,369</u>	<u>\$ 1,497,284</u>	<u>\$ 1,290,569</u>	<u>\$ 1,235,450</u>	<u>\$ 1,371,438</u>	<u>\$ 687,864</u>
Plan fiduciary net position as a percentage of the total pension liability	65.91%	67.31%	72.29%	74.57%	75.03%	71.73%	83.20%
Covered payroll	N/A	N/A	\$ 66,185	\$ 66,185	\$ 66,185	\$ 132,169	\$ 386,071
City's net pension liability as a percentage of covered payroll	N/A	N/A	2262.27%	1949.94%	1866.66%	1037.64%	178.17%

**Change in Assumptions**

Discount rate changed from 4.26% in 2020 to 3.92% in 2021.

The assumed rate of High Quality 20-Year Tax-Exempt G.O. Bonds was changed from 2.56% to 2.27% for the current year.

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

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Illinois Municipal Retirement Fund - Regular Plan**  
**Schedule of City Contributions**  
**April 30, 2021**

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
4/30/2021	\$ 64,169	\$ 64,169	\$ -	\$ 752,996	8.52%
4/30/2020	70,513	70,513	-	747,999	9.43%
4/30/2019	68,466	68,466	-	659,280	10.38%
4/30/2018	82,262	82,262	-	727,909	11.30%
4/30/2017	80,825	80,825	-	681,628	11.86%
4/30/2016	73,859	73,859	-	642,539	11.49%

**Notes to Required Supplementary Information**

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

**Methods and Assumptions Used to Determine 2020 Contribution Rates**

Actuarial cost method	Aggregate entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23-years closed period
Asset valuation method	5-year smoothed market; 20% corridor
Wage growth	3.25%
Price inflation	2.50% approximate; no explicit price inflation assumption is used in this valuation.
Salary increases	3.35% to 14.25%, including inflation
Investment rate of return	7.25%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.
Mortality	For nondisabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2015 Employee Mortality Table with adjustments to match current IMRF experience.
Other	There were no benefit changes during the year.

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

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Illinois Municipal Retirement Fund - Sheriff's Law Enforcement Personnel Fund**  
**Schedule of City Contributions**  
**April 30, 2021**

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
4/30/2021	\$ -	\$ -	\$ -	\$ -	0.00%
4/30/2020	-	-	-	-	0.00%
4/30/2019	-	-	-	-	0.00%
4/30/2018	-	-	-	-	0.00%
4/30/2017	-	-	-	-	0.00%
4/30/2016	-	-	-	-	0.00%

**Notes to the Required Supplementary Information**

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

**Methods and Assumptions Used to Determine 2020 Contribution Rates**

Actuarial cost method	Aggregate entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23-years closed period
Asset valuation method	5-year smoothed market; 20% corridor
Wage growth	3.25%
Price inflation	2.50% approximate; no explicit price inflation assumption is used in this valuation.
Salary increases	3.35% to 14.25%, including inflation
Investment rate of return	7.25%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.
Mortality	For nondisabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2015 Employee Mortality Table with adjustments to match current IMRF experience.
Other	There were no benefit changes during the year.

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

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Police Pension Fund**  
**Schedule of City Contributions**  
**April 30, 2021**

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
4/30/2021	\$ 324,004	\$ 323,053	\$ (951)	\$ 879,759	36.72%
4/30/2020	368,336	367,731	(605)	761,418	48.30%
4/30/2019	381,756	381,524	(232)	760,472	50.17%
4/30/2018	309,839	307,415	(2,424)	801,366	38.36%
4/30/2017	268,533	268,542	9	776,141	34.60%
4/30/2016	268,154	267,185	(969)	663,404	40.27%
4/30/2015	250,904	250,138	(766)	725,533	34.48%

**Notes to the Required Supplementary Information**

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

**Methods and Assumptions Used to Determine 2020 Contribution Rates**

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

Actuarial cost method Entry-age normal

Amortization method Level dollar (closed)

Remaining amortization period 22 years, closed

Asset experience 5 Years

Asset valuation method 5-Year Smoothed Market value

Price inflation 2.50%

Salary increases 4.00% - 10.83%

Investment rate of return 6.50%

Mortality RP-2014 Adjusted for Plan Status, Collar, and Illinois Public Pension Data, as appropriate.

