

CITY OF
HIGHLAND PARK
ILLINOIS



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR YEAR ENDED
DECEMBER 31, 2016

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
CITY OF HIGHLAND PARK, ILLINOIS**
As of and for the Year Ended December 31, 2016

Prepared by Finance Department

Julie Logan, Finance Director

CITY OF HIGHLAND PARK

TABLE OF CONTENTS As of and for the Year Ended December 31, 2016

	<u>Page(s)</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i - vi
Certificate of Achievement for Excellence in Financial Reporting	v
Organizational Chart	vi
List of Elected and Appointed Officials	vii
FINANCIAL SECTION	
<i>INDEPENDENT AUDITORS' REPORT</i>	1 - 3
<i>REQUIRED SUPPLEMENTARY INFORMATION</i>	
Management's Discussion and Analysis (Unaudited)	4 - 14
<i>BASIC FINANCIAL STATEMENTS</i>	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16 - 17
Fund Financial Statements	
Balance Sheet - Governmental Funds	18 - 19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21 - 22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Net Position - Proprietary Funds	24 - 25
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27 - 28
Statement of Fiduciary Net Position - Fiduciary Funds	29
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	30
Index to Notes to Financial Statements	31
Notes to Financial Statements	32 - 89
<i>REQUIRED SUPPLEMENTARY INFORMATION</i>	
<i>General Fund</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	90

CITY OF HIGHLAND PARK

TABLE OF CONTENTS (cont.) As of and for the Year Ended December 31, 2016

REQUIRED SUPPLEMENTARY INFORMATION (cont.)

Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Public Safety Pension Levy Fund	91
--	----

Historical Pension and Other Post Employment Benefit Information

Illinois Municipal Retirement Fund - Schedule of Changes in the City's Net Pension Liability and Related Ratios	92 - 93
Illinois Municipal Retirement Fund - Schedule of Employer Contributions	94 - 95
Police Pension Fund - Schedule of Changes in the City's Net Pension Liability and Related Ratios	96
Police Pension Fund - Schedule of Employer Contributions	97 - 98
Police Pension Fund - Schedule of Investment Returns	99
Firefighters' Pension Fund - Schedule of Changes in the City's Net Pension Liability and Related Ratios	100
Firefighters' Pension Fund - Schedule of Employer Contributions	101 - 102
Firefighters' Pension Fund - Schedule of Investment Returns	103
Other Postemployment Benefit Plan - Schedule of Employer's Contribution and Funding Progress	104
Notes to Required Supplementary Information	105

SUPPLEMENTARY INFORMATION

General Fund

Detailed Schedule of Expenditures - Budget and Actual - General Fund	106 - 109
--	-----------

Governmental Funds

Combining Balance Sheet - Nonmajor Governmental Funds	110 - 111
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	112 - 113
Schedules of Revenues, Expenditures, and Changes in Fund Balances (Deficit) - Budget and Actual	
Motor Fuel Tax Fund	114
Emergency 911 System Fund	115
Highland Park Theater Fund	116
Environmental Sustainability Fund	117
Multi-Modal Transportation Fund	118
Debt Service Fund	119
Tax Increment Financing Fund	120

CITY OF HIGHLAND PARK

TABLE OF CONTENTS (cont.) As of and for the Year Ended December 31, 2016

SUPPLEMENTARY INFORMATION (cont.)

Capital Projects Fund	121
-----------------------	-----

Enterprise Funds

Schedules of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual	
Water Fund - Budgetary Basis	122
Sewer Fund - Budgetary Basis	123
Motor Vehicle Parking System Fund - Budgetary Basis	124

Internal Service Funds

Combining Statement of Net Position - Internal Services Funds	125 - 126
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds	127
Combining Statement of Cash Flows - Internal Service Funds	128 - 129
Schedules of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual	
Equipment Maintenance and Replacement Fund - Budgetary Basis	130
Insurance Fund	131

Fiduciary Funds

Combining Statement of Fiduciary Net Position - Pension Trust Funds	132
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds	133
Combining Statement of Changes in Assets and Liabilities - Agency Funds	134

STATISTICAL SECTION

Statement of Net Position by Component - Last Ten Fiscal Years	135
Fund Balances of Governmental Funds - Last Ten Fiscal Years	136
Change in Net Position - Last Ten Fiscal Years	137 - 139
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	140 - 141
Assessed Value and Actual Value of Taxable Property	142
Property Tax Rates - All Direct and Overlapping Governments - Last Ten Levy Years	143
Principal Taxpayers - Current Year and Nine Years Prior	144
Property Tax Levies and Collections - Last Ten Levy Years	145
Sales Tax Analysis by Sic Code - Last Ten Calendar Years	146
Sales Tax Rates - All Direct and Overlapping Governments - Last Ten Fiscal Years	147

CITY OF HIGHLAND PARK

TABLE OF CONTENTS (cont.) As of and for the Year Ended December 31, 2016

STATISTICAL SECTION (cont.)

Ratio of General Bonded Debt to Equalized Assessed Valuation and Net General Obligation Bonded Debt Per Capita - Last Ten Fiscal Years	148
Outstanding Debt by Type and Ratio of Total Debt - Last Ten Fiscal Years	149
Schedule of Direct and Overlapping Debt and Legal Debt Margin	150
Schedule of Legal Debt Margin	151
Demographic Statistics - Last Ten Fiscal Years	152
Principal Employers - Current Year and Nine Years Prior	153
Operating Information and Indicators - Last Ten Fiscal Years	154
Capital Asset Statistics - Last Ten Fiscal Years	155
Full-Time Equivalent Employees - Last Ten Fiscal Years	156



CITY OF HIGHLAND PARK

1707 ST. JOHNS AVENUE
HIGHLAND PARK, ILLINOIS 60035
(847) 432-0800

June 1, 2017

To the Mayor, City Council and the Citizens of Highland Park:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. The attached report is published to fulfill that requirement for the fiscal year ended December 31, 2016.

This report consists of Senior Staff's representations concerning the finances of the City. Senior Staff assumes full responsibility for the completeness and reliability of the information presented herein. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The City's objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements, given the cost of internal controls should not outweigh their anticipated benefits. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Baker Tilly Virchow Krause, LLP, Independent Certified Public Accountants, issued an unmodified opinion on the City's financial statements for the fiscal year ended December 31, 2016, along with communications to the City Council and Senior Staff that they did not identify any deficiencies in internal control that they consider to be material weaknesses. This is the highest standard of opinion and internal controls communications that a municipality can achieve. The independent auditors' report is presented at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read with it.

Profile of the Government

The City of Highland Park, incorporated in 1869, has a long-standing heritage as one of the prestigious communities and the heart of Chicagoland's north shore along Lake Michigan. The City occupies a land area of 12.25 square miles, located 26 miles north of Chicago, and serves a population of 29,902. The City automatically became a home-rule unit of government, when the 1970 Illinois Constitution was adopted because it had a population in excess of 25,000. As a home-rule entity, the City does not have tax rate limits or debt limits, nor is it required to conduct a referendum to authorize the issuance of debt or to increase property taxes.

The City has operated under the council-manager form of government since 1955. Policy-making and legislative authority are vested in a seven-member Council composed of a mayor and six council members elected on an at-large basis for four year, staggered terms. The City Council appoints the City Manager, City Clerk, and Corporation Counsel. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the directors of the six departments that represent the City.



The City provides a full range of services, including police and fire protection; community and business development; construction and maintenance of the City's streets and other infrastructure; water, sewer, and parking services; local transit service, and youth and senior services. The Comprehensive Annual Financial Report (CAFR) also includes the activities of the Public Safety Pension Funds and the Highland Park Public Library, although control of these funds rests with independent boards.

The annual budget is the foundation for the City's financial planning and control. City departments are required to submit requests for appropriation to the City's Finance Director so that a budget may be prepared. Based on input from the public, City Council and staff, the City Senior Staff establish a budget based on proposed objectives that are fiscally responsible, have the highest priority and the greatest positive impact on the community. The City Manager then presents a proposed budget to the City Council for review in October. The City Council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than December 31, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The City Manager is authorized to transfer budgeted amounts within departments of any fund. Any revisions that alter the total expenditures of any department must be approved by the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental and proprietary fund for which an appropriated annual budget has been adopted. Also provided is a schedule of detailed expenditures comparing budget and actual information for the General Fund at the function, department, and program level.

Local Economy

The City realized economic improvement in 2016 over the prior year and is moving past some of the impacts of national economic conditions in recent years. Economic conditions continue to improve in construction and real estate, consumer spending and business spending. Trends in these sectors have an impact on City revenues such as sales tax, building permits and real estate transfer tax.

Building permit revenues continued to exceed the pre-recession levels in 2007 and 2006. Although building permit revenues were down 16% compared to 2015, they were improved 11% from 2014. The 2015 results included significant permit revenues for a large Highland Park Hospital expansion project, showing the Hospital's commitment to the community. Real estate transfer tax revenues increased 8.7% compared to calendar year 2015, with the number of taxable real estate transfer tax transactions increasing by 7.5%. The City's assessed valuation increased 6.2% from 2015 to 2016, after increasing 6.1% from 2014 to 2015, reflecting continued upward trend in property value for the properties within the City's tax base.

Retail sales for 2016 were flat compared to the prior year. Total sales tax revenue was flat compared to the prior year, with manufacturers, furniture, household, radio, drugs and other retail markets contributing the greatest dollar decreases. Municipal sales tax revenue, exclusive of home rule sales tax revenue, increased 1% compared to the prior year. Increases were realized in the Furniture, Household and Radio (4%), Drugs and Miscellaneous Retail (17%), and Manufacturers (59%) categories, while declines were realized in the General Merchandise (-9%), Food (-9%), Apparel (-11%), Lumber, Building and Hardware (-1%), Automotive (-4%), and Agriculture (-15%) categories. Drinking and Eating Places remained flat (0.4%).

Retail occupancy decreased slightly from 90.2% at the start of 2016 to 90% at the close of the year. The City's Business Development Office works with property owners to attract and retain businesses in all of the City's business districts. In 2016, Business Development implemented recommendations from the City brand identity study completed in 2015. The Downtown Highland Park Alliance, a public-private partnership, continues efforts to enhance the economic vitality of the City's Central Business District (CBD). In support of the Alliance's efforts, CBD property owners supported a self-imposed tax to fund the activities of the CBD Alliance, thereby resulting in the City Council approving a Special Service Area (SSA) in 2007. The CBD Special Service Area was comprised of 204 properties. This Special Service Area was not renewed in 2016, although the Alliance will continue to operate through May 2018 utilizing existing funds. The CBD Alliance launched several marketing efforts in 2016 to promote business in the CBD. In 2013, Briergate Business Association District property owners supported a self-imposed tax to fund marketing and physical improvements for the Briergate Business District and thereby the City

Council approved SSA 18 for a ten-year term. The Briergate SSA is comprised of 68 properties. BBAD continues efforts to improve the desirability and economic vitality of the District. In 2013, Ravinia Business District (RBD) property owners supported a self-imposed tax to fund activities that would maintain and improve the economic vitality of the District, and the City Council voted to approve SSA 17 comprised of 29 properties. In 2016, the Ravinia District SSA was renewed for another three-year term through December 2019 and RBD property owners initiated several events to market the District.

Deliberate action by the City's elected officials and staff in times of economic growth have continued to ensure adequate reserves for sustaining service levels during the recent period of economic and state legislative uncertainty. With a clear emphasis on maintaining healthy reserves and a desire to ensure operating expenditures can be sustained at the current level of revenues, the 2016 budget was developed under a comprehensive set of Financial and Budgetary Policies. Significant effort was made to ensure transparency, clarity and long-term financial sustainability, as well as connectivity between revenue sources and expenditures within the fund structure.

The City's long-term economic outlook remains favorable. The 2016 average unemployment rate for the City was 3.9% compared to the State of Illinois rate of 5.7% and Lake County rate of 6.9%. The median family and household incomes for the City were \$152,823 and \$122,829, respectively, according to the latest census, which placed the City among the nation's wealthiest communities with populations of 25,000 or more.

Economic and state legislative trends are being monitored closely to gauge the potential impact on the City's budget in 2016. Expenditures are being reduced and deferred whenever necessary and possible, and privatization and shared services are being considered when a cost savings and consistent level of service can be achieved.

Long-Term Financial Planning

The City continues to plan for its future to preserve the outstanding quality of life enjoyed by the residents and to ensure a high level of service to the community. The City continues to impose an additional one-half percent home-rule sales tax on the sale of general merchandise, which was first effective on January 1, 2003. This incremental tax yields approximately \$4.1 million in additional sales tax revenue per year, and has been used to fund infrastructure and operating improvements.

The City continues an aggressive investment in its capital plan for infrastructure improvements, committing \$12 million in 2017 for street, bridge, sanitary sewer, ravine remediation, storm sewer, water utility, water meter replacement, and other infrastructure improvements. A portion of water revenues are pledged for capital improvements, and related debt service, to the water production and distribution systems each year. These annual amounts increase annually by the Construction Cost Index to ensure that the funding commitments keep pace with inflationary construction cost increases. Incorporated within the annual budget preparation process is the development of a five-year capital improvement program to ensure adequate long-term financial planning.

Relevant Financial Policies

Unassigned fund balance in the general fund at December 31, 2016, is \$18.0 million, which represents 59% of 2016 general fund operating expenditures, exceeding the City's policy guidelines set by the Council. These reserves are vital to ensuring the City's ability to weather the current national and state economic conditions, address pension funding requirements and maintain services in the event of unanticipated revenue shortfalls. In 2017, the City budgeted a \$2.3 million gain in general fund balance reserves, in accordance with the City's financial and budgetary policies. The Fund Balance gain results because General Fund Operating Revenues are expected to exceed General Fund Operating Expenditures by \$7 million. The \$7 million is expected to be expended on organizational objective investments over a two-year period ending in 2018.

The City accounts for its annual other postemployment benefits (OPEB) obligation per GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The City Council has set aside over \$6.5 million to meet future requirements associated with

other postemployment benefits. Please refer to the notes to the financial statements for additional information.

Major Initiatives

The City began construction to improve its water treatment plant in 2013, which was originally constructed in 1929. The project entailed replacement of aging infrastructure as well as an increase in plant capacity and upgraded treatment technology. This project was completed in early 2016.

Due to the significant portion of water revenues received from contract customers, the City successfully re-negotiated its service contracts with the Villages of Deerfield, Lincolnshire, and Bannockburn, as well as Glenbrook Sanitary District, in anticipation of this project to ensure that these contracts are secured through the expected term of the bonds.

The City began implementation of the water meter replacement and Automated Meter Reading fixed base system. This project will continue in 2017, resulting in the installation and replacement of more than 10,500 meters throughout the City's water distribution system.

The City is proud to have three nationally accredited departments in Police, Fire and Public Works. This is a testament to the City's commitment to public safety and the highest level of practices. The City completed more than 150 major projects and initiatives in this audit year, with public-facing or otherwise significant initiatives outside of the City's day-to-day operations. The list of major projects can be reviewed on the City's web site at www.cityhpil.com.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Highland Park for its CAFR for the fiscal year ended December 31, 2015. This was the thirty-second consecutive year that the City received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning January 1, 2016. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. A Distinguished Budget Presentation Award is valid for a period of one year only. We believe that our annual budget document for the fiscal year beginning January 1, 2017 continues to meet the Distinguished Budget Presentation Award program requirements and we have submitted it to the GFOA to determine its eligibility for another award.

The preparation of this report would not have been possible without the efficient, professional, and dedicated service of the City's Department staffs. We wish to express our appreciation to all members of the City's departments who assisted and contributed to the preparation of this report. Credit also goes to the Mayor and the City Council for their unwavering support for maintaining the highest standards of professionalism in the management of the City of Highland Park's finances.

Respectfully submitted,



Ghida S. Neukirch
City Manager



Julie Logan
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

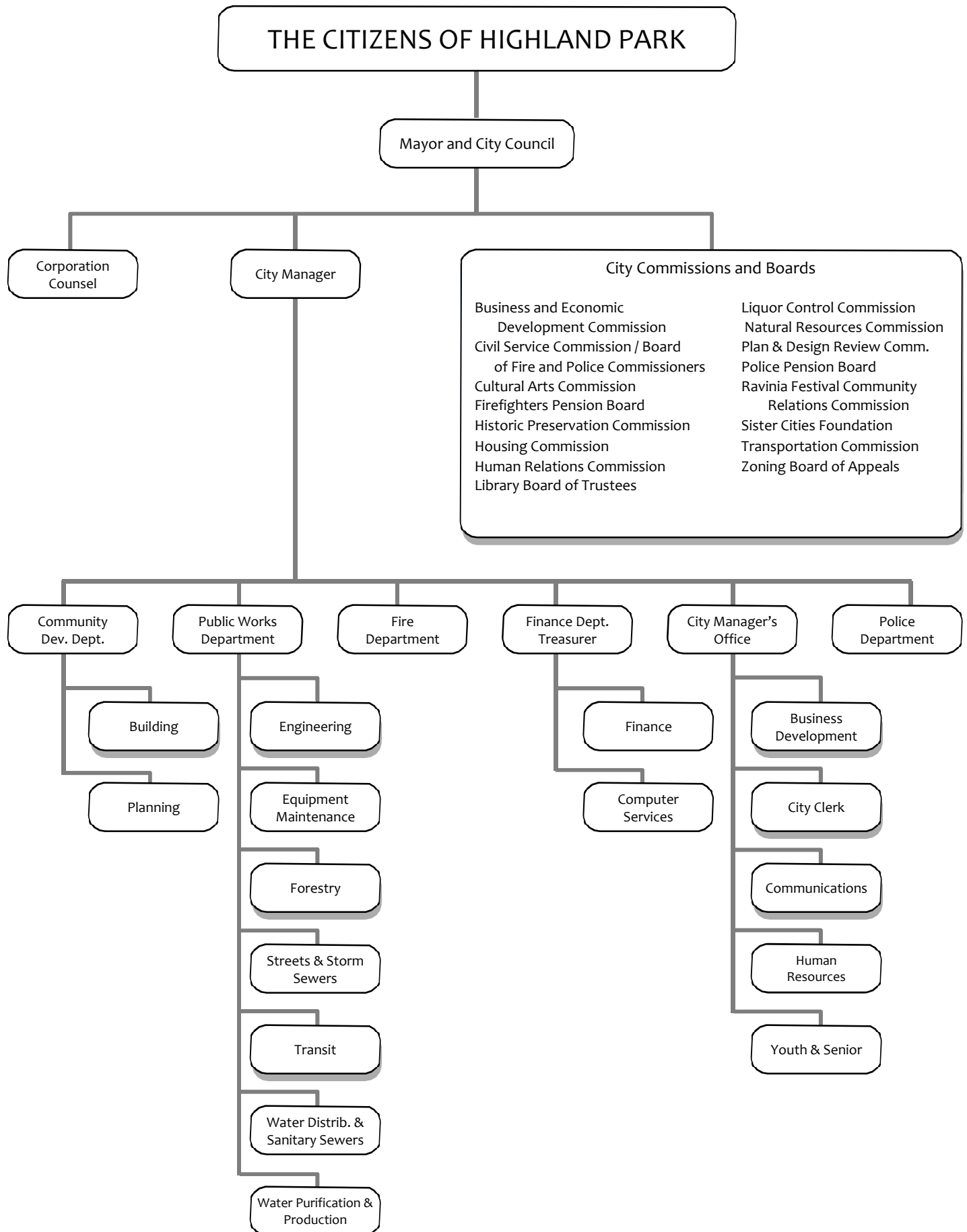
**City of Highland Park
Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO



CITY OF HIGHLAND PARK, ILLINOIS

PRINCIPAL OFFICIALS

December 31, 2016

LEGISLATIVE

Nancy R. Rotering, Mayor

City Council

Anthony E. Blumberg

Daniel A. Kaufman

Alison P. Smith

Alyssa Knobel

Michelle L. Holleman

Kim Stone

ADMINISTRATIVE

Ghida S. Neukirch, City Manager

Julie Logan, Finance Director

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Highland Park, 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 Highland Park, Illinois, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Highland Park'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Highland Park Public Library 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 auditors' 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 over financial reporting relevant to the City of Highland Park'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 City of Highland Park'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.

To the Mayor and City Council
City of Highland Park

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Highland Park, Illinois, as of December 31, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Highland Park's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Highland Park's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Mayor and City Council
City of Highland Park

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2017 on our consideration of the City of Highland Park'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 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 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 of Highland Park's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
June 1, 2017

Management's Discussion and Analysis (Unaudited)

The purpose of this Discussion and Analysis is to offer readers a narrative overview and analysis of the financial activities of the City of Highland Park (City) for the twelve months ended December 31, 2016. We encourage readers to consider this information along with additional information provided in the letter of transmittal, located in the Introductory Section of this report.