Retirement age 100% L&A 2016 Illinois Police Retirement Rates Cap Age 65

Termination rates 100% of L&A 2016 Illinois Police Termination Rates

Disability rates 100% of L&A 2016 Illinois Police Disability Rates

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

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Firefighters' Pension Fund**  
**Schedule of City Contributions**  
**April 30, 2021**

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
4/30/2021	\$ 106,455	\$ 106,171	\$ (284)	NA	NA
4/30/2020	111,843	106,573	(5,270)	NA	NA
4/30/2019	102,960	93,142	(9,818)	\$ 66,185	140.73%
4/30/2018	133,123	92,225	(40,898)	66,185	139.34%
4/30/2017	86,486	92,383	5,897	66,185	139.58%
4/30/2016	83,369	120,163	36,794	132,169	90.92%
4/30/2015	138,674	137,914	(760)	386,071	35.72%

**Notes to the Required Supplementary Information**

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

**Methods and Assumptions Used to Determine 2020 Contribution Rates**

Valuation date	Actuarially determined contribution rates are calculated as of May 1 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.
Actuarial cost method	Entry-age normal
Amortization method	Level dollar (closed)
Remaining amortization period	17 years, closed
Asset valuation method	5-Year Smoothed Market Value
Price inflation	2.50%
Salary increases	0.00%
Investment rate of return	5.00%
Mortality	RP-2014 Adjusted for Plan Status, Collar, and Illinois Public Pension Data, as appropriate.
Retirement age	100% L&A 2016 Illinois Firefighters Retirement Rates Cap Age 65
Termination rates	100% of L&A 2016 Illinois Firefighters Termination Rates
Disability rates	100% of L&A 2016 Illinois Firefighters Disability Rates

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

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Police Pension Fund**  
**Schedule of Investment Returns**  
**April 30, 2021**

<b>Fiscal Year Ended</b>	<b>Annual Money-Weighted Rate of Return Net of Investment Expense</b>
4/30/2021	17.31%
4/30/2020	4.26%
4/30/2019	6.21%
4/30/2018	4.35%
4/30/2017	6.93%
4/30/2016	1.28%
4/30/2015	6.64%

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

**City of Highwood, Illinois**  
**Required Supplementary Information**  
**Firefighters' Pension Fund**  
**Schedule of Investment Returns**  
**April 30, 2021**

<b>Year Ended</b>	<b>Annual Money-Weighted Rate of Return Net of Investment Expense</b>
4/30/2021	17.69%
4/30/2020	4.30%
4/30/2019	6.19%
4/30/2018	4.60%
4/30/2017	7.12%
4/30/2016	1.29%
4/30/2015	6.60%

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

**Combining and Individual Funds  
Financial Statements and Schedules**

## **Major Governmental Funds**

**City of Highwood, Illinois**  
**General Fund**  
**Schedule of Revenues - Budget and Actual**  
**Year Ended April 30, 2021**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>Taxes</b>			
Property tax	\$ 1,338,510	\$ 1,338,510	\$ 1,334,640
Home rule sales tax	737,000	737,000	773,033
Utility taxes	310,000	310,000	284,743
	<u>2,385,510</u>	<u>2,385,510</u>	<u>2,392,416</u>
<b>Licenses and Permits</b>			
Licenses	124,000	124,000	135,029
Permits	81,500	81,500	186,484
	<u>205,500</u>	<u>205,500</u>	<u>321,513</u>
<b>Intergovernmental</b>			
Income tax	447,000	447,000	702,117
Sales tax	505,000	505,000	558,623
Replacement tax	6,200	6,200	9,616
Local use tax	147,000	147,000	243,155
Cannabis tax	-	-	5,304
Miscellaneous	-	-	257
Municipal gas tax	125,000	125,000	134,515
Grants	-	-	232,621
Dispatch fees	65,000	65,000	73,746
	<u>1,295,200</u>	<u>1,295,200</u>	<u>1,959,954</u>
<b>Charges for Services</b>			
Parking fees	25,000	25,000	23,745
Cable franchise fees	55,000	55,000	52,244
Zoning and planning fees	114,500	114,500	156,478
Rental fees	269,000	269,000	316,333
Transfer fee	-	-	165
Alarm systems and calls	15,000	15,000	29,362
Seized autos	5,000	5,000	-
Refunds and reimbursements	36,000	36,000	10,616
Park recreation fees	100,000	100,000	140,543
Miscellaneous fees and fines	13,000	13,000	6,891
	<u>632,500</u>	<u>632,500</u>	<u>736,377</u>
<b>Fines and Forfeits</b>			
Police fines	31,700	31,700	12,595
Court fines	15,000	15,000	8,488
	<u>46,700</u>	<u>46,700</u>	<u>21,083</u>

(Cont.)