Financial Highlights

- Total revenues were \$62.5 million, an increase of \$0.7 million, or 1.2%, in comparison with the prior year. The increase was significantly due to increases in water and sewer charges for services, given budgeted increases in user fees.
- Total expenditures were \$66.8 million, a decrease of \$3.8 million, or 5.3%, in comparison with the prior year. The decrease was significantly due to recognition of a \$3.2 million net change in fair value of investments in 2015, related to the redemption of pension bonds. Additionally, 2016 efficiency improvements resulted in reduced expenditures, versus the prior year, significantly in general government expenditures.
- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$82.7 million (net position). The City's total net position declined \$4.2 million as compared to the prior year, primarily due to business activity capital-related expenditures, which are not capitalized for reporting purposes, from continued acceleration of the City's capital improvement program, as budgeted, and differences between expected and actual experience of the City's deferred inflows of resources related to pensions.
- Governmental funds combined ending fund balance was \$32.8 million, an increase of \$0.3 million in comparison with the prior year. This increase is significantly due to operating revenues in excess of operating expenditures, consistent with the City's policy of budgeting and realizing a balanced budget.
- Long-term liabilities were \$148.1 million, a \$2.3 million increase in comparison with the prior year, significantly due to a \$6.6 million increase in capital-related bonds and notes payable, net of a \$4.3 million decrease in other liabilities, significantly due to a decrease in public safety pension liabilities from differences between expected and actual experience of the City's total pension liability.
- The general fund unrestricted and unassigned fund balance was \$18.0 million, or 59% of 2016 general fund projected operating expenditures, exceeding the City's policy to maintain a minimum balance of 35%. As part of its 2017 budget process, the City estimated five years of General Fund balance, showing the City Council's decision to gradually and strategically draw down fund balance, over five years, to 35%-40% by year 2021, to fund capital and other postemployment benefits (OPEB) expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information regarding the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. 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 result in cash flows in future fiscal periods.

The government-wide financial statements distinguish City functions which 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 City's governmental activities include general government, public safety, public works, economic and physical development, transit, commissions and interest costs. The City's business-type activities include water utility, sewer utility and a parking system.

The government-wide financial statements include City funds (primary government) and a legally separate library, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government. The government-wide financial statements can be found on pages 15-17 of this report.

Fund financial statements. A fund is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting in compliance with finance-related legal requirements. City funds are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, 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 a government's near-term financing requirements.

Readers may better understand the long-term impact of the government's near-term financing decisions by comparing the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide reconciliations for comparison between governmental funds and governmental activities.

Eleven individual governmental funds are reported in 2016. 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, Public Safety Pension Levy Fund and Capital Projects Fund, which are considered major funds. Data for the other governmental funds are combined into a single, aggregated presentation labeled nonmajor governmental funds. Individual fund data for each nonmajor governmental fund is provided in the combining statements and schedules provided on pages 110-121 of this report.

The City adopts an annual appropriated budget for its governmental funds, with the exception of the Foreign Fire Insurance Tax Fund. Budgetary comparisons are provided to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 18-23 of this report.

Proprietary funds. The City maintains two types of proprietary funds labeled Enterprise funds and Internal Service funds. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds account for water, sewer and parking operations. Internal service funds accumulate and allocate costs internally to the City's various functions. Internal service funds account for equipment maintenance and replacement, as well as certain insurance activities. These services predominantly benefit governmental, rather than business-type functions, and are included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, however in more detail. The proprietary fund financial statements provide separate information for water, sewer and parking operations, which are major funds. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the combining and individual fund statements and schedules on pages 125-131 in this report. The basic proprietary fund financial statements can be found on pages 24-28 of this report.

Fiduciary funds. Fiduciary funds account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the fund resources are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

Notes to the financial statements. The notes provide additional information that is essential for 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 32-89 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. Budgetary comparisons for the general fund and major special revenue funds are provided, as well as information concerning the City's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found on pages 90-105 of this report.

The comparison of budget-to-actual, the combining statements and related schedules are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 106-133 of this report.

Government-wide Financial Analysis

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$82.7 million (net position). The City's total net position declined \$4.2 million as compared to the prior year, primarily due to business activity capital-related expenditures, which are not capitalized for reporting purposes, from continued acceleration of the City's capital improvement program, as budgeted, and differences between expected and actual experience of the City's deferred inflows of resources related to pensions.

The largest portion of the City's net position is investment in capital assets, which is land, buildings, machinery, and equipment, less outstanding debt used to acquire those assets. Capital assets are used to provide services to citizens. The assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources needed to repay the debt are provided from other sources. The capital assets themselves cannot be used to liquidate these liabilities. The City adopted a philosophy of funding capital improvements, to a large extent, on a pay-as-you-go basis, and retires debt obligations quickly, resulting in positive net position.

A portion of the net position includes resources which are subject to external restrictions on usage. Unrestricted net position, if positive, may be used to meet ongoing obligations to citizens and creditors. The City's total unrestricted net position was negative \$45.6 million as of December 31, 2016, which was flat with the prior year.

Condensed Statement of Net Position as of December 31, 2015 and 2016 (in Millions – Rounded)

	Governmental Activities			Business-Type Activities			Total Primary Government		
	2015	2016	Change	2015	2016	Change	2015	2016	Change
Current and Other Assets	\$55.4	\$56.4	\$1.1	\$5.8	\$9.7	\$3.9	\$61.2	\$66.2	\$5.0
Capital Assets	89	91	2	82	82	(0)	171	173	2
Total Assets	144.5	147.4	2.9	87.8	91.7	3.9	232.3	239.1	6.8
Deferred Outflows related to Pensions	19.5	19.8	0.3	1.1	1.6	0.5	20.6	21.4	0.8
Other Deferred Outflows	0.1	0.1	(0.0)	0.7	0.6	(0.0)	0.7	0.7	(0.1)
Deferred Outflows of Resources	19.6	19.9	0.3	1.8	2.2	0.4	21.3	22.0	0.7
Long-Term Liabilities Outstanding	102.6	99.6	(3.0)	43.2	48.4	5.3	145.7	148.1	2.3
Other Liabilities	3.3	3.9	0.6	0.7	1.9	1.2	4.0	5.8	1.8
Total Liabilities	105.9	103.6	(2.4)	43.9	50.3	6.5	149.8	153.9	4.1
Deferred Inflows of Resources	17.0	24.5	7.5	0.0	0.0	0.0	17.0	24.5	7.6
Net Position:									
Net Investment in Capital Assets	85.0	85.6	0.5	43.2	40.2	(3.1)	128.2	125.7	(2.5)
Restricted	2.3	2.7	0.4	0.0	0.0	0.0	2.3	2.7	0.4
Unrestricted	(46.1)	(49.0)	(2.9)	2.5	3.4	0.9	(43.6)	(45.6)	(2.1)
Total Net Position	\$41.2	\$39.2	(\$2.0)	\$45.7	\$43.5	(\$2.2)	\$86.9	\$82.7	(\$4.2)

The City reports positive balances in two of the three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities, as of December 31, 2016. The negative unrestricted net position in governmental activities is due to net pension liabilities reported in compliance with GASB Nos. 68 and 71. Details of the net pension liabilities can be found in Note IV.A. to the Financial Statements on pages 67-83 of this report.

Condensed Statement of Activities
as of December 31, 2015 and 2016
(in Millions – Rounded)

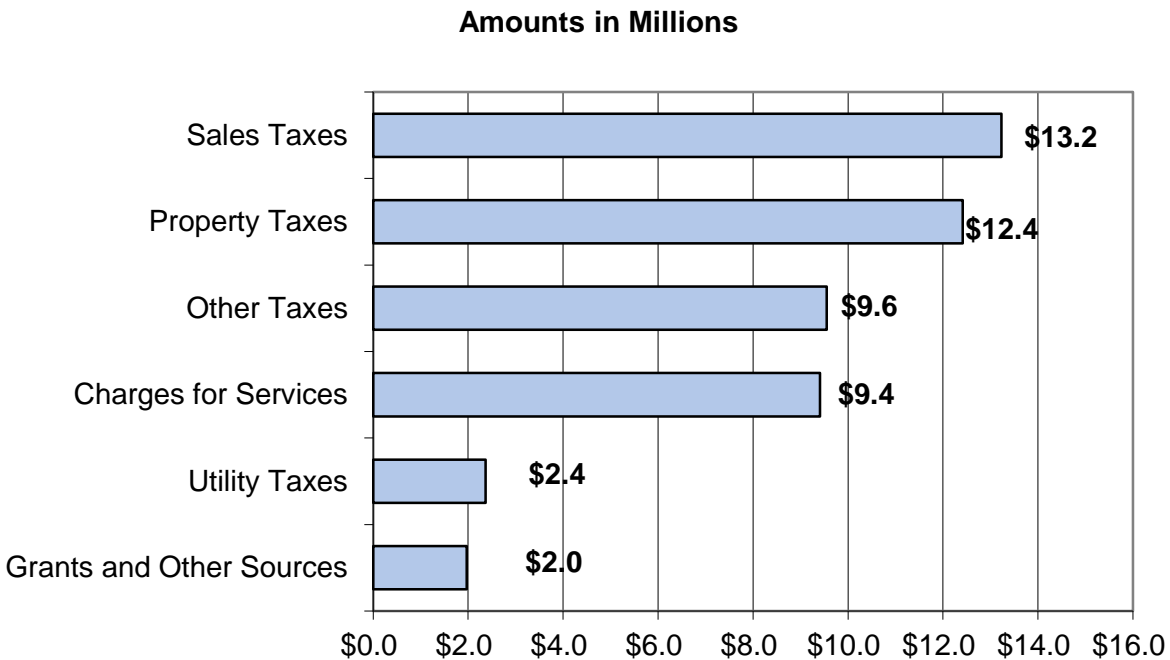
	Governmental Activities		Business-Type Activities		Total Primary Government		
	2015	2016	2015	2016	2015	2016	Change
Program Revenues:							
Charges for Services	\$9.8	\$9.4	\$12.2	\$13.5	\$22.0	\$22.9	\$0.9
Operating Grants	0.8	0.8	0.1	0.1	0.8	0.9	0.0
Capital Grants	0.2	0.1	-	-	0.2	0.1	(0.2)
General Revenues:							
Sales Taxes	13.2	13.2	-	-	13.2	13.2	0.1
Property Taxes	12.3	12.4	-	-	12.3	12.4	0.1
Other Taxes	12.4	11.9	-	-	12.4	11.9	(0.5)
Payment in Lieu of Taxes	0.8	0.8	-	-	0.8	0.8	0.1
Other	0.1	0.3	0.0	0.1	0.1	0.3	0.2
Total Revenues	49.6	48.9	12.3	13.6	61.8	62.5	0.7
Expenses:							
Public Safety	27.1	27.1	-	-	27.1	27.1	0.0
General Government	7.6	7.1	-	-	7.6	7.1	(0.5)
Public Works	7.4	7.5	-	-	7.4	7.5	0.1
Economic/Physical Development	7.2	7.2	-	-	7.2	7.2	(0.1)
Transit	1.2	1.3	-	-	1.2	1.3	0.0
Commissions	0.5	0.4	-	-	0.5	0.4	(0.0)
Interest	0.3	0.3	-	-	0.3	0.3	(0.0)
Parking	-	-	1.0	0.9	1.0	0.9	(0.1)
Water	-	-	10.1	10.9	10.1	10.9	0.7
Sewer	-	-	4.9	4.1	4.9	4.1	(0.8)
Country Club	-	-	0.0	-	0.0	-	(0.0)
Other	3.2	-	-	-	3.2	-	(3.2)
Total Expenses	54.5	50.9	16.0	15.9	70.5	66.7	(3.8)
Increase/(Decrease) in Net Assets before Transfers	(4.9)	(1.9)	(3.8)	(2.3)	(8.7)	(4.2)	4.5
Transfers	8.5	(0.1)	(8.5)	0.1	-	-	-
Change in Net Position	\$3.6	(\$2.0)	(\$12.3)	(\$2.2)	(\$8.7)	(\$4.2)	\$4.5

Total revenues were \$62.5 million, an increase of \$0.7 million, or 1.2%, in comparison with the prior year. The increase was significantly due to increases in water and sewer charges for services, given budgeted increases in user fees.

Total expenditures were \$66.8 million, a decrease of \$3.8 million, or 5.3%, in comparison with the prior year. The decrease was significantly due to recognition of a \$3.2 million net change in fair value of investments, in 2015, related to the redemption of pension bonds. Additionally, 2016 budgeted efficiency improvements resulting in reduced expenditures, versus the prior year, were realized, significantly in general government expenditures. Higher water capital expenditures were offset by lower sewer capital expenditures, consistent with the City's capital improvement program.

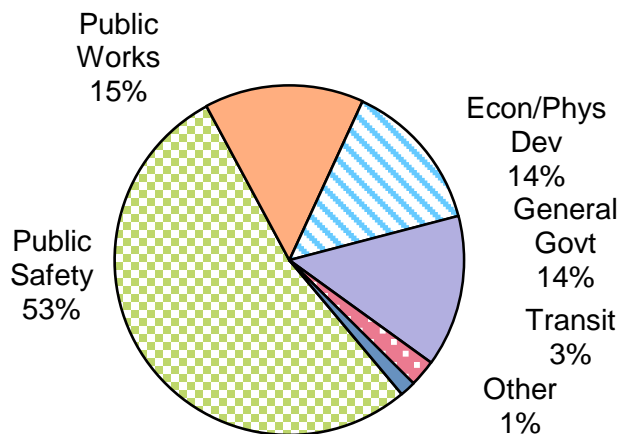
The 2015 transfer of \$8.5 million was for the dissolution of the Highland Park Country Club Fund, with transfer of \$8.5 million in net position from Business Activities to the General Fund.

Revenues by Source — Governmental Activities



Sales taxes account for the greatest proportion of funding for governmental activities, followed by property taxes, other taxes and charges for services. Growth in expenses is closely monitored each year, with operating departments mandated to contain non-personnel related operating costs. However, the City has continued an aggressive capital improvement plan, investing more than \$4.1 million during 2016 in infrastructure and facilities improvements from governmental revenues.

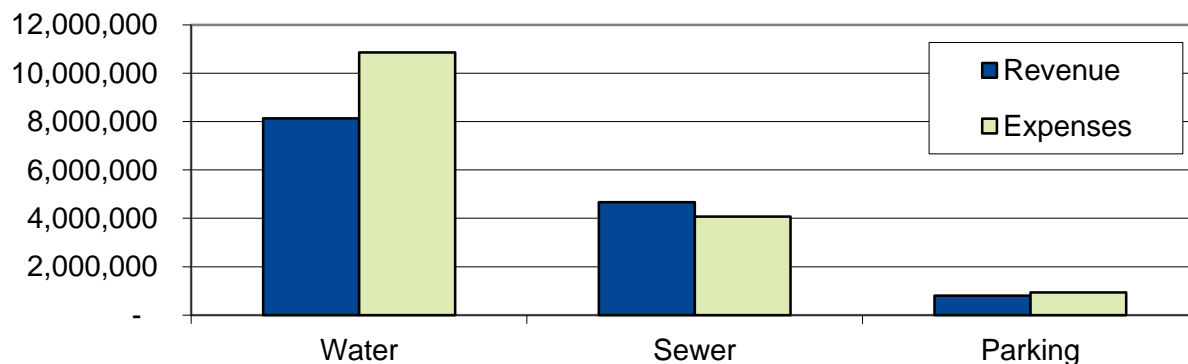
Expenses by Activity — Governmental Activities



Public Safety expenses (police and fire) account for the greatest percent of governmental activities, followed by public works, economic/physical development and general government.

Business-Type Activities

Business-type activities decreased the City's net position by \$2.3 million, before transfers. This decrease is primarily due to business activity capital-related expenditures, which are not capitalized for reporting purposes, from continued acceleration of the City's capital improvement program, as budgeted. Business-type activities are intended to be self-sufficient, meaning charges for services and other revenues should be sufficient to cover costs associated with the operation and debt service for capital-related debt, over time. The following graph shows a comparison of revenues and expenses of each business-type activity:



- The water utility fund net position declined by \$2.7 million, primarily to due to the continued acceleration of the City's capital improvement program related to the City's water system, water meter replacement, and automated meter reading fixed base system.
- Net position in the sewer utility fund improved by \$0.6 million, primarily due to revenues generated from charges for services in excess of capital and operating expenses. As part of the 2013 budget process, the City developed long-term rate projections and elected to implement a plan that includes rate adjustments to be phased-in over five years to ensure the sustainability of this fund.
- Net position of the parking operations fund declined by \$0.1 million in the current fiscal year, primarily due to depreciation.

Financial Analysis of the City's Funds

The City utilizes fund accounting in compliance with finance-related legal requirements.

Governmental funds. The City's governmental funds provide information on near-term inflows, outflows and balances of spendable resources, which is useful in assessing a government's financing requirements. In particular, unrestricted or unassigned fund balance is a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2016, the governmental funds combined ending fund balance was \$32.8 million, an increase of \$0.3 million in comparison with the prior year. This increase is significantly due operating revenues in excess of operating expenses, consistent with the City's policy of budgeting and realizing a balanced budget.

The general fund is the primary operating fund of the City. Of the total fund balance, \$18.0 million is unassigned fund balance available for spending at the government's discretion. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total fund expenditures. It is prudent for a government to maintain an appropriate level of fund balance, generally based on the historical and projected stability and predictability of the

underlying revenues and expenditures, to meet unanticipated revenue shortfalls, small increases in service delivery costs or emergency situations. Unassigned fund balance represents 59% of 2016 total general fund operating expenditures, exceeding the City's policy target of 35%. As part of its 2017 budget process, the City estimated five years of General Fund balance, showing the City Council's decision to gradually and strategically draw down fund balance, over five years, to 35%-40% by year 2021, to fund capital and other postemployment benefits (OPEB) expenditures.

Committed fund balance totaling \$0.9 million is not available for discretionary spending as it is committed for transportation and sustainability initiatives. The City also reports an assigned fund balance of \$6.8 million in the General Fund to meet future obligations for other post-employment benefits and capital projects. Please refer to pages 18-19 for a detailed description and amounts of assigned and committed fund balance.

The public safety pension levy fund has a total fund balance of \$0, equal to the City's target. This fund accounts for property tax revenues that are restricted to fund the City's public safety pension liability.

The capital projects fund has a fund balance of \$2.5 million at December 31, 2016. During 2016, the fund balance increased \$1.9 million due issuance of general obligation bonds, which will be expended for capital improvements over a two-year period, consistent with the City's capital improvement program.

Nonmajor governmental funds combined fund balance of \$5.4 million at year end was relatively flat with the prior year. The debt service fund is included in nonmajor governmental funds and had a total fund balance of \$2.1 million, which is assigned for the payment of debt service.

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

Net positions of the water utility, sewer utility, and parking system funds were \$18.9 million, \$20.7 million, and \$3.8 million, respectively. The total reduction in net position for proprietary funds, combined, was \$2.2 million. Factors concerning the finances of these funds have been addressed in the discussion of the City's Financial Highlights and Business-type Activities sections of this Management, Discussion and Analysis.

General Fund Budgetary Highlights

Actual revenues exceeded budget by \$81,000. Highlights of revenue variances to budget are noted below.

- Positive revenue variances of significance were realized in licenses and permits, charges for services, real estate transfer tax, other taxes and miscellaneous revenues.
- Shortfalls were realized in municipal sales tax, fines and forfeitures, utility taxes and state income taxes.

The General Fund budget was amended during the fiscal year to transfer appropriations between operating departments and to provide for unanticipated expenditures. Total General Fund expenditures were 91% of budget, resulting in a budgetary savings of \$3.3 million. The City continued to closely monitor economic and state legislative trends to gauge the potential impact on the City's budget in 2016. Expenditures were reduced and deferred whenever possible, and privatization of services was considered when a cost savings and consistent level of service could be achieved. Additionally, some capital projects originally budgeted for completion in 2016 will extend into and complete in 2017. Highlights of expenditure variances to budget are noted below.

- Reserve and contingency was \$0.7 million less than budget. The variance is due to the City's reserve for OPEB, which is treated as an expenditure for budget purposes and an assignment of general fund balance for financial reporting purposes.
- Expenditure variances less than budget were also realized in other General Government (\$1.1 million), Public Safety (\$0.2 million), Public Works (\$0.6 million), Economic and Physical Development (\$0.6 million), and Commissions (\$0.1 million), significantly due to efficiency improvements and expenditure deferrals.

Capital Asset and Debt Administration

Capital Assets. The combined investment in capital assets for governmental and business-type activities as of December 31, 2016 was \$172.9 million, net of accumulated depreciation and \$119.7 million, net of both accumulated depreciation and outstanding related debt. Capital assets include land, buildings, other improvements, machinery and equipment, streets, bridges, sanitary and storm sewers, and water production and distribution systems. A \$2 million increase in construction in progress resulted from projects started in 2016 which will complete in 2017. Additional information on the City's capital assets can be found in the Notes to Financial Statements Note III C of this report.

Capital Assets, Net of Depreciation as of December 31, 2015 and 2016 (in Millions – Rounded)

	Governmental activities		Business-type activities		Total Primary Government		
	2015	2016	2015	2016	2015	2016	Change
Land	\$12.7	\$13.6	\$1.4	\$1.4	\$14.0	\$15.0	0.9
Buildings & improvements	49.6	49.7	40.7	39.8	90.4	89.5	(0.8)
Machinery & equipment	4.0	3.9	0.6	0.7	4.6	4.6	0.1
Infrastructure	22.2	22.8	39.0	38.0	61.2	60.8	(0.4)
Construction in progress	0.7	1.0	0.3	2.1	1.0	3.0	2.0
Total	\$89.2	\$91.0	\$82.0	\$82.0	\$171.2	\$172.9	1.8

Long-term debt. At the end of 2016, long-term debt outstanding was \$53.2 million, of which \$6.2 million will be paid by the debt service fund from general governmental revenues. The remainder of the debt will be paid from revenue of business-type activities.

Total Long-Term Debt Outstanding as of December 31, 2015 and 2016 (in Millions – Rounded)

	Governmental activities		Business-type activities		Total Primary Government		
	2015	2016	2015	2016	2015	2016	Change
General Obligation Debt	\$4.2	\$6.2	\$41.0	\$43.2	\$45.3	\$49.4	\$4.1
IEPA Loan Payable	0.0	0.0	1.4	3.8	1.4	3.8	2.4
Total Long-term Debt	\$4.2	\$6.2	\$42.4	\$47.0	\$46.6	\$53.2	\$6.6

Total debt increased by \$6.6 million to fund capital improvements consistent with the City's capital improvement program. The City's general obligation bonds maintain a "Aaa" rating from Moody's Investors Service. Starting in 2016, Moody's assigned a negative outlook to the rating, reflecting risk that unfunded pension liabilities will grow further should asset returns remain weak relative to plan assumptions or the City raises contributions more slowly than anticipated.

The Aaa rating reflects the city's sizable and affluent tax base, stable financial operations underpinned by healthy reserves, and moderate bonded debt burden. The rating also incorporates the City's large unfunded pension liabilities and the City's plans, which started in 2016, to substantially increase pension contributions.

In 2016, the City issued \$3.4 million in general obligation bonds to fund capital improvements to the City's Water System and Streets. General Obligation Bonds were used to obtain the lowest interest rate possible. Over \$3.4 million of the levy on these bonds will be abated with revenue from the water system used to pay the debt. The City also received a low-rate Illinois Environmental Protection Agency (IEPA) loan, starting in 2015 and continuing into 2016, to fund implementation of water meter replacement and an automated meter reading fixed base system.

Under the 1970 Illinois Constitution, there is no legal debt limit for home rule municipalities, except as set by the General Assembly. If the City were subject to such a limitation, outstanding indebtedness could not exceed 8.625% of equalized assessed valuation. Currently, the City's debt of \$53.2 million represents 2.3% of the City's equalized assessed valuation. Additional information on the City's long-term debt can be found in the Notes to Financial Statements Note III E. of this report.

Economic Factors and Next Year's Budgets and Rates

The City has a long-standing heritage as one of the prestigious communities along Chicagoland's "north shore" of Lake Michigan. The long-term economic outlook remains strong as the City's stable property tax base consists of 91% residential property. Economic trends have continued to slowly stabilize since 2009, with gradual annual increases in revenues driven by the economic climate. The City has experienced measurable growth in sales tax, building permit and real estate transfer tax revenues, since 2009, with continued growth in 2016. Assessed valuations are gradually stabilizing. Sales tax continues to be the primary revenue source for general fund operations. The City continues to monitor this revenue closely and continues to take steps to enhance retail sales in the City. Other economic factors impacting the City's budget are as follows.

- The unemployment rate for the City is consistently lower than that of Lake County and the State of Illinois. The 2016 average unemployment rate for the City was 3.9%, compared to 6.9% for Lake County and 5.7% for the State of Illinois.
- The City had median family and household incomes of \$152,823, and \$122,829, respectively, according to the U.S. Census Bureau American Community Survey estimates 2011 to 2015, which placed the City among the nation's wealthiest communities with populations of 25,000 or more.

The City monitors sales tax, building permit and real estate transfer tax revenue on a monthly basis, as these three revenue sources are impacted by national economic conditions. This practice allows the City to continually assess the need for reduced expenditures to offset revenue shortfalls.

The City is mindful of the ongoing budget crisis at the State of Illinois and its growing pension liabilities. The Mayor and City Council continue to urge State lawmakers to pass a balanced budget that protects local government revenues. The City has proactively prepared in the event of potential loss of these revenues.

In response to national economic conditions, the City continued to take steps to ensure fiscal sustainability in preparing the 2017 budget, including targeted expenditure reductions, deferring non-essential expenditures and analyzing fees to achieve greater cost recovery.

As a result of conservative efforts, the City has been able to accumulate a General Fund Balance in excess of the City's policy of a 35% reserve. The Mayor and City Council have elected to strategically and gradually drawdown excess reserves to complete one-time capital improvements, over the capital improvement period 2017-2021, developed as part of the 2017 Budget. Included in this plan are investments into City facilities, Bike Walk Plan 2030 improvements, Emerald Ash-Borer removal and tree planting, funding for Special Service Area 18 Briergate improvements, preliminary design and location consulting fees for a new Ravinia Firehouse and funding for other post-employment benefits.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Office of the Finance Director, City of Highland Park, 1707 St. Johns Avenue, Highland Park, Illinois 60035.

CITY OF HIGHLAND PARK

STATEMENT OF NET POSITION As of December 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Highland Park Public Library
ASSETS				
Cash	\$ 37,096,324	\$ 7,637,009	\$ 44,733,333	\$ 1,521,590
Investments	-	-	-	2,425,000
Receivables (net)				
Property taxes	12,652,957	-	12,652,957	4,846,900
Motor fuel tax allotments	121,100	-	121,100	-
Intergovernmental	4,938,623	66,868	5,005,491	-
Loans	275,000	-	275,000	-
Accounts	978,905	2,024,524	3,003,429	-
Other	-	-	-	7,680
Prepaid items	367,969	-	367,969	5,083
Capital Assets				
Capital assets not being depreciated	14,539,608	3,457,495	17,997,103	778,592
Capital assets being depreciated, net of accumulated depreciation	76,448,295	78,501,118	154,949,413	4,735,368
Total Assets	<u>147,418,781</u>	<u>91,687,014</u>	<u>239,105,795</u>	<u>14,320,213</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding	57,302	621,273	678,575	-
Deferred outflows related to pensions	19,795,984	1,570,860	21,366,844	1,504,224
Total Deferred Outflows of Resources	<u>19,853,286</u>	<u>2,192,133</u>	<u>22,045,419</u>	<u>1,504,224</u>
LIABILITIES				
Accounts payable	3,196,980	1,620,271	4,817,251	90,534
Accrued payroll	474,349	56,183	530,532	112,059
Accrued interest payable	378	3,543	3,921	-
Unearned revenue	193,565	212,671	406,236	-
Deposits	64,307	8,000	72,307	7,681
Noncurrent Liabilities				
Due within one year	3,143,318	1,306,033	4,449,351	45,000
Due in more than one year	96,493,958	47,127,277	143,621,235	2,167,669
Total Liabilities	<u>103,566,855</u>	<u>50,333,978</u>	<u>153,900,833</u>	<u>2,422,943</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for future periods	12,652,957	-	12,652,957	4,846,900
Deferred inflows related to pensions	11,829,006	28,780	11,857,786	27,559
Total Deferred Inflows of Resources	<u>24,481,963</u>	<u>28,780</u>	<u>24,510,743</u>	<u>4,874,459</u>
NET POSITION				
Net investment in capital assets	85,567,313	40,152,956	125,720,269	4,962,199
Restricted for				
Economic development	1,235,025	-	1,235,025	-
Public safety	767,425	-	767,425	-
Streets	444,867	-	444,867	-
Library materials	-	-	-	57,428
Working cash	-	-	-	375,000
Capital projects	207,212	-	207,212	-
Unrestricted (deficit)	<u>(48,998,593)</u>	<u>3,363,433</u>	<u>(45,635,160)</u>	<u>3,132,408</u>
TOTAL NET POSITION	<u>\$ 39,223,249</u>	<u>\$ 43,516,389</u>	<u>\$ 82,739,638</u>	<u>\$ 8,527,035</u>

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 7,136,341	\$ 2,348,267	\$ -	\$ -
Public safety	27,094,758	2,789,821	12,775	-
Public works	7,491,480	1,220,394	782,785	84,464
Transit	1,265,741	1,342,009	-	-
Commissions	448,794	-	-	-
Economic and physical development	7,155,683	1,707,560	-	-
Interest and fiscal charges	276,122	-	-	-
Total Governmental Activities	<u>50,868,919</u>	<u>9,408,051</u>	<u>795,560</u>	<u>84,464</u>
Business-type Activities				
Water	10,868,120	8,038,625	70,421	-
Sewer	4,069,114	4,639,293	8,498	-
Motor Vehicle Parking System	935,125	795,851	-	-
Total Business-type Activities	<u>15,872,359</u>	<u>13,473,769</u>	<u>78,919</u>	<u>-</u>
Total Primary Government	<u>\$ 66,741,278</u>	<u>\$ 22,881,820</u>	<u>\$ 874,479</u>	<u>\$ 84,464</u>
Component Unit				
Highland Park Public Library	<u>\$ 4,798,324</u>	<u>\$ 94,923</u>	<u>\$ 186,878</u>	<u>\$ -</u>

General Revenues

Taxes

Property taxes
 Sales taxes
 Home rule sales tax
 Utility taxes
 Franchise fees
 Real estate transfer tax
 Other taxes
 Intergovernmental
 Income taxes
 Personal property replacement taxes
 Payment in lieu of taxes
 Interest income

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in net position

NET POSITION - Beginning of Year

NET POSITION - END OF YEAR

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Totals	Highland Park Public Library
\$ (4,788,074)	\$ -	\$ (4,788,074)	\$ -
(24,292,162)	-	(24,292,162)	-
(5,403,837)	-	(5,403,837)	-
76,268	-	76,268	-
(448,794)	-	(448,794)	-
(5,448,123)	-	(5,448,123)	-
(276,122)	-	(276,122)	-
<u>(40,580,844)</u>	<u>-</u>	<u>(40,580,844)</u>	<u>-</u>
-	(2,759,074)	(2,759,074)	-
-	578,677	578,677	-
-	(139,274)	(139,274)	-
<u>-</u>	<u>(2,319,671)</u>	<u>(2,319,671)</u>	<u>-</u>
<u>(40,580,844)</u>	<u>(2,319,671)</u>	<u>(42,900,515)</u>	<u>-</u>
-	-	-	(4,516,523)
12,412,788	-	12,412,788	4,632,998
9,162,096	-	9,162,096	-
4,068,611	-	4,068,611	-
2,365,250	-	2,365,250	-
2,158,947	-	2,158,947	-
1,843,768	-	1,843,768	-
2,351,192	-	2,351,192	-
2,897,250	-	2,897,250	-
298,849	-	298,849	42,050
822,131	-	822,131	-
<u>269,876</u>	<u>57,742</u>	<u>327,618</u>	<u>10,939</u>
<u>38,650,758</u>	<u>57,742</u>	<u>38,708,500</u>	<u>4,685,987</u>
<u>(68,000)</u>	<u>68,000</u>	<u>-</u>	<u>-</u>
<u>38,582,758</u>	<u>125,742</u>	<u>38,708,500</u>	<u>4,685,987</u>
(1,998,086)	(2,193,929)	(4,192,015)	169,464
<u>41,221,335</u>	<u>45,710,318</u>	<u>86,931,653</u>	<u>8,357,571</u>
<u>\$ 39,223,249</u>	<u>\$ 43,516,389</u>	<u>\$ 82,739,638</u>	<u>\$ 8,527,035</u>

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2016

	General	Public Safety Pension Levy	Capital Projects	Nonmajor Governmental Funds	Totals
ASSETS					
Cash	\$ 22,708,012	\$ -	\$ 2,582,781	\$ 5,471,688	\$ 30,762,481
Receivables (net)					
Property taxes	2,101,856	5,764,028	507,174	4,279,899	12,652,957
Motor fuel tax allotments	-	-	-	121,100	121,100
Intergovernmental	4,889,994	-	48,629	-	4,938,623
Loans	-	-	275,000	-	275,000
Accounts	477,320	-	35,538	84,698	597,556
Prepaid items	-	-	4,800	1,608	6,408
Due from other funds	61,241	-	-	-	61,241
TOTAL ASSETS	<u>\$ 30,238,423</u>	<u>\$ 5,764,028</u>	<u>\$ 3,453,922</u>	<u>\$ 9,958,993</u>	<u>\$ 49,415,366</u>

CITY OF HIGHLAND PARK

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2016

	General	Public Safety Pension Levy	Capital Projects	Nonmajor Governmental Funds	Totals
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 2,381,855	\$ -	\$ 451,344	\$ 155,198	\$ 2,988,397
Accrued liabilities	412,600	-	-	39,503	452,103
Due to other funds	-	-	-	61,241	61,241
Unearned revenue	185,142	-	-	-	185,142
Deposits	61,307	-	3,000	-	64,307
Total Liabilities	<u>3,040,904</u>	<u>-</u>	<u>454,344</u>	<u>255,942</u>	<u>3,751,190</u>
Deferred Inflows of Resources					
Property taxes levied for future periods	2,101,856	5,764,028	507,174	4,279,899	12,652,957
Unavailable revenue for other	17,347	-	-	-	17,347
Unavailable revenue for IRMA member reserve	191,841	-	-	-	191,841
Total Deferred Inflows of Resources	<u>2,311,044</u>	<u>5,764,028</u>	<u>507,174</u>	<u>4,279,899</u>	<u>12,862,145</u>
Fund Balances					
Nonspendable for prepaid items	-	-	4,800	1,608	6,408
Restricted for:					
Streets	-	-	-	444,867	444,867
Public safety	-	-	-	767,425	767,425
Economic development	-	-	-	1,235,025	1,235,025
Capital projects	-	-	896,313	-	896,313
Committed for:					
Sustainability initiatives	-	-	-	206,364	206,364
Transportation	-	-	-	700,558	700,558
Assigned for:					
Capital projects	291,000	-	1,591,291	-	1,882,291
Other postemployment benefits	6,540,695	-	-	-	6,540,695
Debt service	-	-	-	2,128,512	2,128,512
Unassigned:					
General fund	18,054,780	-	-	-	18,054,780
Special revenue funds (deficit)	-	-	-	(61,207)	(61,207)
Total Fund Balances	<u>24,886,475</u>	<u>-</u>	<u>2,492,404</u>	<u>5,423,152</u>	<u>32,802,031</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 30,238,423</u>	<u>\$ 5,764,028</u>	<u>\$ 3,453,922</u>	<u>\$ 9,958,993</u>	<u>\$ 49,415,366</u>

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2016

Total Fund Balances - Governmental Funds	\$ 32,802,031
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note III.C.	90,987,903
Less amount reported in internal service funds below.	(1,646,902)
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	209,188
Loss on refunding on bonds is reported as a deferred outflow on the statement of net position.	57,302
Unamortized premiums/discounts on bonds are reported as liabilities on the statement of net position.	(241,322)
Accrued interest on long-term liabilities is shown as a liability on the statement of net position.	(378)
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	19,795,984
Less amount reported in internal service funds below.	(609,281)
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(11,829,006)
Less amount reported in internal service funds below.	11,163
The net other postemployment benefit obligation is shown as a liability on the statement of net position.	(6,621,633)
The compensated absences liability for the City and certain claims payable are not due and payable in the current period and, therefore, not reported in the governmental funds.	(1,746,840)
Less amount reported in internal service funds below.	64,377
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds and notes payable	(5,939,650)
Net pension liability - Firefighters' Pension	(37,510,305)
Net pension liability - Police Pension	(42,759,808)
Net pension liability - Illinois Municipal Retirement Fund	(3,759,421)
Claims payable	(1,058,297)
Less amount reported in internal service funds below.	430,673
The net position of the internal service funds are included in the governmental activities in the statement of net position.	<u>8,587,471</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 39,223,249</u>

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	General	Public Safety Pension Levy	Capital Projects	Nonmajor Governmental Funds	Totals
REVENUES					
Property taxes	\$ 2,375,836	\$ 5,233,039	\$ 500,821	\$ 4,303,092	\$ 12,412,788
Personal property replacement tax	298,849	-	-	-	298,849
Licenses and permits	1,952,919	-	-	924,537	2,877,456
Public charges for services	2,315,733	-	-	628,954	2,944,687
Municipal sales tax	12,779,985	-	450,722	-	13,230,707
Utility taxes	2,365,250	-	-	-	2,365,250
Real estate transfer tax	1,843,768	-	-	-	1,843,768
Intergovernmental	12,775	-	-	146,558	159,333
State income tax	2,897,250	-	-	-	2,897,250
Franchise tax	2,158,947	-	-	-	2,158,947
Payments in lieu of taxes	822,131	-	-	-	822,131
Other taxes	1,736,524	-	-	493,110	2,229,634
Reimbursements	219,927	-	97,260	1,342,009	1,659,196
Fines, forfeitures and penalties	501,781	-	-	12,490	514,271
Motor fuel tax	-	-	-	757,785	757,785
Interest income	187,543	-	30,255	26,838	244,636
Miscellaneous	605,388	-	-	86,283	691,671
Total Revenues	<u>33,074,606</u>	<u>5,233,039</u>	<u>1,079,058</u>	<u>8,721,656</u>	<u>48,108,359</u>
EXPENDITURES					
Current					
General government	8,975,291	-	-	-	8,975,291
Public safety	19,091,807	5,233,039	-	142,265	24,467,111
Public works	2,962,468	-	-	3,032,252	5,994,720
Transit	1,695	-	-	1,256,745	1,258,440
Commissions	186,720	-	-	-	186,720
Economic and physical development	3,781,146	-	-	160,151	3,941,297
Capital Outlay	-	-	4,607,980	-	4,607,980
Debt Service					
Principal	-	-	-	2,717,150	2,717,150
Interest and fiscal charges	-	-	14,875	287,465	302,340
Total Expenditures	<u>34,999,127</u>	<u>5,233,039</u>	<u>4,622,855</u>	<u>7,596,028</u>	<u>52,451,049</u>
Excess (deficiency) of revenues over expenditures	<u>(1,924,521)</u>	<u>-</u>	<u>(3,543,797)</u>	<u>1,125,628</u>	<u>(4,342,690)</u>

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	General	Public Safety Pension Levy	Capital Projects	Nonmajor Governmental Funds	Totals
OTHER FINANCING SOURCES (USES)					
General obligation debt issued	\$ -	\$ -	\$ 4,650,000	\$ -	\$ 4,650,000
Premium on debt issued	-	-	80,375	-	80,375
Transfers in	350,000	-	720,000	130,000	1,200,000
Transfers out	-	-	-	(1,268,000)	(1,268,000)
Sales of capital assets	17,655	-	-	-	17,655
Total Other Financing Sources (Uses)	<u>367,655</u>	<u>-</u>	<u>5,450,375</u>	<u>(1,138,000)</u>	<u>4,680,030</u>
Net Change in Fund Balances	(1,556,866)	-	1,906,578	(12,372)	337,340
FUND BALANCES - Beginning of Year	<u>26,443,341</u>	<u>-</u>	<u>585,826</u>	<u>5,435,524</u>	<u>32,464,691</u>
FUND BALANCES - END OF YEAR	<u>\$ 24,886,475</u>	<u>\$ -</u>	<u>\$ 2,492,404</u>	<u>\$ 5,423,152</u>	<u>\$ 32,802,031</u>

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

Net change in fund balances - total governmental funds	\$ 337,340
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays 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	5,887,598
Depreciation is reported in the government-wide financial statements	(3,522,908)
Net book value of assets retired	(9,751)
Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	
	(5,094)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Debt issued	(4,650,000)
Principal repaid	2,717,150
Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are reported as additions to or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.	
Bond discount	(517)
Bond premium	(42,162)
Deferred charge on refunding	(11,460)
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.	
Compensated absences	(39,760)
Net pension liability - IMRF	(2,286,208)
Net pension liability - Police Pension	4,389,327
Net pension liability - Fire Pension	3,327,080
Deferred outflows of resources related to pensions	6,210
Deferred inflows of resources related to pensions	(7,209,321)
Accrued interest on debt	(19)
Other postemployment benefits obligation	(353,682)
The change in claims payable is shown as an expense on the statement of activities.	194,929
Internal service funds are used by management to charge self insurance costs to individual funds. The change in net position of the internal service fund reported with governmental activities.	
	(726,838)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (1,998,086)

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Nonmajor Enterprise Fund - Motor Vehicle Parking System	Totals	
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 3,803,295	\$ 3,185,150	\$ 648,564	\$ 7,637,009	\$ 6,333,843
Accounts receivable (net)	1,361,061	663,463	-	2,024,524	17,893
Due from other organizations	-	-	66,868	66,868	-
Prepaid items	-	-	-	-	361,561
Other	-	-	-	-	363,456
Total Current Assets	<u>5,164,356</u>	<u>3,848,613</u>	<u>715,432</u>	<u>9,728,401</u>	<u>7,076,753</u>
Noncurrent Assets					
Capital Assets					
Land	66,958	-	1,319,165	1,386,123	-
Construction in progress	762,773	1,308,599	-	2,071,372	-
Infrastructure	-	-	608,196	608,196	-
Parking facilities and equipment	-	-	4,468,945	4,468,945	-
Water and sewer plant and equipment	86,581,432	70,796,831	-	157,378,263	-
Machinery, equipment and furnishings	-	-	-	-	10,749,429
Less: Accumulated depreciation	<u>(30,656,907)</u>	<u>(50,049,316)</u>	<u>(3,248,063)</u>	<u>(83,954,286)</u>	<u>(9,102,527)</u>
Total Noncurrent Assets	<u>56,754,256</u>	<u>22,056,114</u>	<u>3,148,243</u>	<u>81,958,613</u>	<u>1,646,902</u>
Total Assets	<u>61,918,612</u>	<u>25,904,727</u>	<u>3,863,675</u>	<u>91,687,014</u>	<u>8,723,655</u>
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss on advanced refunding	621,273	-	-	621,273	-
Deferred outflows related to pensions	<u>1,053,888</u>	<u>516,972</u>	<u>-</u>	<u>1,570,860</u>	<u>609,281</u>
Total Deferred Outflows of Resources	<u>1,675,161</u>	<u>516,972</u>	<u>-</u>	<u>2,192,133</u>	<u>609,281</u>