**City of Highwood, Illinois**  
**General Fund**  
**Schedule of Revenues - Budget and Actual**  
**Year Ended April 30, 2021**

	<b>Original and Final Budget</b>	<b>Original and Final Budget</b>	<b>Actual</b>
<b>Interest</b>			
Investment income	\$ 20,000	\$ 20,000	\$ 2,814
<b>Miscellaneous</b>			
Special event revenue	-	-	1,486
Donations	7,000	7,000	16,979
Debt collection	-	-	2,499
Miscellaneous income	2,000	2,000	88
	<u>9,000</u>	<u>9,000</u>	<u>21,052</u>
 Total revenue	 <u>\$ 4,594,410</u>	 <u>\$ 4,594,410</u>	 <u>\$ 5,455,209</u>

**City of Highwood, Illinois**  
**General Fund**  
**Schedule of Expenditures - Budget and Actual**  
**Year Ended April 30, 2021**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>General Government</b>			
Administration			
Personnel	\$ 645,103	\$ 645,103	\$ 614,696
Contractual services	245,400	245,400	204,144
Materials and supplies	13,000	13,000	30,907
Special events	5,000	5,000	885
Miscellaneous	7,200	7,200	35,173
	<u>915,703</u>	<u>915,703</u>	<u>885,805</u>
Legal			
Contractual services	150,600	150,600	85,389
Lawsuit settlements	25,000	25,000	1,560
	<u>175,600</u>	<u>175,600</u>	<u>86,949</u>
Building, Zoning and Health Department			
Personnel	78,056	78,056	57,292
Contractual services	9,000	9,000	5,219
Materials and supplies	1,000	1,000	167
Miscellaneous	75,000	75,000	64,752
	<u>163,056</u>	<u>163,056</u>	<u>127,430</u>
Total general government	<u>1,254,359</u>	<u>1,254,359</u>	<u>1,100,184</u>
<b>Public Safety</b>			
Police Department			
Personnel	1,385,888	1,385,888	1,423,802
Contractual services	283,700	283,700	274,649
Materials and supplies	47,000	47,000	30,278
Miscellaneous	-	-	28
	<u>1,716,588</u>	<u>1,716,588</u>	<u>1,728,757</u>
Fire Department			
Personnel	106,455	106,455	106,177
Contractual services	677,700	677,700	624,170
Bank charges	-	-	10
	<u>784,155</u>	<u>784,155</u>	<u>730,357</u>
Capital Outlay			
Police - equipment	2,500	2,500	-
Total public safety	<u>2,503,243</u>	<u>2,503,243</u>	<u>2,459,114</u>

(Cont.)

**City of Highwood, Illinois**  
**General Fund**  
**Schedule of Expenditures - Budget and Actual**  
**Year Ended April 30, 2021**

	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>
<b>Public Works</b>			
Highways and Streets			
Personnel	\$ 123,263	\$ 123,263	\$ 111,484
Contractual services	422,200	422,200	506,874
Materials and supplies	37,250	37,250	20,472
Miscellaneous	41,000	41,000	22,791
	<u>623,713</u>	<u>623,713</u>	<u>661,621</u>
Capital Outlay			
Public works	<u>5,000</u>	<u>5,000</u>	<u>9,340</u>
Total public works	<u>628,713</u>	<u>628,713</u>	<u>670,961</u>
<b>Culture and Recreation</b>			
Parks and Recreation			
Personnel	63,209	63,209	61,784
Contractual services	37,550	37,550	30,587
Supplies and materials	3,600	3,600	2,412
Special events	80,000	80,000	74,866
Miscellaneous	3,500	3,500	6,758
	<u>187,859</u>	<u>187,859</u>	<u>176,407</u>
Total culture and recreation	<u>187,859</u>	<u>187,859</u>	<u>176,407</u>
Total expenditures	<u>\$ 4,574,174</u>	<u>\$ 4,574,174</u>	<u>\$ 4,406,666</u>