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2016

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Nonmajor Enterprise Fund - Motor Vehicle Parking System	Totals	Governmental Activities - Internal Service Funds
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 1,263,277	\$ 331,280	\$ 25,714	\$ 1,620,271	\$ 208,583
Accrued liabilities	35,778	19,654	4,294	59,726	22,246
Deposits	8,000	-	-	8,000	-
Unearned revenue	212,671	-	-	212,671	8,423
Long-term debt - due within one year	935,162	370,871	-	1,306,033	12,875
Total Current Liabilities	<u>2,454,888</u>	<u>721,805</u>	<u>30,008</u>	<u>3,206,701</u>	<u>252,127</u>
Noncurrent Liabilities					
Long-Term Debt					
Due in more than one year	42,171,907	4,955,370	-	47,127,277	482,175
Total Noncurrent Liabilities	<u>42,171,907</u>	<u>4,955,370</u>	<u>-</u>	<u>47,127,277</u>	<u>482,175</u>
Total Liabilities	<u>44,626,795</u>	<u>5,677,175</u>	<u>30,008</u>	<u>50,333,978</u>	<u>734,302</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	19,308	9,472	-	28,780	11,163
Total Deferred Inflows of Resources	<u>19,308</u>	<u>9,472</u>	<u>-</u>	<u>28,780</u>	<u>11,163</u>
NET POSITION					
Net investment in capital assets	19,799,023	17,205,690	3,148,243	40,152,956	1,646,902
Unrestricted	(851,353)	3,529,362	685,424	3,363,433	6,940,569
TOTAL NET POSITION	<u>\$ 18,947,670</u>	<u>\$ 20,735,052</u>	<u>\$ 3,833,667</u>	<u>\$ 43,516,389</u>	<u>\$ 8,587,471</u>

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				
			Nonmajor Enterprise Fund - Motor Vehicle Parking System		Governmental Activities - Internal Service Funds
	Water	Sewer		Totals	
OPERATING REVENUES					
Water sales	\$ 7,782,487	\$ -	\$ -	\$ 7,782,487	\$ -
Sanitary sewer charges	-	2,379,668	-	2,379,668	-
Stormwater management fees	-	2,179,008	-	2,179,008	-
Water/sewer permit fees	128,368	47,355	-	175,723	-
Parking lot collections	-	-	580,879	580,879	-
Parking violations	-	-	214,972	214,972	-
Charges for goods and services	-	-	-	-	8,121,413
Miscellaneous	127,770	33,262	-	161,032	28,146
Total Operating Revenues	<u>8,038,625</u>	<u>4,639,293</u>	<u>795,851</u>	<u>13,473,769</u>	<u>8,149,559</u>
OPERATING EXPENSES					
Personal services	2,352,604	1,134,366	325,439	3,812,409	1,319,551
Contractual services	1,238,992	537,316	249,276	2,025,584	5,128,194
Materials and supplies	353,424	78,181	20,088	451,693	498,865
Small tools and equipment	2,827,099	431,830	6,867	3,265,796	1,012,614
Administrative reimbursements	1,158,600	-	99,000	1,257,600	-
Repairs and maintenance	-	-	-	-	440,216
Depreciation	1,786,460	1,753,431	234,455	3,774,346	515,928
Total Operating Expenses	<u>9,717,179</u>	<u>3,935,124</u>	<u>935,125</u>	<u>14,587,428</u>	<u>8,915,368</u>
Operating Income (Loss)	<u>(1,678,554)</u>	<u>704,169</u>	<u>(139,274)</u>	<u>(1,113,659)</u>	<u>(765,809)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	30,515	19,997	7,230	57,742	25,240
Intergovernmental	70,421	8,498	-	78,919	-
Gain on sale of capital assets	-	-	-	-	13,731
Interest and fiscal charges	(1,150,941)	(133,990)	-	(1,284,931)	-
Total Nonoperating Revenues (Expenses)	<u>(1,050,005)</u>	<u>(105,495)</u>	<u>7,230</u>	<u>(1,148,270)</u>	<u>38,971</u>
Income (Loss) Before Transfers	<u>(2,728,559)</u>	<u>598,674</u>	<u>(132,044)</u>	<u>(2,261,929)</u>	<u>(726,838)</u>
TRANSFERS					
Transfers in	-	-	68,000	68,000	-
Total Transfers	<u>-</u>	<u>-</u>	<u>68,000</u>	<u>68,000</u>	<u>-</u>
Change in Net Position	<u>(2,728,559)</u>	<u>598,674</u>	<u>(64,044)</u>	<u>(2,193,929)</u>	<u>(726,838)</u>
NET POSITION - Beginning of Year	<u>21,676,229</u>	<u>20,136,378</u>	<u>3,897,711</u>	<u>45,710,318</u>	<u>9,314,309</u>
NET POSITION - END OF YEAR	<u>\$ 18,947,670</u>	<u>\$ 20,735,052</u>	<u>\$ 3,833,667</u>	<u>\$ 43,516,389</u>	<u>\$ 8,587,471</u>

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Nonmajor Enterprise Fund - Motor Vehicle Parking System	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	\$ 8,130,592	\$ 4,525,526	\$ 795,851	\$ 13,451,969	\$ 8,210,140
Paid to suppliers	(5,507,311)	(772,198)	(367,304)	(6,646,813)	(7,210,828)
Paid to employees	(2,163,421)	(1,086,335)	(325,035)	(3,574,791)	(1,266,204)
Net Cash Flows From Operating Activities	<u>459,860</u>	<u>2,666,993</u>	<u>103,512</u>	<u>3,230,365</u>	<u>(266,892)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	<u>30,515</u>	<u>19,997</u>	<u>7,230</u>	<u>57,742</u>	<u>25,240</u>
Net Cash Flows From Investing Activities	<u>30,515</u>	<u>19,997</u>	<u>7,230</u>	<u>57,742</u>	<u>25,240</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers	-	-	68,000	68,000	-
Repayment (advance) to other funds	-	-	(7,244)	(7,244)	-
Operating grants received	<u>70,421</u>	<u>8,498</u>	<u>-</u>	<u>78,919</u>	<u>-</u>
Net Cash Flows From Noncapital Financing Activities	<u>70,421</u>	<u>8,498</u>	<u>60,756</u>	<u>139,675</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Bonds issued	2,275,000	995,000	-	3,270,000	-
IEPA loans issued	2,446,784	-	-	2,446,784	-
Premium on bonds sold	39,323	17,199	-	56,522	-
Bonds retired	(746,767)	(346,083)	-	(1,092,850)	-
Interest paid	(1,175,076)	(149,505)	-	(1,324,581)	-
Acquisition and construction of capital assets	(501,918)	(1,949,817)	(576,000)	(3,027,735)	-
Sale of capital assets	-	-	-	-	29,429
Net Cash Flows From Capital and Related Financing Activities	<u>2,337,346</u>	<u>(1,433,206)</u>	<u>(576,000)</u>	<u>328,140</u>	<u>29,429</u>
Net Change in Cash and Cash Equivalents	<u>2,898,142</u>	<u>1,262,282</u>	<u>(404,502)</u>	<u>3,755,922</u>	<u>(212,223)</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>905,153</u>	<u>1,922,868</u>	<u>1,053,066</u>	<u>3,881,087</u>	<u>6,546,066</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,803,295</u>	<u>\$ 3,185,150</u>	<u>\$ 648,564</u>	<u>\$ 7,637,009</u>	<u>\$ 6,333,843</u>

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Nonmajor Enterprise Fund - Motor Vehicle Parking System	Totals	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ (1,678,554)	\$ 704,169	\$ (139,274)	\$ (1,113,659)	\$ (765,809)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities					
Depreciation	1,786,460	1,753,431	234,455	3,774,346	515,928
Changes in assets and liabilities					
Accounts receivable	(52,974)	(113,767)	-	(166,741)	59,295
Prepaid expense	-	-	-	-	(179,535)
Accounts payable	70,804	275,129	7,927	353,860	48,596
Accrued salaries	6,117	4,234	404	10,755	4,184
Net pension liability	427,982	246,642	-	674,624	294,005
Deferred outflows related to pensions	(260,277)	(219,567)	-	(479,844)	(267,092)
Deferred inflows related to pensions	19,308	9,472	-	28,780	11,163
Compensated absences	(9,468)	3,701	-	(5,767)	11,087
Unearned revenue	144,941	-	-	144,941	1,286
Net OPEB obligation	5,521	3,549	-	9,070	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 459,860</u>	<u>\$ 2,666,993</u>	<u>\$ 103,512</u>	<u>\$ 3,230,365</u>	<u>\$ (266,892)</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
None					

See accompanying notes to financial statements.

CITY OF HIGHLAND PARK

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS As of December 31, 2016

	<u>Pension Trusts</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,943,117	\$ 3,171,846
Investments		
Corporate bonds	7,446,530	-
U.S. Government and agency obligations	17,611,739	-
Mutual funds	23,243,433	-
Stocks	22,535,080	-
Receivables		
Accounts	-	281,365
Accrued interest	212,830	-
Other	160	-
Prepaid items	2,295	-
Total Assets	<u>72,995,184</u>	<u>3,453,211</u>
LIABILITIES		
Accounts payable	47,155	-
Accrued wages	-	1,009
Due to others	-	883,649
Deposits	-	2,568,553
Total Liabilities	<u>47,155</u>	<u>3,453,211</u>
NET POSITION		
Restricted for pension benefits	<u>\$ 72,948,029</u>	<u>\$ -</u>

CITY OF HIGHLAND PARK

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS For the Year Ended December 31, 2016

	<u>Pension Trusts</u>
ADDITIONS	
Contributions	
Employer	\$ 7,024,824
Plan members	<u>972,635</u>
Total Contributions	<u>7,997,459</u>
Investment income	
Investment income	1,459,335
Net appreciation in fair value of investments	<u>2,051,943</u>
Total Investment Income	3,511,278
Less Investment expense	<u>205,380</u>
Net Investment Income	<u>3,305,898</u>
Total Additions	<u>11,303,357</u>
DEDUCTIONS	
Benefits	7,549,107
Administration	<u>80,927</u>
Total Deductions	<u>7,630,034</u>
 Change in Net Position	 3,673,323
NET POSITION - Beginning of Year	<u>69,274,706</u>
NET POSITION - END OF YEAR	<u><u>\$ 72,948,029</u></u>

CITY OF HIGHLAND PARK

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE	<u>Page</u>
I Summary of Significant Accounting Policies	32
A. Reporting Entity	32
B. Government-Wide and Fund Financial Statements	34
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	37
D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity	38
1. Deposits and Investments	38
2. Receivables	42
3. Inventories and Prepaid Items	43
4. Capital Assets	43
5. Deferred Outflows of Resources	44
6. Compensated Absences	45
7. Long-Term Obligations	45
8. Deferred Inflows of Resources	45
9. Equity Classifications	46
II Stewardship, Compliance, and Accountability	47
A. Deficit Balances	47
III Detailed Notes on All Funds	48
A. Deposits and Investments	48
B. Receivables	52
C. Capital Assets	54
D. Interfund Receivables/Payables and Transfers	55
E. Long-Term Obligations	57
F. Component Unit	63
IV Other Information	67
A. Employees' Retirement System	67
B. Risk Management	83
C. Other Postemployment Benefits	85
D. Subsequent Event	87
E. Tax Increment Financing District	87
F. Tax Abatement	88
G. Effect of New Accounting Standards on Current-Period Financial Statements	89
H. Major Customers	89

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Highland Park, Illinois (the City) was incorporated in 1869. The City is a home-rule municipality, under the 1970 Illinois Constitution, located in Lake County, Illinois. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, health, social, and cultural services; water and sanitation; public improvements; planning and zoning; and general administrative services.

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

A. REPORTING ENTITY

This report includes all of the funds of the City. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit 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 or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit

Highland Park Public Library

The government-wide financial statements include the Highland Park Public Library (Library) as a component unit. The Library is a legally separate organization. The nine-member board of the Library is appointed by the Mayor. Statutes provide for circumstances whereby the City can impose its will on the Library, and also create a potential financial benefit to or burden on the City. See Note III.F. 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 December 31, 2016. Separately issued financial statements of the Highland Park Public Library may be obtained from the Library's office.

Pension Trust Funds

Police Pension

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

Firefighters' Pension

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. Two members appointed by the City's Mayor, one pension beneficiary elected by the membership; and two fire employees elected by the membership constitute the pension 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 of the characteristics of a legally separate government, FPERS is reported as if it were part of the primary government because its sole purpose is to finance and administer the pensions of the City's firefighters because of the fiduciary nature of such activities. FPERS is reported as a pension trust fund and the data for the pension is included in the government's fiduciary fund financial statements. No separate annual financial report is issued for the FPERS.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In February 2015, the GASB issued statement No. 72 - *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented January 1, 2016.

In August 2015, the GASB issued statement No. 77 - *Tax Abatement Disclosures*. This statement addresses financial reporting related to tax abatement programs. It establishes requirements for disclosures about a reporting government's own tax abatements agreements and agreements entered into by other governments that reduce the reporting government's tax revenues. This standard was implemented January 1, 2016.

Government-Wide Financial Statements

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

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

Fund Financial Statements

Financial statements of the City 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 outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

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

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

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

The City reports the following major governmental funds:

- General Fund - accounts for the City's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- Public Safety Pension Levy Fund - used to account for the portion of the property tax levy restricted to funding police and firefighters' pensions, which is transferred to the Police and Firefighters' Pension Funds.
- Capital Projects Fund - used to account for funds restricted, committed, or assigned to alleviate storm drainage problems, finance street improvements, and provide other facility and infrastructure improvements. The City has chosen to report this fund as a major fund.

The City reports the following major enterprise funds:

- Water Fund - accounts for operations of the water facilities and services owned and provided by the City to its residents. The activities are entirely or predominantly self-supported by user charges.
- Sewer Fund - accounts for operations of the sanitary sewer facilities and services owned and provided by the City to its residents. The activities are entirely or predominantly self-supported by user charges.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The City reports the following nonmajor governmental and enterprise funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Motor Fuel Tax	Emergency 911 System
Foreign Fire Insurance Tax	Highland Park Theater
Environmental Sustainability	Multi-Modal Transportation

Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs.

Debt Service

Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Tax Increment Financing

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

Motor Vehicle Parking System

In addition, the City reports the following fund types:

Internal Service Funds - used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

Equipment Maintenance and Replacement
Insurance

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

Pension Trust Funds - used to account for and report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans.

Police Pension
Firefighters' Pension

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

General Deposit
Housing Trust

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT 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 deferred inflows. 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.

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 (except sales and telecommunications taxes which use 90 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.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

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.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

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.

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

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds 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.

All Financial Statements

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

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

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

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

Pension funds may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, and the Illinois insurance company general and separate accounts, mutual funds meeting certain requirements, equity securities, and corporate bonds meeting certain requirements. Pension funds with net assets in excess of \$10,000,000 and an appointed investment advisor may invest an additional portion of its assets in common and preferred stocks and mutual funds, that meet certain requirements. The police pension fund's investment policy allows investments in all of the above listed accounts, but does exclude any repurchase agreements. The firefighters' pension fund allows funds to be invested in any type of security authorized by the Illinois Pension Code.

The Police Pension Fund's investment policy, in accordance with Illinois Statutes, establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income and Cash	40%	2.5%
Large-Cap Domestic Equity	48%	5.5%
Mid-Cap / Small-Cap Domestic Equity	6%	5.5%
International Equity	6%	5.5%

Illinois Compiled Statutes (ILCS) limit the police pension fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

The Police Pension Fund's investment policy does not include formalized long-term expected rate of returns by asset class. The Police Pension Fund uses the actuarial assumptions listed above for each asset class, which were determined using a building-block method in which expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. Additionally, the Police Pension Fund has developed formal expectations that fixed income investments outperform the Barclay's Intermediate Govt/Credit A or Better Index, large-cap domestic equity investments outperform the S&P 500 Index, mid-cap domestic equity investments outperform the Russell Mid Cap Index, small-cap domestic equity investments outperform the Russell 2000 Index, and international equity investments outperform the MSCI All-Country World Index, excluding the United States, on a total return basis.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

The Firefighters' Pension Fund's investment policy, in accordance with Illinois Statutes, establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income and Cash	40%	2.5%
Large Cap Domestic Equity	46.5%	5.5%
Mid-Cap / Small-Cap Domestic Equity	7.5%	5.5%
International Equity	6%	5.5%

Illinois Compiled Statutes (ILCS) limit the firefighters' pension fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

The Firefighters' Pension Fund's investment policy does not include formalized long-term expected rate of returns by asset class. The Firefighters' Pension Fund uses the actuarial assumptions listed above for each asset class, which were determined using a building-block method in which expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. Additionally, the Firefighters' Pension Fund has developed formal expectations that fixed income investments outperform the Barclay's Intermediate Govt/Credit A or Better Index, large-cap domestic equity investments outperform the S&P 500 Index, mid-cap domestic equity investments outperform the Russell Mid Cap Index, small-cap domestic equity investments outperform the Russell 2000 Index, and international equity investments outperform the MSCI All-Country World Index, excluding the United States, on a total return basis.

The City's investment policy authorizes the City to make deposits/invest in insured commercial banks; savings and loan institutions; obligations of the U.S. Treasury, U.S. agency, and U.S. instrumentality; money market mutual funds regulated by the SEC and whose portfolios consist only of domestic debt securities; investment-grade obligations of state, provincial, and local governments and public authorities; certificates of deposits and other evidences of deposit at financial institutions, bankers' acceptances, and commercial paper, rated in the highest tier by a nationally recognized rating agency; local government investment pools, either state administered or through joining powers statutes, and other intergovernmental agreement legislation; and Illinois Funds.

The City has adopted an investment policy. It is the policy of the City to invest its funds 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, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital and protection of investment principal), liquidity, and yield.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Interest Rate Risk

In accordance with its investment policy, the City limits its exposure to interest rate risk by structuring the portfolio so that securities mature concurrent with cash needs. The investment policy limits the maximum maturity length of investments to three years from date of purchase, unless specific authority is given to exceed. Investments in reserve funds may be purchased with maturities to match future projects of liability requirements. In addition, the policy requires the City to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

In accordance with investment policies, the Police Pension Fund and Firefighters' Pension Fund limit exposure to interest rate risk by structuring the portfolios to provide liquidity for operating funds and maximizing yields for funds not needed within a one-year period. The investment policies do not limit the maximum maturity length of investments in the funds. The investment policies require that the portfolios be structured to meet the actuarially determined cash flow requirements of the funds.

Credit Risk

The City, Police Pension Fund, and Firefighters' Pension Fund limit exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government.

Concentration of Credit Risk

The City's investment policy preserves its capital by requiring the portfolio to be sufficiently diversified with respect to the types of securities held, the number of financial institutions utilized, and the maturities of the individual securities.

Custodial Credit Risk - Deposits

The City's investment policy limits the exposure to deposit custodial credit risk by requiring all deposits in excess of FDIC insurable limits to be secured with collateralization pledged by the applicable financial institution to the extent of 110% of the value of the deposit. The Police and Firefighters' Pension Fund investment policies require pledging of collateral with a fair value of 110% of all bank balances in excess of federal depository insurance with the collateral held by the Police and Firefighters' Pension Funds or their respective agents in the name of the Police and Firefighters' Pension Fund.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the City will not be able to recover the value of its investments that are in possession of the outside party. The City's investment policy does not address custodial credit risk.

The Police and Firefighters' Pension Fund investment policies require investments to be held by a separate third party custodian to safe-keep the assets of the funds, complying with provisions of the Illinois Pension Code.

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

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. 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. Investments in Illinois Funds are valued at Illinois Fund's share price, the price for which the investments could be sold.

See Note III. A. for further information.

2. Receivables

Property taxes for levy year 2016 attaches as an enforceable lien on January 1, 2016, on property values assessed as of the same date. Taxes are levied by December following the lien date (by passage of a Tax Levy Ordinance). Tax bills for levy year 2016 are prepared by Lake County and issued in May 2017, and are payable in two installments, on or about June 3, 2017 and September 3, 2017 or within 30 days of the tax bills being issued.

The county collects such taxes and remits them periodically. The 2016 property tax levy is recognized as a receivable and deferral in fiscal 2016, net the allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues. At December 31, 2016, the property taxes receivable and related deferred inflows consisted of the estimated amount collectible from the 2016 levy.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

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.

3. Inventories and Prepaid Items

Governmental fund inventories, if material, are recorded at cost based on the average cost method using the consumption method of accounting. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at cost based on average cost, and charged to construction and/or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. 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 \$5,000 for general capital assets and \$50,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

4. Capital Assets (cont.)

Government-Wide Statements (cont.)

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

Buildings	50 Years
Public domain infrastructure	20-50 Years
System infrastructure	40-50 Years
Vehicles	3-20 Years
Mobile equipment	10-30 Years
Furniture and fixtures	10 Years
Computer equipment	5 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.

5. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

6. Compensated Absences

The City's policy for vacation pay states that vacation time is earned each pay period. Vacation credits carryover into future years up to a maximum of 30 days. Any accumulated time in excess of 30 days is lost. Unused sick time may be used toward time off and/or converted to pre-tax dollars and deposited into the Section 125 Flexible Spending Program or 457 deferred compensation account. Vested or accumulated sick and vacation leave (including related social security and medicare) of proprietary funds is recorded as an expense and liability of those funds and in the governmental activities column in the government-wide financial statements as they are earned. 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.

7. Long-Term Obligations

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

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

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for premiums/discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for gains/losses is shown as a deferred outflow/inflow in the statement of net position.

8. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications

Government-Wide 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.
- b. Restricted net position - Consists of net position with constraints placed on their 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 positions that do not meet the definitions of "restricted" or "net investment in capital assets."

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

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their 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. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City Council that originally created the commitment.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications (cont.)

Fund Statements (cont.)

- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The City has adopted a resolution authorizing the Budget Officer to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The City has not adopted a flow of funds and therefore applies the flow of funds from GASB Statement No. 54, which prescribes that the funds with the highest level of constraint are expended first. The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has established minimum fund balance targets for certain governmental funds which encompass both assigned and unassigned fund balance. The targets, expressed as percentages of operating expenditures as follows: General Fund (35%), Multi-Modal Transportation Fund (10%), Emergency 911 Fund (10%), Highland Park Theater Fund (10%), Environmental Sustainability Fund (10%), and Debt Service Fund (15%).

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. DEFICIT BALANCES

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

As of December 31, 2016, the following individual fund had a deficit balance:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
Highland Park Theater	\$ 59,599	Excess expenditures over revenues

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 38,401,679	\$ 40,563,231	Custodial credit risk - deposits
Money market - Illinois Funds	9,951,846	9,951,847	Credit risk
Money market - other	1,489,301	1,489,301	Credit risk, interest rate risk
Corporate bonds	7,446,530	7,446,530	Credit risk, custodial credit risk - investments, concentration of credit risk, interest rate risk
U.S. Treasury obligations	14,650,167	14,650,167	Custodial credit risk - investments, interest rate risk
U.S. Agency obligations	2,961,572	2,961,572	Credit risk, custodial credit risk - investments, concentration of credit risk, interest rate risk
Mutual funds - other	23,243,433	23,243,433	N/A
Stocks	22,535,080	22,535,080	Custodial credit risk - investments, concentration of credit risk
Petty cash	5,470	-	N/A
Total Deposits and Investments	<u>\$120,685,078</u>	<u>\$122,841,161</u>	

Reconciliation to financial statements

Per statement of net position

Cash \$ 44,733,333

Per statement of net position - fiduciary funds

Cash and cash equivalents - pension trust 1,943,117

Cash and cash equivalents - agency funds 3,171,846

Corporate bonds 7,446,530

U.S. government and agency obligations 17,611,739

Mutual Funds 23,243,433

Stocks 22,535,080

Total Deposits and Investments \$120,685,078

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City used the market valuation method for recurring fair value measurements.

As of December 31, 2016, the City's investments were measured using valuation inputs as follows:

Police Pension Fund

Investment Type	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Money market - other	\$ 863,774	\$ -	\$ -	\$ 863,774
Corporate bonds	-	3,541,537	-	3,541,537
U.S. Treasury obligations	7,535,566	-	-	7,535,566
U.S. Agency obligations	-	1,030,230	-	1,030,230
Mutual funds - other	20,354,056	-	-	20,354,056
Stocks	2,199,768	-	-	2,199,768
Total	<u>\$ 30,953,164</u>	<u>\$ 4,571,767</u>	<u>\$ -</u>	<u>\$ 35,524,931</u>

Fire Pension Fund

Investment Type	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Money market - other	\$ 625,527	\$ -	\$ -	\$ 625,527
Corporate bonds	-	3,904,993	-	3,904,993
U.S. Treasury obligations	7,114,601	-	-	7,114,601
U.S. Agency obligations	-	1,931,342	-	1,931,342
Mutual funds - other	2,889,377	-	-	2,889,377
Stocks	20,335,312	-	-	20,335,312
Total	<u>\$ 30,964,817</u>	<u>\$ 5,836,335</u>	<u>\$ -</u>	<u>\$ 36,801,152</u>

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk

Deposits

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.

The City does not have any deposits 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 U.S. Treasury obligations are held in safekeeping at the bank where they are purchased.

Credit Risk

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

As of December 31, 2016, the City's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>	<u>Moody's Investors Services</u>
Money market - Illinois Funds	AAAm	N/A
Money market - other	AAAm	Aaa
Corporate bonds	N/A	Baa3-Aaa
Federal farm credit bank	AA+	Aaa

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At December 31, 2016, there were no investments subject to concentration of credit risk.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

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

As of December 31, 2016, the City's investments were as follows:

Police Pension Fund Investments

Investment Type	Fair Value	Maturity (In Years)			
		< 1	1-5	6-10	> 10
U.S. Treasury obligations	\$ 7,535,566	\$ 550,220	\$ 3,840,752	\$ 3,144,594	\$ -
U.S. Agency obligations	1,030,230	590,670	361,674	20,305	57,581
Money market - other	863,774	863,774	-	-	-
Corporate bonds	<u>3,541,537</u>	<u>666,844</u>	<u>2,092,596</u>	<u>782,097</u>	<u>-</u>
Totals	<u>\$ 12,971,107</u>	<u>\$ 2,671,508</u>	<u>\$ 6,295,022</u>	<u>\$ 3,946,996</u>	<u>\$ 57,581</u>

Firefighters' Pension Fund Investments

Investment Type	Fair Value	Maturity (In Years)			
		< 1	1-5	6-10	> 10
U.S. Treasury obligations	\$ 7,114,601	\$ -	\$ 5,434,600	\$ 1,680,001	\$ -
U.S. Agency obligations	1,931,342	708	518,080	529,980	882,574
Money market - other	625,527	625,527	-	-	-
Corporate bonds	<u>3,904,993</u>	<u>234,731</u>	<u>1,884,480</u>	<u>1,720,131</u>	<u>65,651</u>
Totals	<u>\$ 13,576,463</u>	<u>\$ 860,966</u>	<u>\$ 7,837,160</u>	<u>\$ 3,930,112</u>	<u>\$ 948,225</u>

Money-Weighted Rate of Return

Police Pension Fund

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.49%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Money-Weighted Rate of Return (cont.)

Firefighters' Pension Fund

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.55%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

B. RECEIVABLES

Intergovernmental receivables as of year end for the General Fund in the aggregate are as follows:

	General Fund
Intergovernmental receivable	
Sales tax	\$ 2,383,445
State income tax	333,013
Utility tax	890,998
Home rule sales tax	1,073,988
Local use tax	198,402
Auto rental tax	10,148
Total	<u>\$ 4,889,994</u>

	General Fund
Accounts receivable	
Local sales	\$ 120,140
Rent	2,248
Grants	8,628
Permits	6,493
Court fines / red light camera	618,206
Miscellaneous	294,452
Gross receivables	1,050,167
Less: Allowance for uncollectibles	<u>(572,847)</u>
Net accounts receivable	<u>\$ 477,320</u>

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

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES (cont.)

Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 12,652,797	\$ -
IRMA member reserve	-	191,841
Other	<u>185,142</u>	<u>17,347</u>
 Total Unearned/Unavailable Revenue for Governmental Funds	 <u><u>\$ 12,837,939</u></u>	 <u><u>\$ 209,188</u></u>
 Unearned revenue included in liabilities	 \$ 185,142	
Unearned revenue included in deferred inflows	<u>12,652,797</u>	
 Total Unearned Revenue for Governmental Funds	 <u><u>\$ 12,837,939</u></u>	

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 12,392,213	\$ 917,191	\$ -	\$ 13,309,404
Land right of way	260,190	-	-	260,190
Construction in progress	685,400	284,614	-	970,014
Total Capital Assets Not Being Depreciated	13,337,803	1,201,805	-	14,539,608
Capital assets being depreciated				
Buildings and land improvements	83,685,439	1,908,934	496,298	85,098,075
Machinery and equipment	16,573,241	842,309	1,238,162	16,177,388
Infrastructure	52,753,211	1,934,550	-	54,687,761
Total Capital Assets Being Depreciated	153,011,891	4,685,793	1,734,460	155,963,224
Total Capital Assets	166,349,694	5,887,598	1,734,460	170,502,832
Less: Accumulated depreciation for				
Buildings and land improvements	34,047,208	1,846,813	496,298	35,397,723
Machinery and equipment	12,610,287	831,357	1,212,713	12,228,931
Infrastructure	30,527,609	1,360,666	-	31,888,275
Total Accumulated Depreciation	77,185,104	4,038,836	1,709,011	79,514,929
Net Capital Assets Being Depreciated	75,826,787	646,957	25,449	76,448,295
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 89,164,590	\$ 1,848,762	\$ 25,449	\$ 90,987,903

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 438,857
Public safety	782,254
Public works	2,298,666
Economic development	269,985
Commission	249,074
Total Governmental Activities Depreciation Expense	<u>\$ 4,038,836</u>

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital assets not being depreciation				
Land	\$ 1,386,123	\$ -	\$ -	\$ 1,386,123
Construction in progress	335,557	1,816,535	80,720	2,071,372
Total Capital Assets Not Being Depreciation	1,721,680	1,816,535	80,720	3,457,495
Capital assets being depreciated				
Buildings and land improvements	52,642,224	347,051	49,000	52,940,275
Machinery and equipment	3,783,239	136,761	148,004	3,771,996
Infrastructure	104,236,930	1,506,203	-	105,743,133
Total Capital Assets Being Depreciated	160,662,393	1,990,015	197,004	162,455,404
Total Capital Assets	162,384,073	3,806,550	277,724	165,912,899
Less: Accumulated depreciation for				
Buildings and land improvements	11,929,565	1,220,425	49,000	13,100,990
Machinery and equipment	3,178,691	66,500	148,004	3,097,187
Infrastructure	65,268,688	2,487,421	-	67,756,109
Total Accumulated Depreciation	80,376,944	3,774,346	197,004	83,954,286
Net Capital Assets Being Depreciated	80,285,449	(1,784,331)	-	78,501,118
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 82,007,129	\$ 32,204	\$ 80,720	\$ 81,958,613

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
General	Highland Park Theatre	\$ 61,241
Total - Fund Financial Statements		61,241
Less: Government-wide eliminations		(61,241)
Total Internal Balances - Government-Wide Statement of Net Position		\$ -

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

Interfund Receivables/Payables (cont.)

The principal purpose of the interfunds are for short-term cash deficits. Repayment is expected within one year.

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

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General	Nonmajor Governmental	\$ 350,000	Fund E-911 costs
Capital Projects	Nonmajor Governmental	720,000	Fund street and bridge improvements
Nonmajor Governmental	Nonmajor Governmental	130,000	Fund street and bridge improvements
Nonmajor Enterprise	Nonmajor Governmental	<u>68,000</u>	Fund parking improvements
Total - Fund Financial Statements		1,268,000	
Less: Government-wide eliminations		<u>(1,200,000)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 68,000</u>	

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.

For the statement of activities, interfund transfers within the governmental activities or business-type activities are netted and eliminated.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 4,006,800	\$ 4,650,000	\$ 2,717,150	\$ 5,939,650	\$ 2,793,950
(Discounts)/Premiums	198,643	80,375	37,696	241,322	-
Sub-totals	<u>4,205,443</u>	<u>4,730,375</u>	<u>2,754,846</u>	<u>6,180,972</u>	<u>2,793,950</u>
Other Liabilities					
Compensated absences	1,695,993	1,322,842	1,271,995	1,746,840	349,368
Other postemployment benefits	6,267,951	1,007,501	653,819	6,621,633	-
Claims payable	1,253,226	-	194,929	1,058,297	-
Net pension liability - IMRF	1,179,208	3,412,821	832,608	3,759,421	-
Net pension liability - Fire	40,837,385	1,732,430	5,059,510	37,510,305	-
Net pension liability - Police	47,149,135	1,773,593	6,162,920	42,759,808	-
Total Other Liabilities	<u>98,382,898</u>	<u>9,249,187</u>	<u>14,175,781</u>	<u>93,456,304</u>	<u>349,368</u>
Total Governmental Activities Long- Term Liabilities	<u>\$102,588,341</u>	<u>\$ 13,979,562</u>	<u>\$ 16,930,627</u>	<u>\$ 99,637,276</u>	<u>\$ 3,143,318</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 40,278,200	\$ 3,270,000	\$ 1,092,850	\$ 42,455,350	\$ 1,116,050
IEPA loan	1,366,055	2,446,784	-	3,812,839	161,734
(Discounts)/Premiums	770,914	56,522	83,988	743,448	-
Sub-totals	<u>42,415,169</u>	<u>5,773,306</u>	<u>1,176,838</u>	<u>47,011,637</u>	<u>1,277,784</u>
Other Liabilities					
Compensated absences	\$ 147,013	\$ 104,493	\$ 110,260	\$ 141,246	\$ 28,249
Other postemployment benefits	160,988	25,875	16,805	170,058	-
Net pension liability - IMRF	435,745	892,318	217,694	1,110,369	-
Total Other Liabilities	<u>743,746</u>	<u>1,022,686</u>	<u>344,759</u>	<u>1,421,673</u>	<u>28,249</u>
Total Business-type Activities Long- Term Liabilities	<u>\$ 43,158,915</u>	<u>\$ 6,795,992</u>	<u>\$ 1,521,597</u>	<u>\$ 48,433,310</u>	<u>\$ 1,306,033</u>

Compensated absences, other postemployment benefits, claims payable, and net pension liabilities of governmental activities will be liquidated primarily by the General Fund or by the special revenue fund or internal service fund to which the related employee's salary is paid. Compensated absences, other postemployment benefits, and net pension liabilities of the business-type activities will be liquidated by the respective enterprise fund.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

Governmental Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2016</u>
2012 General Obligation Refunding Bonds due in annual installments of \$230,000 to \$1,435,000	12/27/2012	12/30/2021	2.00% - 4.00%	\$ 3,410,000	\$ 1,725,000
2015 General Obligation Bonds due in annual installments of \$30,000 to \$2,125,000	1/27/2015	12/30/2034	3.00% - 3.25%	646,800	639,650
2016 General Obligation Bonds due in annual installments of \$110,000 to \$2,070,000	1/29/2016	12/30/2034	2.00% - 3.00%	4,650,000	<u>3,575,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 5,939,650</u>

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2016
Water Fund - 2005B General Obligation Refunding Bonds due in annual installments of \$38,858 to \$142,478	12/15/2005	12/30/2018	3.75% - 4.05%	\$ 1,075,000	\$ 205,000
Water Fund - 2010 General Obligation Bonds due in annual installments of \$50,000 to \$325,000	4/15/2010	12/30/2021	1.00% - 4.00%	2,425,000	940,000
Water Fund - 2010A Taxable General Obligation Bonds due in annual installments of \$1,475,000 to \$1,525,000. Pursuant to the American Recovery and Reinvestment Act, the City is eligible to receive a rebate from the U.S. Treasury Department of 45% of the interest paid each year. The net interest rate for the 2010A Recovery Zone Economic Development Bonds, after rebate is 3.08%	5/10/2010	12/30/2031	5.60%	3,000,000	3,000,000
Water Fund - 2011B General Obligation Refunding Bonds due in annual installments of \$90,000 to \$100,000	12/31/2011	12/30/2022	2.00% - 2.75%	895,000	540,000

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Business-type Activities General Obligation Debt (cont.)	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2016
Water Fund - 2012 General Obligation Refunding Bonds due in annual installments of \$70,000 to \$490,000	12/27/2012	12/30/2031	2.00% - 4.00%	\$ 5,885,000	\$ 5,815,000
Sewer Fund - 2011A General Obligation Bonds due in annual installments of \$230,000 to \$425,000	12/31/2011	12/30/2026	2.00% - 3.25%	5,000,000	3,640,000
Water Fund - 2013 General Obligation Bonds due in annual installments of \$385,000 to \$2,675,000	5/28/2013	12/30/2032	2.13% - 3.00%	9,960,000	9,960,000
Water Fund - 2014 General Obligation Bonds due in annual installments of \$845,000 to \$1,700,000	2/10/2014	12/30/2026	2.25% - 3.05%	9,955,000	9,955,000

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Business-type Activities General Obligation Debt (cont.)	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2016
Water Fund - 2015 General Obligation Bonds due in annual installments of \$30,000 to \$2,125,000	1/27/2015	12/30/2034	3.00% - 3.25%	\$ 5,135,200	\$ 5,078,433
Sewer Fund - 2015 General Obligation Bonds due in annual installments of \$30,000 to \$2,125,000	1/27/2015	12/30/2034	3.00% - 3.25%	98,000	96,917
Water Fund - 2016 General Obligation Bonds due in annual installments of \$110,000 to \$2,070,000	1/29/2016	12/30/2034	2.00% - 3.00%	2,275,000	2,275,000
Sewer Fund - 2016 General Obligation Bonds due in annual installments of \$110,000 to \$2,070,000	1/29/2016	12/30/2034	2.00% - 3.00%	995,000	<u>950,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 42,455,350</u>

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2017	\$ 2,793,950	\$ 135,979	\$ 1,116,050	\$ 1,275,330
2018	433,500	79,610	1,416,500	1,240,198
2019	473,150	68,255	1,626,850	1,195,751
2020	413,300	55,711	1,941,700	1,145,920
2021	430,000	45,012	2,245,000	1,092,432
2022-2026	920,000	133,309	12,605,000	4,541,934
2027-2031	-	77,309	12,515,000	2,832,909
2032-2034	475,750	38,789	8,989,250	576,786
Totals	<u>\$ 5,939,650</u>	<u>\$ 633,974</u>	<u>\$ 42,455,350</u>	<u>\$ 13,901,260</u>

Business-type Activities

Other Bonds or Notes or Loans Payable	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2016
Water Fund - IEPA Loan, Preliminary Series 2016, due in annual installments of \$117,297 to \$231,197	11/1/2015	12/30/2036	1.995%	\$ 3,812,839	<u>\$ 3,812,839</u>
Total Business-type Activities Other Bonds or Notes or Loans Payable					<u>\$ 3,812,839</u>

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Debt service requirements to maturity are as follows:

Years	Business-type Activities Other Bonds or Notes or Loans Payable	
	Principal	Interest
2017	\$ 161,734	\$ 76,066
2018	164,992	72,840
2019	168,320	69,548
2020	171,647	66,190
2021	175,113	62,766
2027-2026	929,501	260,008
2027-2031	1,026,416	163,501
2032-2036	<u>1,015,116</u>	<u>56,924</u>
Totals	<u>\$ 3,812,839</u>	<u>\$ 827,843</u>

F. COMPONENT UNIT

HIGHLAND PARK PUBLIC LIBRARY

This report contains the Highland Park Public Library (Library), which is included as a component unit.

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

a. Basis of Accounting/Masurement Focus

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

b. Deposits and Investments

	Carrying Value	Statement Balances	Associated Risks
Deposits with financial institutions	\$ 2,422,227	\$ 2,445,382	Custodial credit risk
Money market mutual fund	1,519,958	1,538,569	Credit risk, interest rate risk
Illinois Funds	3,933	3,933	Credit risk
Petty cash	<u>472</u>	<u>472</u>	N/A
Total Deposits and Investments	<u>\$ 3,946,590</u>	<u>\$ 3,988,356</u>	

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. COMPONENT UNIT (cont.)

HIGHLAND PARK PUBLIC LIBRARY (cont.)

b. Deposits and Investments (cont.)

The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Library used the market valuation method for all recurring fair value measurements.

As of December 31, 2016, the Library's investments were measured using valuation inputs as follows:

Investment Type	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ 1,519,958	\$ -	\$ -	\$ 1,519,958
Total	<u>\$ 1,519,958</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,519,958</u>

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.

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

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. COMPONENT UNIT (cont.)

HIGHLAND PARK PUBLIC LIBRARY (cont.)

b. Deposits and Investments (cont.)

Custodial Credit Risk (cont.)

Investments

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

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

Interest Rate Risk

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

As of December 30, 2016, the Library's investments were as follows:

Investment Type	Maturity (In Years)	
	Fair Value	< 1
Money market mutual fund	\$ 1,519,958	\$ 1,519,958
Totals	<u>\$ 1,519,958</u>	<u>\$ 1,519,958</u>

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

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. COMPONENT UNIT (cont.)

HIGHLAND PARK PUBLIC LIBRARY (cont.)

c. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Construction in progress	-	278,592	-	278,592
Land Improvements	69,249	-	-	69,249
Buildings and improvements	6,313,903	577,896	-	6,891,799
Machinery and equipment	1,215,839	-	-	1,215,839
Less: Accumulated depreciation	<u>(3,219,040)</u>	<u>(222,479)</u>	<u>-</u>	<u>(3,441,519)</u>
Totals	<u>\$ 4,879,951</u>	<u>\$ 634,009</u>	<u>\$ -</u>	<u>\$ 5,513,960</u>

d. Long-Term Obligations

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General obligation debt	\$ -	\$ 995,000	\$ 45,000	\$ 950,000	\$ 45,000
Vested compensated absences	118,303	165,587	163,634	120,256	-
Other postemployment benefits	75,482	3,665	-	79,147	-
Net pension liability - IMRF	<u>322,562</u>	<u>950,486</u>	<u>209,782</u>	<u>1,063,266</u>	<u>-</u>
Totals	<u>\$ 516,347</u>	<u>\$ 2,114,738</u>	<u>\$ 418,416</u>	<u>\$ 2,212,669</u>	<u>\$ 45,000</u>

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. COMPONENT UNIT (cont.)