**City of Highwood, Illinois**  
**Downtown Redevelopment TIF (Major Fund)**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended April 30, 2021**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Revenues</b>			
Taxes			
Property taxes	\$ 995,000	\$ 995,605	\$ 605
Investment income	<u>2,000</u>	<u>479</u>	<u>(1,521)</u>
Total revenues	<u>997,000</u>	<u>996,084</u>	<u>(916)</u>
<b>Expenditures</b>			
General government			
Accounting fees	5,000	5,000	-
Legal fees	10,000	-	(10,000)
Economic development	470,000	465,496	(4,504)
Capital outlay	75,000	-	(75,000)
Debt service			
Principal	455,000	455,000	-
Interest	28,200	28,200	-
Fiscal agent fees	<u>2,500</u>	<u>875</u>	<u>(1,625)</u>
Total expenditures	<u>1,045,700</u>	<u>954,571</u>	<u>(91,129)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (48,700)</u>	41,513	<u>\$ 90,213</u>
<b>Fund Balance, Beginning of Year</b>		<u>979,911</u>	
<b>Fund Balance, End of Year</b>		<u>\$ 1,021,424</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, 2021**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Revenues</b>				
Grants	\$ -	\$ -	\$ 200,000	\$ 200,000
<b>Expenditures</b>				
Capital outlay	<u>1,125,000</u>	<u>1,180,000</u>	<u>987,058</u>	<u>(192,942)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(1,125,000)	(1,180,000)	(787,058)	392,942
<b>Other Financing Sources</b>				
Transfers in	<u>1,180,000</u>	<u>1,180,000</u>	<u>702,256</u>	<u>(477,744)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 55,000</u>	<u>\$ -</u>	(84,802)	<u>\$ (84,802)</u>
<b>Fund Balance, Beginning of Year</b>			<u>(15,743)</u>	
<b>Fund Balance, End of Year</b>			<u>\$ (100,545)</u>	

## **Nonmajor Governmental Funds**

**City of Highwood, Illinois**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**April 30, 2021**

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	<u>Total Nonmajor Government Funds</u>
	<u>Motor Fuel Tax Fund</u>	<u>Rebuild Illinois Fund</u>	<u>Debt Service</u>	
<b>Assets</b>				
Cash and investments	\$ 166,309	\$ 178,105	\$ 48,658	\$ 393,072
Property tax receivable	-	-	199,793	199,793
Accounts receivable	17,806	-	-	17,806
	<u>\$ 184,115</u>	<u>\$ 178,105</u>	<u>\$ 248,451</u>	<u>\$ 610,671</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	-	-	199,793	199,793
	<u>-</u>	<u>-</u>	<u>199,793</u>	<u>199,793</u>
<b>Fund Balances</b>				
Restricted				
Debt service	-	-	48,658	48,658
Road construction and maintenance	184,115	178,105	-	362,220
	<u>184,115</u>	<u>178,105</u>	<u>48,658</u>	<u>410,878</u>
Total fund balances	<u>184,115</u>	<u>178,105</u>	<u>48,658</u>	<u>410,878</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 184,115</u>	<u>\$ 178,105</u>	<u>\$ 248,451</u>	<u>\$ 610,671</u>

**City of Highwood, Illinois**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Year Ended April 30, 2021**

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	<b>Total Nonmajor Governmental Funds</b>
	<b>Motor Fuel Tax Fund</b>	<b>Rebuild Illinois Fund</b>	<b>Debt Service</b>	
<b>Revenues</b>				
Intergovernmental	\$ 193,521	\$ 178,105	\$ -	\$ 371,626
Property taxes	-	-	202,312	202,312
Investment income	381	-	314	695
Total revenues	<u>193,902</u>	<u>178,105</u>	<u>202,626</u>	<u>574,633</u>
<b>Expenditures</b>				
Current				
Public works	175,000	-	-	175,000
Debt service				
Principal	-	-	145,000	145,000
Interest	-	-	57,238	57,238
Issuance costs	-	-	475	475
Total expenditures	<u>175,000</u>	<u>-</u>	<u>202,713</u>	<u>377,713</u>
<b>Net Change in Fund Balance</b>	18,902	178,105	(87)	196,920
<b>Fund Balance</b>				
May 1	<u>165,213</u>	<u>-</u>	<u>48,745</u>	<u>213,958</u>
April 30	<u>\$ 184,115</u>	<u>\$ 178,105</u>	<u>\$ 48,658</u>	<u>\$ 410,878</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, 2021**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Revenues</b>			
Intergovernmental			
Motor fuel tax	\$ 210,000	\$ 193,521	\$ (16,479)
Investment income	4,500	381	(4,119)
Total revenues	214,500	193,902	(20,598)
<b>Expenditures</b>			
Public works			
Street improvements	165,000	175,000	10,000
<b>Net Change in Fund Balance</b>	<b>\$ 49,500</b>	<b>18,902</b>	<b>\$ (30,598)</b>
<b>Fund Balance, May 1</b>		<b>165,213</b>	
<b>Fund Balance, April 30</b>		<b>\$ 184,115</b>	

**City of Highwood, Illinois**  
**Rebuild Illinois Funds**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended April 30, 2021**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Revenues</b>			
Intergovernmental	\$ 120,000	\$ 178,105	\$ 58,105
<b>Expenditures</b>			
Capital outlay	120,000	-	(120,000)
<b>Net Change in Fund Balance</b>	\$ -	178,105	\$ 178,105
<b>Fund Balance, May 1</b>		-	
<b>Fund Balance, April 30</b>		\$ 178,105	

## **Debt Service Fund**

**City of Highwood, Illinois**  
**Debt Service Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended April 30, 2021**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Revenues</b>			
Property taxes	\$ 202,905	\$ 202,312	\$ (593)
Investment income	-	314	314
Total revenue	<u>202,905</u>	<u>202,626</u>	<u>(279)</u>
<b>Expenditures</b>			
Debt service			
Principal	145,000	145,000	-
Interest	57,238	57,238	-
Fiscal agent fees	475	475	-
Total expenditures	<u>202,713</u>	<u>202,713</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 192</u>	(87)	<u>\$ (279)</u>
<b>Fund Balance, Beginning of Year</b>		<u>48,745</u>	
<b>Fund Balance, End of Year</b>		<u>\$ 48,658</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, 2021**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Operating Revenues</b>			
Charges for services	\$ 1,208,592	\$ 1,303,796	\$ 95,204
<b>Operating Expenses</b>			
Personnel	203,274	166,526	(36,748)
Contractual services	503,000	341,161	(161,839)
Materials and supplies	59,450	38,827	(20,623)
Capital outlay	282,000	-	(282,000)
Depreciation	-	201,612	201,612
Total operating expenses	<u>1,047,724</u>	<u>748,126</u>	<u>(299,598)</u>
<b>Operating Income</b>	<u>160,868</u>	<u>555,670</u>	<u>394,802</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	2,500	1,194	(1,306)
Interest subsidy	-	79,141	79,141
Miscellaneous income	100,000	6,810	(93,190)
Miscellaneous expense	(1,000)	(70,252)	(69,252)
Interest expense	(644,773)	(157,131)	487,642
Bonds issued	-	2,670,000	2,670,000
Premium on bond issuance	-	325,157	325,157
Escrow deposit and bond issuance cost	-	(2,995,157)	(2,995,157)
Fiscal agent fees	(2,500)	(56)	2,444
Total nonoperating revenues (expenses)	<u>(545,773)</u>	<u>(140,294)</u>	<u>405,479</u>
<b>Changes in Net Position - Budgetary Basis</b>	<u>\$ (384,905)</u>	<u>\$ 415,376</u>	<u>\$ 800,281</u>
<b>Reconciliation of Budget Basis Change in Net Position to GAAP Basis Change in Net Position</b>			
Change in net position - budgetary basis	\$ (384,905)	\$ 415,376	\$ 800,281
Bonds issued	(2,670,000)	(2,670,000)	-
Premium on bond issuance	(325,157)	(325,157)	-
Escrow deposit and issuance cost	<u>2,995,157</u>	<u>2,995,157</u>	<u>-</u>
Change in net position - GAAP basis	<u>\$ (384,905)</u>	<u>415,376</u>	<u>\$ 800,281</u>
<b>Net Position</b>			
May 1		<u>324,659</u>	
April 30		<u>\$ 740,035</u>	

**City of Highwood, Illinois**  
**Garbage Fund (Major Fund)**  
**Schedule of Revenues, Expenses, and**  
**Changes in Net Position - Budget and Actual**  
**Year Ended April 30, 2021**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Operating Revenues</b>			
Refuse and garbage collection	\$ 338,500	\$ 339,911	\$ 1,411
<b>Operating Expenses</b>			
Personnel	101,438	100,570	(868)
Contractual services	311,700	296,821	(14,879)
Depreciation	-	9,914	9,914
Materials and supplies	2,500	-	(2,500)
Total operating expenses	<u>415,638</u>	<u>407,305</u>	<u>(8,333)</u>
<b>Operating Income (Loss)</b>	<u>(77,138)</u>	<u>(67,394)</u>	<u>9,744</u>
<b>Nonoperating Revenues</b>			
Interest income	1,000	500	(500)
Miscellaneous revenue	42,000	47,848	5,848
Total nonoperating revenues	<u>43,000</u>	<u>48,348</u>	<u>5,348</u>
<b>Change in Net Position</b>	<u>\$ (34,138)</u>	(19,046)	<u>\$ 15,092</u>
<b>Net Position, May 1</b>		<u>216,199</u>	
<b>Net Position, April 30</b>		<u>\$ 197,153</u>	