HIGHLAND PARK PUBLIC LIBRARY (cont.)

d. Long-Term Obligations (cont.)

	General Obligation Debt		
	Principal	Interest	Totals
2017	\$ 45,000	\$ 22,925	\$ 67,925
2018	45,000	22,025	67,025
2019	45,000	21,125	66,125
2020	45,000	20,225	65,225
2021	45,000	19,325	64,325
2022-2022	250,000	82,125	332,125
2027-2031	285,000	52,950	337,950
2032-2034	<u>190,000</u>	<u>11,550</u>	<u>201,550</u>
Totals	<u>\$ 950,000</u>	<u>\$ 252,250</u>	<u>\$ 1,202,250</u>

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

The City contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent-multiple-employer public employee retirement system; the Police Pension Plan which is a single-employer pension plan; and the Firefighters' Pension Plan which is a single-employer pension plan. The benefits, benefits levels, employee contributions and employer contributions for the plans are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. The Police Pension Plan and the Firefighters' Pension Plan do not issue separate reports on the pension plans. IMRF does issue a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Illinois Municipal Retirement Fund

Plan description. All employees (other than those covered by the Police and Firefighters' Pension plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF has a two tier plan. Members who first participated in IMRF or an Illinois Reciprocal System prior to January 1, 2011 participate in Tier 1. All other members participate in Tier 2. For Tier 1 participants, pension benefits vest after 8 years of service. Participating members who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with 8 years of 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 (average of the highest 48 consecutive months' earnings during the last 10 years) for credited service up to 15 years and 3% for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 participants, pension benefits vest after 10 years of service. Participating members who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with 10 years of 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 the first 15 years of service credit, plus 2% for each year of service after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased every year after retirement, upon reaching age 67, by the lesser of 3% of the original pension amount or 1/2 of the increase in the Consumer Price Index of the original pension amount.

Under the employer number within IMRF, both the City and Library contribute to the plan. As a result, IMRF is considered to be an agent multiple-employer plan through which cost-sharing occurs between the City and Library.

Plan membership. At December 31, 2015, the measurement date, membership in the plan was as follows:

Retirees and beneficiaries	248
Inactive, non-retired members	171
Active members	<u>188</u>
Total	<u><u>607</u></u>

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Contributions. As set by statute, City and Library employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The statute requires the City and Library to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City and Library's actuarially determined contribution rate for calendar year 2015 was 10.58% of annual covered payroll for IMRF. The City and Library also contribute for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability/(Asset). The net pension liability/(asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date.

Summary of Significant Accounting Policies. For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of IMRF and additions to/deductions from IMRF fiduciary net position have been determined on the same basis as they are reported by IMRF. 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.

Actuarial Assumptions. The total pension liability for IMRF was determined by actuarial valuations performed as of December 31, 2015 using the following actuarial methods and assumptions:

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Actuarial assumptions	
Investment Rate of Return	7.50%
Inflation	3.50%
Salary increases	3.75% to 14.50%, including inflation
Price inflation	2.75%

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

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Long-Term Expected Real Rate of Return. The long-term expected rate of return on pension plan investments was determined using an asset allocation study 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 long-term expected rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Projected Returns/Risks	
		One Year Arithmetic	Ten Year Geometric
Equities	38.00%	8.85%	7.39%
International equities	17.00%	9.55%	7.59%
Fixed income	27.00%	3.05%	3.00%
Real estate	8.00%	7.20%	6.00%
Alternatives	9.00%		
Private equity		13.15%	8.15%
Hedge funds		5.55%	5.25%
Commodities		4.40%	2.75%
Cash equivalents	1.00%	2.25%	2.25%

Discount rate. The discount rate used to measure the total pension liability for IMRF was 7.49%. The discount rate calculated using the December 31, 2014 measurement date is 7.50%. 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 City and Library contributions will be made at rates equal to the difference between actuarially determined contribution rate and the member rate. Based on those assumptions, the fiduciary net position was projected not to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments of 7.50% was blended with the index rate of 3.57% for tax exempt 20-year general obligation municipal bonds with an average AA credit rating at December 31, 2015 to arrive at a discount rate of 7.49% used to determine the total pension liability. The year ending December 31, 2087 is the last year in the 2016 to 2115 projection period for which projected benefit payments are fully funded.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Discount rate sensitivity. The following is a sensitivity analysis of the net pension liability/(asset) to changes in the discount rate. The table below presents net pension liability/(asset) of the City and Library calculated using the discount rate of 7.49% as well as what the net pension liability/(asset) would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.49%) or 1 percentage point higher (8.49%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
<i>City:</i>			
Total pension liability	\$ 87,119,055	\$ 78,057,049	\$ 70,563,006
Plan fiduciary net pension	73,187,259	73,187,259	73,187,259
Net pension liability/(asset)	<u>\$ 13,931,796</u>	<u>\$ 4,869,790</u>	<u>\$ (2,624,253)</u>
<i>Library:</i>			
Total pension liability	\$ 17,501,809	\$ 15,681,295	\$ 14,175,777
Plan fiduciary net pension	14,618,029	14,618,029	14,618,029
Net pension liability/(asset)	<u>\$ 2,883,780</u>	<u>\$ 1,063,266</u>	<u>\$ (442,252)</u>
<i>Total:</i>			
Total pension liability	\$ 104,620,864	\$ 93,738,344	\$ 84,738,783
Plan fiduciary net pension	87,805,288	87,805,288	87,805,288
Net pension liability/(asset)	<u>\$ 16,815,576</u>	<u>\$ 5,933,056</u>	<u>\$ (3,066,505)</u>

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Changes in net pension liability/(asset). The changes in net pension liability/(asset) for the calendar year ended December 31, 2015 were as follows:

		Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
<i>City:</i>			
Balances at December 31, 2014	\$ 75,672,588	\$ 74,057,635	\$ 1,614,953
Service cost	1,022,406	-	1,022,406
Interest on total pension liability	5,487,591	-	5,487,591
Differences between expected and actual experience of the total pension liability	(191,516)	-	(191,516)
Change of assumptions	84,016	-	84,016
Benefit payments, including refunds of employee contributions	(4,018,036)	(4,018,036)	-
Contributions - employer	-	1,050,302	(1,050,302)
Contributions - employee	-	497,687	(497,687)
Net investment income	-	364,113	(364,113)
Other (net transfer)	-	1,235,558	(1,235,558)
Balances at December 31, 2015	<u>\$ 78,057,049</u>	<u>\$ 73,187,259</u>	<u>\$ 4,869,790</u>
<i>Library:</i>			
Balances at December 31, 2014	\$ 15,114,435	\$ 14,791,873	\$ 322,562
Service cost	204,210	-	204,210
Interest on total pension liability	1,186,662	-	1,186,662
Differences between expected and actual experience of the total pension liability	(38,252)	-	(38,252)
Change of assumptions	16,781	-	16,781
Benefit payments, including refunds of employee contributions	(802,541)	(802,541)	-
Contributions - employer	-	209,782	(209,782)
Contributions - employee	-	99,405	(99,405)
Net investment income	-	72,726	(72,726)
Other (net transfer)	-	246,784	(246,784)
Balances at December 31, 2015	<u>\$ 15,681,295</u>	<u>\$ 14,618,029</u>	<u>\$ 1,063,266</u>
<i>Total:</i>			
Balances at December 31, 2014	\$ 90,787,023	\$ 88,849,508	\$ 1,937,515
Service cost	1,226,616	-	1,226,616
Interest on total pension liability	6,674,253	-	6,674,253
Differences between expected and actual experience of the total pension liability	(229,768)	-	(229,768)
Change of assumptions	100,797	-	100,797
Benefit payments, including refunds of employee contributions	(4,820,577)	(4,820,577)	-
Contributions - employer	-	1,260,084	(1,260,084)
Contributions - employee	-	597,092	(597,092)
Net investment income	-	436,839	(436,839)
Other (net transfer)	-	1,482,342	(1,482,342)
Balances at December 31, 2015	<u>\$ 93,738,344</u>	<u>\$ 87,805,288</u>	<u>\$ 5,933,056</u>
Plan fiduciary net position as a percentage of the total pension liability			93.67 %

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions. For the year ended December 31, 2016, the City and Library recognized pension expense of \$1,913,620. The City and Library reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>City:</i>		
Difference between expected and actual experience	\$ 173,273	\$ 126,222
Assumption changes	951,715	-
Net difference between projected and actual earnings on pension plan investments	4,633,119	-
Contributions subsequent to the measurement date	1,131,281	-
Total	<u>\$ 6,889,388</u>	<u>\$ 126,222</u>
<i>Library:</i>		
Difference between expected and actual experience	\$ 37,832	\$ 27,559
Assumption changes	207,797	-
Net difference between projected and actual earnings on pension plan investments	1,011,592	-
Contributions subsequent to the measurement date	247,003	-
Total	<u>\$ 1,504,224</u>	<u>\$ 27,559</u>
<i>Total:</i>		
Difference between expected and actual experience	\$ 211,105	\$ 153,781
Assumption changes	1,159,512	-
Net difference between projected and actual earnings on pension plan investments	5,644,711	-
Contributions subsequent to the measurement date	1,378,284	-
Total	<u>\$ 8,393,612</u>	<u>\$ 153,781</u>

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

The amount reported as deferred outflows resulting from contributions subsequent to the measurement date in the above table will be recognized as a reduction in the net pension liability/(asset) for the year ending . The remaining amounts reported as deferred outflows and inflows of resources related to pensions (\$6,861,547) will be recognized in pension expense as follows:

Year Ending December 31,	City	Library	Total
2017	\$ 2,216,425	\$ 483,933	\$ 2,700,358
2018	1,196,538	261,251	1,457,789
2019	1,205,850	263,284	1,469,134
2020	1,013,072	221,194	1,234,266
Total	<u>\$ 5,631,885</u>	<u>\$ 1,229,662</u>	<u>\$ 6,861,547</u>

Police Pension

Plan description. Police sworn personnel are covered by the Police Pension Plan, which is a defined benefit single-employer pension plan. Although this is a single employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes (Chapter 40 ILCS 5/3) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

As provided for in the Illinois Compiled Statutes, the Plan provides retirement benefits as well as death and disability benefits to employees grouped into two tiers. Tier 1 is for employees hired prior to January 1, 2011 and Tier 2 is for employees hired after that date. The following is a summary of the Police Pension Fund as provided for in Illinois Compiled Statutes.

Tier 1 - Covered employees 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 on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years 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 retirement benefit. The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and paid upon reaching at least the age 55, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 - Covered employees attaining the age of 55 or more with 10 or more years of creditable service are entitled to receive a monthly pension of 2.5% of the final average salary for each year of creditable service. The salary is initially capped at \$106,800 but increases annually thereafter and is limited to 75% of final average salary. Employees with 10 or more years of creditable service may retire at or after age 50 and receive a reduced retirement benefit. The monthly pension of a police shall be increased annually on the January 1 occurring either on or after the attainment of age 60 or the first anniversary of the pension start date, whichever is later. Each annual increase shall be calculated at 3% or onehalf the annual unadjusted percentage increase in the CPI, whichever is less.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Plan membership. At December 31, 2016, the Police Pension membership consisted of:

Retirees and beneficiaries	62
Inactive, non-retired members	3
Active members	<u>57</u>
Total	<u><u>122</u></u>

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 plans as actuarially determined by an enrolled actuary. Effective January 1, 2011 the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is 90% funded by the year 2040. The City's actuarially determined contribution rate for the fiscal year ending December 31, 2016 was 67.86% of annual covered payroll.

Net Pension Liability/(Asset). The net pension liability/(asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability/(asset) was determined by an annual actuarial valuation as of that date.

Summary of Significant Accounting Policies. The financial statements of the Police Pension Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximated fair value. Investments that do not have an established market are reported at estimated fair values.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation performed as of December 31, 2016 using the following actuarial methods and assumptions:

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Actuarial assumptions	
Interest rate, including inflation	7.00%
Inflation	2.50%
Projected salary increases, including inflation	3.50% - 7.50%
Cost-of-living adjustments	3.00% (1.25% for those hired on or after January 1, 2011)

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Mortality rates were based on the RP-2000 Mortality Table with a blue collar adjustment, projected to 2017 using Scale AA. The actuarial assumptions were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.

Discount rate. The discount rate used to measure the total pension liability for the Police Pension Plan was 7.00%, the same as the prior valuation. 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 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 Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount rate sensitivity. The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the City calculated using the discount rate of 7.00% as well as what the net pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total pension liability	\$ 88,282,854	\$ 78,823,977	\$ 70,378,551
Plan fiduciary net position	<u>36,064,169</u>	<u>36,064,169</u>	<u>36,064,169</u>
Net pension liability	<u>\$ 52,218,685</u>	<u>\$ 42,759,808</u>	<u>\$ 34,314,382</u>

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Changes in net pension liability/(asset). The City's changes in net pension liability/(asset) for the calendar year ended December 31, 2016 was as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/Asset
	(a)	(b)	(a) - (b)
Balances at December 31, 2015	\$ 80,964,440	\$ 33,815,305	\$ 47,149,135
Service cost	1,064,486	-	1,064,486
Interest on total pension liability	5,605,033	-	5,605,033
Differences between expected and actual experience of the total pension liability	(3,845,761)	-	(3,845,761)
Change of assumptions	(1,050,165)	-	(1,050,165)
Benefit payments, including refunds of employee contributions	(3,914,056)	(3,914,056)	-
Contributions - employer	-	3,611,980	(3,611,980)
Contributions - employee	-	515,835	(515,835)
Net investment income	-	2,082,877	(2,082,877)
Administration	-	(47,772)	47,772
Balances at December 31, 2016	<u>\$ 78,823,977</u>	<u>\$ 36,064,169</u>	<u>\$ 42,759,808</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions. For the year ended December 31, 2016, the City recognized pension expense of \$4,339,439. The City reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 5,231,714
Assumption changes	5,293,746	875,137
Net difference between projected and actual earnings on pension plan investments	<u>1,682,668</u>	<u>-</u>
Total	<u>\$ 6,976,414</u>	<u>\$ 6,106,851</u>

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

The amounts reported as deferred outflows and inflows of resources related to pensions (\$869,563) will be recognized in pension expense as follows:

Year Ending December 31,	Amount
2017	\$ 510,864
2018	510,864
2019	510,864
2020	27,308
2021	(690,337)
Total	<u>\$ 869,563</u>

Firefighters' Pension

Plan description. Fire sworn personnel are covered by the Firefighters' Pension Plan, which is a defined benefit single-employer pension plan. Although this is a single employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes (Chapter 40 ILCS 5/3) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

As provided for in the Illinois Compiled Statutes, the Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits to employees grouped into two tiers. Tier 1 is for employees hired prior to January 1, 2011 and Tier 2 is for employees hired after that date. The following is a summary of the Firefighters' Pension Plan as provided for in Illinois Compiled Statutes.

Tier 1 - Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one half of the monthly salary attached to the rank held in the fire service at the date of retirement. 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 of service to a maximum of 75% of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit. The monthly pension of a firefighter who 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% compounded annually thereafter.

Tier 2 - Covered employees attaining the age of 55 or more with 10 or more years of creditable service are entitled to receive a monthly pension of 2.5% of the final average salary for each year of creditable service. The salary is initially capped at \$106,800 but increases annually thereafter and is limited to 75% of final average salary. Employees with 10 or more years of creditable service may retire at or after age 50 and receive a reduced retirement benefit. The monthly pension of a firefighter shall be increased annually on the January 1 occurring either on or after the attainment of age 60 or the first anniversary of the pension start date, whichever is later. Each annual increase shall be calculated at 3% or one-half the annual unadjusted percentage increase in the CPI, whichever is less.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Plan membership. At December 31, 2016, the Firefighters' Pension Plan membership consisted of:

Retirees and beneficiaries	59
Inactive, non-retired members	1
Active members	<u>50</u>
Total	<u><u>110</u></u>

Contributions. Participants contribute a fixed percentage of their base salary to the plans. At December 31, 2016, the contribution percentage was 9.455%. If a participant leaves covered employment with less than 20 years of service, accumulated participant contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plans as actuarially determined by an enrolled actuary. Effective January 1, 2011 the City's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is 90% funded by the year 2040. The City's actuarially determined contribution rate for the fiscal year ending December 31, 2016 was 70.62% of annual covered payroll.

Net pension liability/(asset). The net pension liability/(asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability/(asset) was determined by an annual actuarial valuation as of that date.

Summary of significant accounting policies. The financial statements of the Firefighters' Pension Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximated fair value. Investments that do not have an established market are reported at estimated fair values.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability was determined by an actuarial valuation performed as of December 31, 2016 using the following actuarial methods and assumptions:

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Actuarial assumptions	
Interest rate, including inflation	7.00%
Inflation	2.50%
Projected salary increases, including inflation	3.50% - 7.50%
Cost-of-living adjustments	3.00% (1.25% for those hired on or after January 1, 2011)

Mortality rates were based on the RP-2000 Mortality Table with a blue collar adjustment, projected to 2017 using Scale AA. The actuarial assumptions were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.

Discount rate. The discount rate used to measure the total pension liability for the Firefighters' Pension Plan was 7.00%, the same as the prior valuation. 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 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 Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount rate sensitivity. The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the City calculated using the discount rate of 7.00% as well as what the net pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$ 83,321,464	\$ 74,394,165	\$ 66,423,361
Plan fiduciary net position	<u>36,883,860</u>	<u>36,883,860</u>	<u>36,883,860</u>
Net pension liability	<u>\$ 46,437,604</u>	<u>\$ 37,510,305</u>	<u>\$ 29,539,501</u>

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Changes in net pension liability/(asset). The City's changes in net pension liability/(asset) for the calendar year ended December 31, 2016 was as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/Asset
	(a)	(b)	(a) - (b)
Balances at December 31, 2015	\$ 76,296,786	\$ 35,459,401	\$ 40,837,385
Service cost	1,140,851	-	1,140,851
Interest on total pension liability	5,293,408	-	5,293,408
Differences between expected and actual experience of the total pension liability	(4,314,074)	-	(4,314,074)
Change of assumptions	(387,755)	-	(387,755)
Benefit payments, including refunds of employee contributions	(3,635,051)	(3,635,051)	-
Contributions - employer	-	3,412,844	(3,412,844)
Contributions - employee	-	456,800	(456,800)
Net investment income	-	1,223,021	(1,223,021)
Administration	-	(33,155)	33,155
Balances at December 31, 2016	<u>\$ 74,394,165</u>	<u>\$ 36,883,860</u>	<u>\$ 37,510,305</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions. For the year ended December 31, 2016, the City recognized pension expense of \$4,184,753. The City reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 5,301,584
Assumption changes	5,478,985	323,129
Net difference between projected and actual earnings on pension plan investments	<u>2,022,057</u>	<u>-</u>
Total	<u>\$ 7,501,042</u>	<u>\$ 5,624,713</u>

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

The amounts reported as deferred outflows and inflows of resources related to pensions (\$1,876,329) will be recognized in pension expense as follows:

Year Ending December 31,	Amount
2017	\$ 663,347
2018	663,347
2019	663,346
2020	326,977
2021	(440,688)
Total	<u>\$ 1,876,329</u>

PENSION SEGMENT INFORMATION

Fiduciary Net Position

	Pension Trust		
	Police Pension	Firefighters' Pension	Total
Assets			
Cash and cash equivalents	\$ 1,307,433	\$ 635,684	\$ 1,943,117
Investments			
Corporate bonds	3,541,537	3,904,993	7,446,530
U.S. Government and agency obligations	8,565,796	9,045,943	17,611,739
Mutual funds	20,354,056	2,889,377	23,243,433
Stocks	2,199,768	20,335,312	22,535,080
Prepaid items	1,500	795	2,295
Receivables			
Accrued interest	102,920	109,910	212,830
Other	80	80	160
Total Assets	<u>36,073,090</u>	<u>36,922,094</u>	<u>72,995,184</u>
Liabilities			
Accounts payable	8,921	38,234	47,155
Total Liabilities	<u>8,921</u>	<u>38,234</u>	<u>47,155</u>
Net Position			
Restricted for pension benefits	<u>\$ 36,064,169</u>	<u>\$ 36,883,860</u>	<u>\$ 72,948,029</u>

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Changes in Plan Net Position

	Pension Trust		
	Police Pension	Firefighters' Pension	Total
Additions			
Contributions			
Employer	\$ 3,611,980	\$ 3,412,844	\$ 7,024,824
Plan members	<u>515,835</u>	<u>456,800</u>	<u>972,635</u>
Total Contributions	<u>4,127,815</u>	<u>3,869,644</u>	<u>7,997,459</u>
Investment Income			
Interest on investments	758,030	701,305	1,459,335
Net appreciation in fair value of investments	<u>1,382,126</u>	<u>669,817</u>	<u>2,051,943</u>
Total Investment income	<u>2,140,156</u>	<u>1,371,122</u>	<u>3,511,278</u>
Less investment income	<u>57,279</u>	<u>148,101</u>	<u>205,380</u>
Net investment income	<u>2,082,877</u>	<u>1,223,021</u>	<u>3,305,898</u>
Total Additions	<u>6,210,692</u>	<u>5,092,665</u>	<u>11,303,357</u>
Deductions			
Benefits	3,914,056	3,635,051	7,549,107
Administration	<u>47,772</u>	<u>33,155</u>	<u>80,927</u>
Total Deductions	<u>3,961,828</u>	<u>3,668,206</u>	<u>7,630,034</u>
Net change in net position	2,248,864	1,424,459	3,673,323
Net Position - Beginning of Year	<u>33,815,305</u>	<u>35,459,401</u>	<u>69,274,706</u>
Net Position - End of Year	<u>\$ 36,064,169</u>	<u>\$ 36,883,860</u>	<u>\$ 72,948,029</u>

B. 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. The City participates in a public entity risk pool called Intergovernmental Personnel Benefit Cooperative to provide coverage for losses from health care of its employees. However, other risks, such as liability and workers compensation are accounted for and financed by the City in the general fund. The City has also purchased third party indemnity coverage for property and casualty losses. The City is covered up to 100% of cash value for property, with a self-insured retention of \$100,000 per occurrence for flood and quake and \$10,000 for all other losses.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Self Insurance

For liability claims, the uninsured risk of loss is \$25,000. The City has purchased commercial insurance for claims in excess of those amounts to \$10,000,000. The City's liability insurance carrier administers claims as directed by the City's Finance Director. Settled claims have not exceeded the commercial coverage in any of the past three years.