## **Fiduciary Funds**

**City of Highwood, Illinois**  
**Fiduciary Funds**  
**Combining Statement of Fiduciary Net Position**  
**Pension Trust Funds**  
**April 30, 2021**

	<b>Police Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 25,126	\$ 13,885	\$ 39,011
Investments			
Certificate of deposit	176,096	25,415	201,511
U.S. treasuries	370,868	302,307	673,175
U.S. agencies	1,599,636	1,558,208	3,157,844
Mutual funds	2,180,880	1,901,564	4,082,444
Corporate bonds	462,630	417,569	880,199
Municipal bonds	421,991	353,877	775,868
Receivables			
Accrued interest	17,516	16,204	33,720
	<u>5,254,743</u>	<u>4,589,029</u>	<u>9,843,772</u>
Total assets			
<b>Liabilities</b>			
Accounts payable	<u>3,085</u>	<u>2,948</u>	<u>6,033</u>
<b>Net Position</b>			
Restricted for pensions	<u>\$ 5,251,658</u>	<u>\$ 4,586,081</u>	<u>\$ 9,837,739</u>

**City of Highwood, Illinois**  
**Fiduciary Funds**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension Trust Funds**  
**Year Ended April 30, 2021**

	<b>Police Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Total</b>
<b>Additions</b>			
Contributions			
Employer	\$ 323,053	\$ 106,171	\$ 429,224
Plan members	87,184	-	87,184
Total contributions	<u>410,237</u>	<u>106,171</u>	<u>516,408</u>
<b>Investment Income (Loss)</b>			
Investment income	110,991	104,552	215,543
Net appreciation in fair value of investments	790,485	617,563	1,408,048
Less investment expenses	(19,724)	(17,525)	(37,249)
Net investment income	<u>881,752</u>	<u>704,590</u>	<u>1,586,342</u>
Total additions	<u>1,291,989</u>	<u>810,761</u>	<u>2,102,750</u>
<b>Deductions</b>			
Benefits	188,356	186,350	374,706
Administration	33,476	32,275	65,751
Total deductions	<u>221,832</u>	<u>218,625</u>	<u>440,457</u>
<b>Changes in Net Position</b>	1,070,157	592,136	1,662,293
<b>Net Position, May 1</b>	<u>4,181,501</u>	<u>3,993,945</u>	<u>8,175,446</u>
<b>Net Position, April 30</b>	<u>\$ 5,251,658</u>	<u>\$ 4,586,081</u>	<u>\$ 9,837,739</u>

## **Component Unit - Library**

**City of Highwood, Illinois**  
**Component Unit - Library**  
**Statement of Net Position and Governmental Funds**  
**Combining Balance Sheet**  
**April 30, 2021**

	City of Highwood Public Library			Discretely Discretely Presented Component Unit		Component Unit Statement of Net Position
	General Fund	Adjustments Capital- Related and Other Items	Total Library	Friends of the Highwood Public Library	Eliminations	
<b>Assets</b>						
Cash and cash equivalents	\$ 332,567	\$ -	\$ 332,567	\$ 419,083	\$ -	\$ 751,650
Receivables						
Property taxes	296,326	-	296,326	-	-	296,326
Prepaid items	681	-	681	-	-	681
Due from primary government	829	-	829	-	-	829
Capital assets	-	458,039	458,039	-	-	458,039
Net pension asset	-	88,172	88,172	-	-	88,172
Total assets	630,403	546,211	1,176,614	419,083	-	1,595,697
<b>Deferred Outflows of Resources</b>						
Deferred outflows of resources - pensions	-	5,168	5,168	-	-	5,168
Total assets and deferred outflows of resources	\$ 630,403	\$ 551,379	\$ 1,181,782	\$ 419,083	\$ -	\$ 1,600,865
<b>Liabilities</b>						
Accounts payable	\$ 7,675	\$ -	\$ 7,675	\$ 1,746	\$ -	\$ 9,421
Accrued payroll	18,011	-	18,011	-	-	18,011
Unearned revenue - grants	124,402	-	124,402	-	-	124,402
Total liabilities	150,088	-	150,088	1,746	-	151,834
<b>Deferred Inflows of Resources</b>						
Unavailable property taxes	292,501	-	292,501	-	-	292,501
Deferred inflows of resources - pensions	-	73,584	73,584	-	-	73,584
Total deferred inflows of resources	292,501	73,584	366,085	-	-	366,085
<b>Fund Balances/Net Position</b>						
Nonspendable	681	(681)	-	-	-	-
Investment in capital assets	-	458,039	458,039	-	-	458,039
Restricted for civic and cultural	-	-	-	333,749	-	333,749
Unassigned/unrestricted	187,133	20,437	207,570	83,588	-	291,158
Total fund balances/net position	187,814	477,795	665,609	417,337	-	1,082,946
Total liabilities, deferred inflows of resources and fund balances/net position	\$ 630,403	\$ 551,379	\$ 1,181,782	\$ 419,083	\$ -	\$ 1,600,865

**City of Highwood**  
**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, 2021**

	City of Highwood Public Library			Discretely Presented	Eliminations	Component Unit Statement of Activities
	General Fund	Adjustments Capital-Related Items	Total Library	Component Unit Friends of the Highwood Public Library		
<b>Revenues</b>						
Property taxes	\$ 291,644	\$ -	\$ 291,644	\$ -	\$ -	\$ 291,644
Intergovernmental	9,712	-	9,712	-	-	9,712
Grants and contributions	180,529	-	180,529	408,381	(81,175)	507,735
Charges for services	164	-	164	-	-	164
Investment income	74	-	74	-	-	74
Miscellaneous	6,281	-	6,281	1,128	-	7,409
Total revenues	<u>488,404</u>	<u>-</u>	<u>488,404</u>	<u>409,509</u>	<u>(81,175)</u>	<u>816,738</u>
<b>Expenditures</b>						
Civic and cultural	471,985	(22,389)	449,596	108,403	(81,175)	476,824
Capital outlay	4,777	(4,777)	-	-	-	-
Total expenditures	<u>476,762</u>	<u>(27,166)</u>	<u>449,596</u>	<u>108,403</u>	<u>(81,175)</u>	<u>476,824</u>
<b>Net Change in Fund Balance</b>	<u>11,642</u>	<u>27,166</u>	<u>38,808</u>	<u>301,106</u>	<u>-</u>	<u>339,914</u>
<b>Fund Balances/Net Position</b>						
May 1	176,172	450,629	626,801	101,231	-	728,032
Restatement ( <i>Note 1</i> )	-	-	-	15,000	-	15,000
May 1, as restated	<u>176,172</u>	<u>450,629</u>	<u>626,801</u>	<u>116,231</u>	<u>-</u>	<u>743,032</u>
April 30	<u>\$ 187,814</u>	<u>\$ 477,795</u>	<u>\$ 665,609</u>	<u>\$ 417,337</u>	<u>\$ -</u>	<u>\$ 1,082,946</u>

## **Other Supplemental Information**

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**General Obligation Refunding Bonds, Series 2020**  
**April 30, 2021**

Date of issue	October 6, 2020
Date of maturity	December 1, 2033
Authorized issue	\$ 2,670,000
Interest rates	3.00%
Interest dates	June 1 and December 1
Principal maturity date	December 1
Payable at	Amalgamated Bank

**Future Principal and Interest Requirements**

Fiscal Year	Principal	Interest	Total
2022	\$ 50,000	\$ 80,100	\$ 130,100
2023	125,000	78,600	203,600
2024	195,000	74,850	269,850
2025	205,000	69,000	274,000
2026	210,000	62,850	272,850
2027	215,000	56,550	271,550
2028	220,000	50,100	270,100
2029	225,000	43,500	268,500
2030	235,000	36,750	271,750
2031	235,000	29,700	264,700
2032	245,000	22,650	267,650
2033	250,000	15,300	265,300
2034	260,000	7,800	267,800
	<u>\$ 2,670,000</u>	<u>\$ 627,750</u>	<u>\$ 3,297,750</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**IEPA Loan Payable of 2002**  
**April 30, 2021**