For workers' compensation claims, the uninsured risk of loss is \$250,000 per incident. The City has purchased commercial insurance for claims in excess of those amounts up to the statutory maximum. The City has hired a third party administrator to review, process, and pay claims as directed by the City's Deputy City Manager. Settled claims have not exceeded the commercial coverage in any of the past three years.

All funds of the City participate in the risk management program. Amounts payable to the General Fund are based on estimates of the amounts necessary to pay prior and current year claims.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported. The City does not allocate overhead costs or other nonincremental costs to the claims liability.

Claims Liability

	<u>Prior Year</u>	<u>Current Year</u>
Unpaid claims - Beginning of Year	\$ 1,335,289	\$ 1,253,226
Current year claims and changes in estimates	304,729	(128,998)
Claim payments	<u>(386,792)</u>	<u>(65,931)</u>
Unpaid Claims - End of Year	<u>\$ 1,253,226</u>	<u>\$ 1,058,297</u>

Public Entity Risk Pool

Intergovernmental Personnel Benefit Cooperative

The City participates in the Intergovernmental Personnel Benefit Cooperative (IPBC). IPBC is a public entity risk pool established by certain units of local government in Illinois to administer some or all of the personnel benefit programs (primarily medical, dental, and life insurance coverage) offered by these members to their officers and employees and to the officers and employees of certain other governmental, quasi governmental, and nonprofit public service entities. IPBC receives, processes and pays such claims as may come within the benefit program of each member. Management consists of a Board of Directors comprised of one appointed representative from each member. In addition, there are two officers, a Benefit Administrator and a Treasurer. The City does not exercise any control over the activities of IPBC beyond its representation on the Board of Directors.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

C. OTHER POSTEMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan ("the Other Post Employment Benefit Plan"). The plan provides healthcare and insurance contributions for eligible retirees and their spouses through the City's self insurance plan which covers both active and retired members. Benefits, benefit levels, employee contributions, and employer contributions are established through Council resolution.

To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans. Elected officials are eligible for benefits of one year health care for each year of service on the City Council, at a selected commencement date upon completion of service as an elected official of the City. Elected officials are also eligible for one year of life insurance coverage at their outgoing salary level for each year of service on the City Council.

The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous, and substance abuse care; vision care; dental care; and prescriptions. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the city's plan becomes secondary. The Other Post Employment Benefit Plan does not issue a publicly available financial report.

Contribution requirements are established through annual resolution by the City Council. For the year ended December 31, 2016, retirees contributed 70% - 90% of the actuarially determined premium to the plan and the City contributes the remainder to cover the cost of providing the benefits to the retirees via the self-insured plan. For the year ended December 31, 2016, the city contributed \$670,624. Active employees do not contribute to the plan until retirement.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the City's net OPEB obligation to the Other Post Employment Benefit Plan:

Annual required contribution	\$ 993,678
Interest on net OPEB obligation	260,177
Adjustment to annual required contribution	<u>(216,814)</u>
Annual OPEB cost	1,037,041
Contributions made	<u>(670,624)</u>
Increase in net OPEB obligation	366,417
Net OPEB Obligation - Beginning of Year	<u>6,504,421</u>
Net OPEB Obligation - End of Year	<u><u>\$ 6,870,838</u></u>

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

C. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2014	\$ 582,044	97%	\$ 6,163,145
December 31, 2015	996,547	66%	6,504,421
December 31, 2016	1,037,041	65%	6,870,838

The funded status of the plan as of December 31, 2015, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 13,018,270
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 13,018,270</u></u>
Funded ratio (actuarial value of plan assets/AAL)	-%
Covered payroll (active plan members)	\$ 18,230,261
UAAL as a percentage of covered payroll	71.41%

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

C. OTHER POSTEMPLOYMENT BENEFITS (cont.)

In the December 31, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 4% investment rate of return and an annual healthcare cost trend rate of 7% initially, reduced by decrements to an ultimate rate of 5.5%. Both rates include a 3% inflation assumption. The actuarial value of Retiree Health Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2015, was 30 years.

D. SUBSEQUENT EVENT

On February 7, 2017, the City issued General Obligation Bonds, Series 2017, in the amount of \$3,415,000 with an interest rate ranging from 2.00% to 3.25%. This amount will be used to construct improvements to the City's Waterworks System, City streets, and to pay the costs of issuing the bonds.

E. TAX INCREMENT FINANCING DISTRICT

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

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

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

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

F. TAX ABATEMENT

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City is disclosing all abatement agreements individually.

The City has entered into tax abatement agreements with companies, in the form of sales tax incentive agreements, to stimulate economic development. In exchange for a rebate of sales tax, the companies agreed to operate business enterprises within City boundaries. The abatements are authorized through City Council resolutions and provide for partial reimbursement of land acquisition and eligible other improvement costs in return for the companies providing services within the City. The companies pay sales taxes as they become due, and after meeting the criteria established in the agreements, are entitled to rebates that directly correlate to the sales taxes paid.

Agreement Description	Calculation Method	Maximum Rebate	2016 Payments	Cumulative Payments
North Shore Nissan (Resolution #133-05, initiating on January 1, 2004 and expiring on December 31, 2018)	50% of sales tax generated over annual base amount	\$ 500,000	\$ 79,959	\$ 387,957
Highland Park Ford (Resolution #132-05, initiating on January 1, 2004 and expiring on December 31, 2018)	50% of sales tax generated over annual base amount	500,000	-	91,678
Gregory Hyundai (Resolution #15-13, initiating on January 28, 2013 and expiring on December 31, 2027)	50% of sales tax generated over annual base amount	500,000	50,984	248,501
Semersky Enterprises (Resolution #80-13, initiating on May 28, 2013 and expiring on December 31, 2025)	75% of sales tax generated over annual base amount	9,730,693	207,350	782,571
D&R Autoworks (Resolution #139-13, initiating on January 1, 2014 and expiring on December 31, 2023)	40% of sales tax generated over annual base amount	606,295	1,636	4,612
Lexus of Highland Park (Resolution #94-16, initiating on January 1, 2015 and expiring on December 31, 2024)	50% of sales tax generated over annual base amount	4,550,000	53,310	53,310

CITY OF HIGHLAND PARK

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - OTHER INFORMATION (cont.)

G. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*
- Statement No. 81, *Irrevocable Split-Interest Agreements*
- Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*
- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 85, *Omnibus 2017*

When they become effective, application of these standards may restate portions of these financial statements.

H. MAJOR CUSTOMERS

The Village of Deerfield, Illinois and the Village of Lincolnshire, Illinois purchase water from the City's available supply. During the year ended December 31, 2016, these purchases amounted to \$2,174,819 or 27.95% and \$1,239,375 or 15.93%, respectively, of total water sales in the Water Fund.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIGHLAND PARK

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	\$ 2,423,885	\$ 2,353,885	\$ 2,375,836	\$ 21,951
Personal property replacement tax	329,800	329,800	298,849	(30,951)
Licenses and permits	1,550,670	1,550,670	1,952,919	402,249
Public charges for services	1,634,184	1,946,984	2,315,733	368,749
Municipal sales tax	13,225,900	13,225,900	12,779,985	(445,915)
Fines, forfeitures and penalties	825,000	825,000	501,781	(323,219)
Utility taxes	2,750,000	2,750,000	2,365,250	(384,750)
Real estate transfer tax	1,705,100	1,705,100	1,843,768	138,668
Intergovernmental	21,500	23,590	12,775	(10,815)
State income tax	1,467,000	3,192,500	2,897,250	(295,250)
Franchise tax	2,054,000	2,054,000	2,158,947	104,947
Payments in lieu of taxes	1,094,000	750,000	822,131	72,131
Other taxes	1,597,100	1,597,100	1,736,524	139,424
Reimbursements	66,200	70,565	219,927	149,362
Investment income	121,300	121,300	187,543	66,243
Miscellaneous	497,500	497,500	605,388	107,888
Total Revenues	<u>31,363,139</u>	<u>32,993,894</u>	<u>33,074,606</u>	<u>80,712</u>
EXPENDITURES				
General government	9,028,044	10,830,016	8,975,291	1,854,725
Public safety	17,714,460	19,346,745	19,091,807	254,938
Public works	3,149,958	3,524,958	2,962,468	562,490
Economic and physical development	3,971,829	4,376,076	3,781,146	594,930
Transit	-	-	1,695	(1,695)
Commissions	260,372	264,737	186,720	78,017
Total Expenditures	<u>34,124,663</u>	<u>38,342,532</u>	<u>34,999,127</u>	<u>3,343,405</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,761,524)</u>	<u>(5,348,638)</u>	<u>(1,924,521)</u>	<u>3,424,117</u>
OTHER FINANCING SOURCES				
Transfers in	350,000	350,000	350,000	-
Proceeds from sale of assets	-	-	17,655	17,655
Total Other Financing Sources	<u>350,000</u>	<u>350,000</u>	<u>367,655</u>	<u>17,655</u>
Net Change in Fund Balance	<u>\$ (2,411,524)</u>	<u>\$ (4,998,638)</u>	<u>(1,556,866)</u>	<u>\$ 3,441,772</u>
FUND BALANCE - Beginning of Year			<u>26,443,341</u>	
FUND BALANCE - END OF YEAR			<u>\$ 24,886,475</u>	

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF HIGHLAND PARK

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - PUBLIC SAFETY PENSION LEVY FUND For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 5,239,700	\$ 5,239,700	\$ 5,233,039	\$ (6,661)
Total Revenues	<u>5,239,700</u>	<u>5,239,700</u>	<u>5,233,039</u>	<u>(6,661)</u>
EXPENDITURES				
PUBLIC SAFETY				
Pension contribution - police	2,787,900	2,787,900	2,784,338	3,562
Pension contribution - fire	<u>2,451,800</u>	<u>2,451,800</u>	<u>2,448,701</u>	<u>3,099</u>
Total Expenditures	<u>5,239,700</u>	<u>5,239,700</u>	<u>5,233,039</u>	<u>6,661</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE - Beginning of Year			-	
FUND BALANCE - END OF YEAR			<u>\$ -</u>	

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF HIGHLAND PARK

ILLINOIS MUNICIPAL RETIREMENT FUND SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS Last Two Fiscal Years

	2015		
	City	Library	Total
Total pension liability			
Service cost	\$ 1,139,492	\$ 227,596	\$ 1,367,088
Interest	5,146,290	1,027,892	6,174,182
Differences between expected and actual experience	519,699	103,802	623,501
Changes of assumptions	2,688,409	536,969	3,225,378
Benefit payments, including refunds of member contributions	(3,737,505)	(746,509)	(4,484,014)
Net change in total pension liability	5,756,385	1,149,750	6,906,135
Total pension liability - beginning	69,916,203	13,964,685	83,880,888
Total pension liability - ending (a)	\$ 75,672,588	\$ 15,114,435	\$ 90,787,023
Plan fiduciary net position			
Employer contributions	\$ 1,137,674	\$ 227,233	\$ 1,364,907
Employee contributions	460,920	92,062	552,982
Net investment income	4,338,800	866,609	5,205,409
Benefit payments, including refunds of member contributions	(3,737,505)	(746,509)	(4,484,014)
Other (net transfer)	(339,584)	(67,827)	(407,411)
Net change in plan fiduciary net position	1,860,305	371,568	2,231,873
Plan fiduciary net position - beginning	72,197,330	14,420,305	86,617,635
Plan fiduciary net position - ending (b)	\$ 74,057,635	\$ 14,791,873	\$ 88,849,508
Employer's net pension liability - ending (a) - (b)	\$ 1,614,953	\$ 322,562	\$ 1,937,515
Plan fiduciary net position as a percentage of the total pension liability			97.87%
Covered-employee payroll			\$ 12,110,977
Employer's net pension liability as a percentage of covered-employee payroll			16.00%

Notes to Schedule:

The City implemented GASB Statement No. 68 in fiscal year 2015. Information prior to fiscal year 2015 is not available.

2016		
City	Library	Total
\$ 1,022,406	\$ 204,210	\$ 1,226,616
5,487,591	1,186,662	6,674,253
(191,516)	(38,252)	(229,768)
84,016	16,781	100,797
<u>(4,018,036)</u>	<u>(802,541)</u>	<u>(4,820,577)</u>
2,384,461	566,860	2,951,321
<u>75,672,588</u>	<u>15,114,435</u>	<u>90,787,023</u>
<u>\$ 78,057,049</u>	<u>\$ 15,681,295</u>	<u>\$ 93,738,344</u>
\$ 1,050,302	\$ 209,782	\$ 1,260,084
497,687	99,405	597,092
364,113	72,726	436,839
(4,018,036)	(802,541)	(4,820,577)
<u>1,235,558</u>	<u>246,784</u>	<u>1,482,342</u>
(870,376)	(173,844)	(1,044,220)
<u>74,057,635</u>	<u>14,791,873</u>	<u>88,849,508</u>
<u>\$ 73,187,259</u>	<u>\$ 14,618,029</u>	<u>\$ 87,805,288</u>
<u>\$ 4,869,790</u>	<u>\$ 1,063,266</u>	<u>\$ 5,933,056</u>

93.67%

\$ 11,909,272

49.82%

CITY OF HIGHLAND PARK

ILLINOIS MUNICIPAL RETIREMENT FUND SCHEDULE OF EMPLOYER CONTRIBUTIONS Last Two Fiscal Years

	2015		
	City	Library	Total
Actuarially determined contribution	\$ 1,137,675	\$ 227,232	\$ 1,364,907
Contributions in relation to the actuarially determined contribution	(1,137,675)	(227,232)	(1,364,907)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll			\$ 12,110,977
Contributions as a percentage of covered-employee payroll			11.27%

Notes to Schedule:

The City implemented GASB Statement No. 68 in fiscal year 2015. Information prior to fiscal year 2015 is not available.

Valuation date:

Actuarially determined contribution rates are calculated as of December 31 of the year prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29 years
Asset valuation method	5-Year Smoothed Market
Inflation	3.00%
Salary increases	4.40% to 16.00% including inflation
Investment rate of return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 CHBCA

Other information:

There were no benefit changes during the year.

2016		
City	Library	Total
\$ 1,034,196	\$ 225,805	\$ 1,260,001
<u>(1,050,302)</u>	<u>(209,782)</u>	<u>(1,260,084)</u>
<u>\$ (16,106)</u>	<u>\$ 16,023</u>	<u>\$ (83)</u>
	\$ 11,909,272	

10.58%

CITY OF HIGHLAND PARK

POLICE PENSION FUND

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS Last Three Fiscal Years

	2014	2015	2016
Total pension liability			
Service cost	\$ 1,182,934	\$ 1,064,486	\$ 1,064,486
Interest	4,501,578	5,035,873	5,605,033
Differences between expected and actual experience	1,257,742	(3,001,393)	(3,845,761)
Changes of assumptions	4,426,870	7,838,817	(1,050,165)
Benefit payments, including refunds of member contributions	(3,643,922)	(3,828,758)	(3,914,056)
Net change in total pension liability	7,725,202	7,109,025	(2,140,463)
Total pension liability - beginning	66,130,213	73,855,415	80,964,440
Total pension liability - ending (a)	<u>\$ 73,855,415</u>	<u>\$ 80,964,440</u>	<u>\$ 78,823,977</u>
Plan fiduciary net position			
Employer contributions	\$ 2,390,587	\$ 2,809,109	\$ 3,611,980
Employee contributions	493,606	570,105	515,835
Net investment income	2,055,703	(62,999)	2,082,877
Benefit payments, including refunds of member contributions	(3,643,718)	(3,828,758)	(3,914,056)
Administration	(37,527)	(40,316)	(47,772)
Net change in plan fiduciary net position	1,258,651	(552,859)	2,248,864
Plan fiduciary net position - beginning	33,109,513	34,368,164	33,815,305
Plan fiduciary net position - ending (b)	<u>\$ 34,368,164</u>	<u>\$ 33,815,305</u>	<u>\$ 36,064,169</u>
City's net pension liability - ending (a) - (b)	<u>\$ 39,487,251</u>	<u>\$ 47,149,135</u>	<u>\$ 42,759,808</u>
Plan fiduciary net position as a percentage of the total pension liability	46.53%	41.77%	45.75%
Covered-employee payroll	\$ 4,871,007	\$ 5,100,745	\$ 5,322,381
City's net pension liability as a percentage of covered-employee payroll	810.66%	924.36%	803.40%

Notes to Schedule:

The Pension implemented GASB Statement No. 67 in fiscal year 2014. Information prior to fiscal year 2014 is not available.

CITY OF HIGHLAND PARK

POLICE PENSION FUND SCHEDULE OF EMPLOYER CONTRIBUTIONS Last Ten Fiscal Years

	2007	2008	2009	2010
Actuarially determined contribution	\$ 1,211,426	\$ 1,187,508	\$ 1,295,796	\$ 1,714,250
Contributions in relation to the actuarially determined contribution	1,223,513	1,254,016	1,333,139	1,456,079
Contribution deficiency (excess)	<u>\$ (12,087)</u>	<u>\$ (66,508)</u>	<u>\$ (37,343)</u>	<u>\$ 258,171</u>
Covered-employee payroll	\$ 4,637,171	\$ 4,643,888	\$ 4,510,522	\$ 4,396,294
Contributions as a percentage of covered-employee payroll	26.38%	27.00%	29.56%	33.12%

Notes to Schedule:

1) The Plan implemented GASB Statement No. 67 in fiscal year 2014. Information prior to fiscal year 2014 is derived from actuarial valuations developed in conformity with GASB Statement No. 25 and 27.

2) Valuation date: Actuarially determined contributions are calculated as of December 31 of the current fiscal year.

3) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected unit credit cost method
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years
Asset valuation method	5 year smoothed market
Inflation	2.50%
Salary increases	3.50% to 7.50% (varies by service)
Investment rate of return	7.00%
Mortality	Healthy - RP-2000 Mortality Table with a blue collar adjustment, projected to 2017 using Scale AA
	Disabled - RP-2000 Disabled Mortality Table, projected to 2017 using Scale AA

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 1,654,070	\$ 1,485,807	\$ 1,675,278	\$ 2,200,186	\$ 2,284,900	\$ 2,770,901
1,681,690	1,508,625	1,704,410	2,390,587	2,809,109	3,611,980
<u>\$ (27,620)</u>	<u>\$ (22,818)</u>	<u>\$ (29,132)</u>	<u>\$ (190,401)</u>	<u>\$ (524,209)</u>	<u>\$ (841,079)</u>
\$ 4,405,140	\$ 4,422,555	\$ 4,773,826	\$ 4,871,007	\$ 5,100,745	\$ 5,322,381
38.18%	34.11%	35.70%	49.08%	55.07%	67.86%

CITY OF HIGHLAND PARK

POLICE PENSION FUND
SCHEDULE OF INVESTMENT RETURNS
Last Three Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	6.28%	-0.23%	6.49%

Notes to Schedule:

The Pension implemented GASB Statement No. 67 in fiscal year 2014. Information prior to fiscal year 2014 is not available.