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**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	<u>\$ 73,841</u>	<u>\$ 1,407</u>	<u>\$ 75,248</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**Tax Increment Financing General**  
**Obligation Refunding Bonds, Series 2013**  
**April 30, 2021**

Date of issue	August 15, 2013
Date of maturity	January 1, 2022
Authorized issue	\$ 2,160,000
Interest rates	2.00% to 4.00%
Interest dates	January 1 and July 1
Principal maturity date	January 1
Payable at	Amalgamated Bank

**Future Principal and Interest Requirements**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	<u>\$ 375,000</u>	<u>\$ 15,000</u>	<u>\$ 390,000</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**Water Meter Loan**  
**April 30, 2021**

Date of issue	November 21, 2012
Date of maturity	September 15, 2022
Authorized issue	\$ 380,000
Interest rates	Various
Interest dates	September 15
Principal maturity date	September 15
Payable at	Midwest Bank

**Future Principal and Interest Requirements**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 42,240	\$ 2,893	\$ 45,133
2023	43,663	1,470	45,133
	<u>\$ 85,903</u>	<u>\$ 4,363</u>	<u>\$ 90,266</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**General Obligation Bonds Series 2015**  
**April 30, 2021**

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

**Future Principal and Interest Requirements**

Fiscal Year	Principal	Interest	Total
2022	\$ 145,000	\$ 54,555	\$ 199,555
2023	150,000	51,075	201,075
2024	155,000	47,475	202,475
2025	155,000	43,213	198,213
2026	160,000	38,950	198,950
2027	165,000	34,150	199,150
2028	170,000	29,200	199,200
2029	180,000	22,400	202,400
2030	185,000	15,200	200,200
2031	195,000	7,800	202,800
	<u>\$ 1,660,000</u>	<u>\$ 344,018</u>	<u>\$ 2,004,018</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**IEPA Sewer Loan Payable of 2015**  
**April 30, 2021**

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

**Future Principal and Interest Requirements**

Fiscal Year	Principal	Interest	Total
2022	\$ 9,655	\$ 3,551	\$ 13,206
2023	9,870	3,336	13,206
2024	10,089	3,117	13,206
2025	10,313	2,893	13,206
2026	10,542	2,664	13,206
2027	10,777	2,429	13,206
2028	11,016	2,190	13,206
2029	11,261	1,945	13,206
2030	11,511	1,695	13,206
2031	11,767	1,439	13,206
2032	12,028	1,178	13,206
2033	12,296	910	13,206
2034	12,569	637	13,206
2035	12,849	358	13,207
2036	6,532	73	6,605
	<u>\$ 163,075</u>	<u>\$ 28,415</u>	<u>\$ 191,490</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**IEPA Water Loan Payable of 2015**  
**April 30, 2021**

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

**Future Principal and Interest Requirements**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 95,772	\$ 35,222	\$ 130,994
2023	97,899	33,093	130,992
2024	100,076	30,918	130,994
2025	102,300	28,694	130,994
2026	104,572	26,421	130,993
2027	106,896	24,097	130,993
2028	109,272	21,722	130,994
2029	111,700	19,294	130,994
2030	114,182	16,811	130,993
2031	116,720	14,274	130,994
2032	119,313	11,680	130,993
2033	121,965	9,029	130,994
2034	124,675	6,318	130,993
2035	127,446	3,548	130,994
2036	64,780	716	65,496
	<u>\$ 1,617,568</u>	<u>\$ 281,837</u>	<u>\$ 1,899,405</u>

**City of Highwood, Illinois**  
**Long-Term Debt Requirements**  
**IEPA Water Tower Loan Payable of 2017**  
**April 30, 2021**

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

**Future Principal and Interest Requirements**

Fiscal Year	Principal	Interest	Total
2022	\$ 22,367	\$ 7,236	\$ 29,603
2023	22,785	6,818	29,603
2024	23,210	6,393	29,603
2025	23,644	5,959	29,603
2026	24,086	5,517	29,603
2027	24,536	5,067	29,603
2028	24,994	4,609	29,603
2029	25,461	4,142	29,603
2030	25,937	3,666	29,603
2031	26,422	3,181	29,603
2032	26,916	2,685	29,601
2033	27,418	2,185	29,603
2034	27,931	1,673	29,604
2035	28,453	1,150	29,603
2036	28,984	618	29,602
2037	11,474	107	11,581
	<u>\$ 394,618</u>	<u>\$ 61,006</u>	<u>\$ 455,624</u>