CITY OF HIGHLAND PARK

FIREFIGHTERS' PENSION FUND

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS Last Three Fiscal Years

	2014	2015	2016
Total pension liability			
Service cost	\$ 1,270,045	\$ 1,140,851	\$ 1,140,851
Interest	4,258,893	4,670,319	5,293,408
Differences between expected and actual experience	606,760	(2,482,216)	(4,314,074)
Changes of assumptions	3,112,667	7,969,435	(387,755)
Benefit payments, including refunds of member contributions	(3,300,789)	(3,440,905)	(3,635,051)
Net change in total pension liability	5,947,576	7,857,484	(1,902,621)
Total pension liability - beginning	62,491,726	68,439,302	76,296,786
Total pension liability - ending (a)	<u>\$ 68,439,302</u>	<u>\$ 76,296,786</u>	<u>\$ 74,394,165</u>
Plan fiduciary net position			
Employer contributions	\$ 2,411,772	\$ 2,472,050	\$ 3,412,844
Employee contributions	442,972	448,056	456,800
Net investment income	1,875,768	737,553	1,223,021
Benefit payments, including refunds of member contributions	(3,300,789)	(3,440,905)	(3,635,051)
Administration	(29,175)	(28,676)	(33,155)
Net change in plan fiduciary net position	1,400,548	188,078	1,424,459
Plan fiduciary net position - beginning	33,870,775	35,271,323	35,459,401
Plan fiduciary net position - ending (b)	<u>\$ 35,271,323</u>	<u>\$ 35,459,401</u>	<u>\$ 36,883,860</u>
City's net pension liability - ending (a) - (b)	<u>\$ 33,167,979</u>	<u>\$ 40,837,385</u>	<u>\$ 37,510,305</u>
Plan fiduciary net position as a percentage of the total pension liability	51.54%	46.48%	49.58%
Covered-employee payroll	\$ 4,548,781	\$ 4,770,038	\$ 4,832,832
City's net pension liability as a percentage of covered-employee payroll	729.16%	856.12%	776.16%

Notes to Schedule:

The Pension implemented GASB Statement No. 67 in fiscal year 2014. Information prior to fiscal year 2014 is not available.

CITY OF HIGHLAND PARK
FIREFIGHTERS' PENSION FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Actuarially determined contribution	\$ 1,049,890	\$ 1,033,130	\$ 1,120,881	\$ 1,533,479
Contributions in relation to the actuarially determined contribution	1,048,156	1,090,547	1,161,784	1,263,134
Contribution deficiency (excess)	<u>\$ 1,734</u>	<u>\$ (57,417)</u>	<u>\$ (40,903)</u>	<u>\$ 270,345</u>
Covered-employee payroll	\$ 4,197,306	\$ 4,214,709	\$ 3,934,609	\$ 4,007,213
Contributions as a percentage of covered-employee payroll	24.97%	25.87%	29.53%	31.52%

Notes to Schedule:

- 1) The Plan implemented GASB Statement No. 67 in fiscal year 2014. Information prior to fiscal year 2014 is derived from actuarial valuations developed in conformity with GASB Statement No. 25 and 27.
- 2) Valuation date: Actuarially determined contributions are calculated as of December 31 of the current fiscal year.
- 3) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected unit credit cost method
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years
Asset valuation method	5 year smoothed market
Inflation	2.50%
Salary increases	3.50% to 7.50% (varies by service)
Investment rate of return	7.00%
Mortality	Healthy - RP-2000 Mortality Table with a blue collar adjustment, projected to 2017 using Scale AA
	Disabled - RP-2000 Disabled Mortality Table, projected to 2017 using Scale AA

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 1,529,803	\$ 1,468,564	\$ 1,644,227	\$ 2,217,940	\$ 2,201,713	\$ 2,619,715
1,552,838	1,508,267	1,682,861	2,411,772	2,472,050	3,412,844
<u>\$ (23,035)</u>	<u>\$ (39,703)</u>	<u>\$ (38,634)</u>	<u>\$ (193,832)</u>	<u>\$ (270,337)</u>	<u>\$ (793,129)</u>
\$ 4,330,427	\$ 4,519,476	\$ 4,568,865	\$ 4,548,781	\$ 4,770,038	\$ 4,832,832
35.86%	33.37%	36.83%	53.02%	51.82%	70.62%

CITY OF HIGHLAND PARK

FIREFIGHTERS' PENSION FUND
SCHEDULE OF INVESTMENT RETURNS
Last Three Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	5.58%	1.99%	3.55%

Notes to Schedule:

The Pension implemented GASB Statement No. 67 in fiscal year 2014. Information prior to fiscal year 2014 is not available.

CITY OF HIGHLAND PARK

OTHER POSTEMPLOYMENT BENEFIT PLAN SCHEDULE OF EMPLOYER'S CONTRIBUTION AND FUNDING PROGRESS For the Year Ended December 31, 2016

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>				
12/31/2015	\$ 993,678	67.49%				
12/31/2014	955,459	68.58%				
12/31/2013	541,068	104.46%				
12/31/2012	951,603	49.86%				
12/31/2011	951,603	44.27%				
12/31/2010	973,749	48.80%				

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age Normal</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2015	\$ -	\$ 13,018,270	\$ 13,018,270	0.00%	\$ 18,230,261	71.41%
12/31/2013	-	10,570,354	10,570,354	0.00%	17,597,637	60.07%
12/31/2011	-	12,913,455	12,913,455	0.00%	16,984,814	76.03%
12/31/2010	-	14,343,097	14,343,097	0.00%	18,015,248	79.62%
12/31/2009	-	14,565,078	14,565,078	0.00%	17,916,315	81.30%
12/31/2008	-	13,016,948	13,016,948	0.00%	17,709,384	73.50%
12/31/2007	-	14,825,979	14,825,979	0.00%	19,041,396	77.86%

Note: GASB 45 requires an actuarial valuation every two or three years depending on the size of the plan and whether there were any significant changes made to the plan that affect the results of the valuation, including significant changes in benefit provisions, the size or composition of the population covered by the plan, or other factors that impact long-term assumptions.

CITY OF HIGHLAND PARK

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2016

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget is as amended by the City Council. All annual appropriations lapse at fiscal year end.

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

The City is authorized to change budgeted amounts within any fund; however, revision must be approved by two-thirds of the members of the City Council. No revisions can be made increasing the budget unless funding is available for the purpose of the revision. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The appropriated budget is prepared by fund, function, and department. The City Finance Director is authorized to transfer budget amounts between departments within any fund; however, the City Council must approve revisions that alter the total expenditures of any fund.

SUPPLEMENTARY INFORMATION

CITY OF HIGHLAND PARK

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES				
GENERAL GOVERNMENT				
City Council				
Personal services	\$ 195,761	\$ 195,761	\$ 192,568	\$ 3,193
Contractual services	23,626	23,626	23,626	-
Materials and supplies	28,715	28,715	18,242	10,473
Total city council	<u>248,102</u>	<u>248,102</u>	<u>234,436</u>	<u>13,666</u>
Administration				
Personal services	684,759	688,210	670,351	17,859
Contractual services	48,644	48,644	48,149	495
Materials and supplies	36,300	36,300	31,160	5,140
Total administration	<u>769,703</u>	<u>773,154</u>	<u>749,660</u>	<u>23,494</u>
Human resources				
Personal services	294,996	294,996	303,201	(8,205)
Contractual services	75,359	75,359	56,908	18,451
Materials and supplies	128,097	128,097	98,658	29,439
Capital outlay	18,647	18,647	15,617	3,030
Total human resources	<u>517,099</u>	<u>517,099</u>	<u>474,384</u>	<u>42,715</u>
Communications				
Personal services	157,346	157,346	129,488	27,858
Contractual services	63,118	63,118	56,974	6,144
Materials and supplies	110,577	110,577	101,953	8,624
Capital outlay	432	432	443	(11)
Total communications	<u>331,473</u>	<u>331,473</u>	<u>288,858</u>	<u>42,615</u>
City Clerk				
Personal services	173,047	173,047	141,809	31,238
Contractual services	37,279	37,279	32,750	4,529
Materials and supplies	2,355	2,355	1,809	546
Capital outlay	-	1,925	1,268	657
Total city clerk	<u>212,681</u>	<u>214,606</u>	<u>177,636</u>	<u>36,970</u>
Youth Services				
Personal services	122,649	122,649	110,193	12,456
Contractual services	34,740	34,740	33,825	915
Materials and supplies	9,300	9,300	3,040	6,260
Total youth services	<u>166,689</u>	<u>166,689</u>	<u>147,058</u>	<u>19,631</u>
Senior services				
Personal services	345,894	345,894	322,401	23,493
Contractual services	22,696	22,696	22,455	241
Materials and supplies	99,904	99,904	100,726	(822)
Capital outlay	2,900	2,900	1,433	1,467
Total senior services	<u>471,394</u>	<u>471,394</u>	<u>447,015</u>	<u>24,379</u>
Legal Department				
Contractual services	1,109,020	1,109,020	910,533	198,487
Materials and supplies	629	629	626	3
Total legal department	<u>1,109,649</u>	<u>1,109,649</u>	<u>911,159</u>	<u>198,490</u>

CITY OF HIGHLAND PARK

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Finance administration and accounting				
Personal services	\$ 901,896	\$ 901,896	\$ 889,469	\$ 12,427
Contractual services	1,822,675	1,972,671	1,602,299	370,372
Materials and supplies	156,680	156,680	146,942	9,738
Reserve & contingency	710,700	710,700	-	710,700
Total finance administration and accounting	3,591,951	3,741,947	2,638,710	1,103,237
Facilities				
Personal services	329,553	329,553	322,350	7,203
Contractual services	828,515	828,515	630,823	197,692
Materials and supplies	105,435	105,435	81,765	23,670
Capital outlay	1,075,000	3,250,000	3,129,037	120,963
Total facilities	2,338,503	4,513,503	4,163,975	349,528
Less administrative reimbursements				
Administrative reimbursements	(729,200)	(1,257,600)	(1,257,600)	-
Total less administrative reimbursements	(729,200)	(1,257,600)	(1,257,600)	-
Total General Government	9,028,044	10,830,016	8,975,291	1,854,725
PUBLIC SAFETY				
Police department - operations				
Personal services	8,218,983	9,060,259	8,998,047	62,212
Contractual services	1,915,559	1,915,559	1,891,590	23,969
Materials and supplies	335,327	337,417	271,915	65,502
Capital outlay	50,584	50,584	34,303	16,281
Total police department - operations	10,520,453	11,363,819	11,195,855	167,964
Fire department - operations				
Personal services	6,389,981	7,199,310	7,200,428	(1,118)
Contractual services	449,206	438,743	432,831	5,912
Materials and supplies	224,820	214,873	203,626	11,247
Capital outlay	130,000	130,000	48,317	81,683
Total fire department - operations	7,194,007	7,982,926	7,885,202	97,724
Fire department - facilities				
Fire facilities - contractual services	-	-	10,750	(10,750)
Total fire department - facilities	-	-	10,750	(10,750)
Total Public Safety	17,714,460	19,346,745	19,091,807	254,938

CITY OF HIGHLAND PARK

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
PUBLIC WORKS				
Public works administration				
Personal services	\$ 535,866	\$ 535,866	\$ 513,882	\$ 21,984
Contractual services	87,331	87,331	85,152	2,179
Materials and supplies	<u>21,470</u>	<u>21,470</u>	<u>18,806</u>	<u>2,664</u>
Total public works administration	<u>644,667</u>	<u>644,667</u>	<u>617,840</u>	<u>26,827</u>
Facilities				
Capital outlay	<u>475,000</u>	<u>850,000</u>	<u>467,081</u>	<u>382,919</u>
Total facilities	<u>475,000</u>	<u>850,000</u>	<u>467,081</u>	<u>382,919</u>
Engineering				
Personal services	698,160	698,160	665,278	32,882
Contractual services	166,086	166,086	160,683	5,403
Materials and supplies	<u>6,491</u>	<u>6,491</u>	<u>6,800</u>	<u>(309)</u>
Total engineering	<u>870,737</u>	<u>870,737</u>	<u>832,761</u>	<u>37,976</u>
Forestry				
Personal services	280,110	280,110	235,575	44,535
Contractual services	586,385	586,385	523,138	63,247
Materials and supplies	18,059	18,059	19,995	(1,936)
Capital outlay	<u>275,000</u>	<u>275,000</u>	<u>266,078</u>	<u>8,922</u>
Total forestry	<u>1,159,554</u>	<u>1,159,554</u>	<u>1,044,786</u>	<u>114,768</u>
Total Public Works	<u>3,149,958</u>	<u>3,524,958</u>	<u>2,962,468</u>	<u>562,490</u>
TRANSIT				
Facilities				
Contractual services	-	-	1,695	(1,695)
Total facilities	-	-	1,695	(1,695)
Total Transit	-	-	1,695	(1,695)
ECONOMIC AND PHYSICAL DEVELOPMENT				
Community development				
Personal services	2,352,580	2,517,538	2,366,558	150,980
Contractual services	474,051	466,275	388,242	78,033
Materials and supplies	<u>81,464</u>	<u>113,852</u>	<u>77,609</u>	<u>36,243</u>
Total community development	<u>2,908,095</u>	<u>3,097,665</u>	<u>2,832,409</u>	<u>265,256</u>
Economic development				
Personal services	119,244	126,912	128,444	(1,532)
Contractual services	11,761	11,761	11,461	300
Materials and supplies	577,729	632,738	415,593	217,145
Revenue sharing	<u>355,000</u>	<u>507,000</u>	<u>393,239</u>	<u>113,761</u>
Total economic development	<u>1,063,734</u>	<u>1,278,411</u>	<u>948,737</u>	<u>329,674</u>
Total Economic and physical development	<u>3,971,829</u>	<u>4,376,076</u>	<u>3,781,146</u>	<u>594,930</u>

CITY OF HIGHLAND PARK

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
COMMISSIONS				
Personal services	\$ 40,775	\$ 40,775	\$ 28,136	\$ 12,639
Contractual services	111,852	111,852	72,582	39,270
Materials and supplies	<u>107,745</u>	<u>112,110</u>	<u>86,002</u>	<u>26,108</u>
Total commissions	<u>260,372</u>	<u>264,737</u>	<u>186,720</u>	<u>78,017</u>
 Total Expenditures	 <u>\$ 34,124,663</u>	 <u>\$ 38,342,532</u>	 <u>\$ 34,999,127</u>	 <u>\$ 3,343,405</u>

CITY OF HIGHLAND PARK

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of December 31, 2016

	Special Revenue Funds			
	Motor Fuel Tax	Emergency 911 System	Foreign Fire Insurance Tax	Highland Park Theater
ASSETS				
Cash and cash equivalents	\$ 374,261	\$ 344,284	\$ 373,863	\$ -
Receivables (net)				
Property taxes	-	-	-	-
Motor fuel tax allotments	70,606	50,494	-	-
Accounts	-	-	-	-
Prepaid items	-	-	-	1,608
TOTAL ASSETS	<u>\$ 444,867</u>	<u>\$ 394,778</u>	<u>\$ 373,863</u>	<u>\$ 1,608</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ 1,216	\$ -	\$ (34)
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	61,241
Total Liabilities	<u>-</u>	<u>1,216</u>	<u>-</u>	<u>61,207</u>
Deferred Inflows of Resources				
Property taxes levied for future periods	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficit)				
Nonspendable for prepaid items	-	-	-	1,608
Restricted for streets	444,867	-	-	-
Restricted for public safety	-	393,562	373,863	-
Restricted for economic development	-	-	-	-
Committed for sustainability initiatives	-	-	-	-
Committed for transportation	-	-	-	-
Assigned for debt service	-	-	-	-
Unassigned, special revenue funds (deficit)	-	-	-	(61,207)
Total Fund Balances (deficit)	<u>444,867</u>	<u>393,562</u>	<u>373,863</u>	<u>(59,599)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 444,867</u>	<u>\$ 394,778</u>	<u>\$ 373,863</u>	<u>\$ 1,608</u>

<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	
<u>Environmental Sustainability</u>	<u>Multi-Modal Transportation</u>	<u>Debt Service</u>	<u>Tax Increment Financing</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 207,741	\$ 804,762	\$ 2,128,512	\$ 1,238,265	\$ 5,471,688
-	1,128,500	2,934,799	216,600	4,279,899
-	-	-	-	121,100
-	84,698	-	-	84,698
-	-	-	-	1,608
<u>\$ 207,741</u>	<u>\$ 2,017,960</u>	<u>\$ 5,063,311</u>	<u>\$ 1,454,865</u>	<u>\$ 9,958,993</u>
\$ 1,025	\$ 149,751	\$ -	\$ 3,240	\$ 155,198
352	39,151	-	-	39,503
-	-	-	-	61,241
<u>1,377</u>	<u>188,902</u>	<u>-</u>	<u>3,240</u>	<u>255,942</u>
-	1,128,500	2,934,799	216,600	4,279,899
-	1,128,500	2,934,799	216,600	4,279,899
-	-	-	-	1,608
-	-	-	-	444,867
-	-	-	-	767,425
-	-	-	1,235,025	1,235,025
206,364	-	-	-	206,364
-	700,558	-	-	700,558
-	-	2,128,512	-	2,128,512
-	-	-	-	(61,207)
<u>206,364</u>	<u>700,558</u>	<u>2,128,512</u>	<u>1,235,025</u>	<u>5,423,152</u>
<u>\$ 207,741</u>	<u>\$ 2,017,960</u>	<u>\$ 5,063,311</u>	<u>\$ 1,454,865</u>	<u>\$ 9,958,993</u>

CITY OF HIGHLAND PARK

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2016

	Special Revenue Funds				
	Motor Fuel Tax	Emergency 911 System	Foreign Fire Insurance Tax	Highland Park Theater	Environmental Sustainability
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-
Intergovernmental	-	-	121,558	-	-
Motor fuel tax	757,785	-	-	-	-
Licenses and permits	-	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-	-
Public charges for services	-	454,237	-	16,500	93,227
Reimbursements	-	-	-	-	-
Investment income	1,935	269	95	-	202
Miscellaneous	-	-	-	-	-
Total Revenues	<u>759,720</u>	<u>454,506</u>	<u>121,653</u>	<u>16,500</u>	<u>93,429</u>
EXPENDITURES					
Current					
Public safety	-	20,030	122,235	-	-
Public works	-	-	-	-	-
Transit	-	-	-	-	-
Economic and physical development	-	-	-	16,542	115,085
Debt Service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>20,030</u>	<u>122,235</u>	<u>16,542</u>	<u>115,085</u>
Excess (deficiency) of revenues over expenditures	<u>759,720</u>	<u>434,476</u>	<u>(582)</u>	<u>(42)</u>	<u>(21,656)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(850,000)	(350,000)	-	-	(68,000)
Total Other Financing Sources (Uses)	<u>(850,000)</u>	<u>(350,000)</u>	<u>-</u>	<u>-</u>	<u>(68,000)</u>
Net Change in Fund Balances	(90,280)	84,476	(582)	(42)	(89,656)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>535,147</u>	<u>309,086</u>	<u>374,445</u>	<u>(59,557)</u>	<u>296,020</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 444,867</u>	<u>\$ 393,562</u>	<u>\$ 373,863</u>	<u>\$ (59,599)</u>	<u>\$ 206,364</u>

Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
Multi-Modal Transportation	Debt Service	Tax Increment Financing	
\$ 1,127,060	\$ 2,960,340	\$ 215,692	\$ 4,303,092
493,110	-	-	493,110
25,000	-	-	146,558
-	-	-	757,785
924,537	-	-	924,537
12,490	-	-	12,490
64,990	-	-	628,954
1,342,009	-	-	1,342,009
591	22,740	1,006	26,838
86,283	-	-	86,283
<u>4,076,070</u>	<u>2,983,080</u>	<u>216,698</u>	<u>8,721,656</u>
-	-	-	142,265
3,032,252	-	-	3,032,252
1,256,745	-	-	1,256,745
-	-	28,524	160,151
-	2,717,150	-	2,717,150
-	287,465	-	287,465
<u>4,288,997</u>	<u>3,004,615</u>	<u>28,524</u>	<u>7,596,028</u>
<u>(212,927)</u>	<u>(21,535)</u>	<u>188,174</u>	<u>1,125,628</u>
130,000	-	-	130,000
-	-	-	(1,268,000)
<u>130,000</u>	-	-	<u>(1,138,000)</u>
(82,927)	(21,535)	188,174	(12,372)
<u>783,485</u>	<u>2,150,047</u>	<u>1,046,851</u>	<u>5,435,524</u>
<u>\$ 700,558</u>	<u>\$ 2,128,512</u>	<u>\$ 1,235,025</u>	<u>\$ 5,423,152</u>

CITY OF HIGHLAND PARK

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - MOTOR FUEL TAX FUND For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Motor fuel tax	\$ 750,400	\$ 750,400	\$ 757,785	\$ 7,385
Investment income	50	50	1,935	1,885
Total Revenues	<u>750,450</u>	<u>750,450</u>	<u>759,720</u>	<u>9,270</u>
EXPENDITURES				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>750,450</u>	<u>750,450</u>	<u>759,720</u>	<u>9,270</u>
OTHER FINANCING USES				
Transfers out	<u>(840,000)</u>	<u>(850,000)</u>	<u>(850,000)</u>	-
Total Other Financing Uses	<u>(840,000)</u>	<u>(850,000)</u>	<u>(850,000)</u>	-
Net Change in Fund Balance	<u>\$ (89,550)</u>	<u>\$ (99,550)</u>	(90,280)	<u>\$ 9,270</u>
FUND BALANCE - Beginning of Year			<u>535,147</u>	
FUND BALANCE - END OF YEAR			<u>\$ 444,867</u>	

CITY OF HIGHLAND PARK

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - EMERGENCY 911 SYSTEM FUND For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Public charges for services	\$ 429,240	\$ 429,240	\$ 454,237	\$ 24,997
Investment income	-	-	269	269
Total Revenues	429,240	429,240	454,506	25,266
EXPENDITURES				
Contractual services	69,080	69,080	17,151	51,929
Materials and supplies	3,650	3,650	2,879	771
Total Expenditures	72,730	72,730	20,030	52,700
Excess (deficiency) of revenues over (under) expenditures	356,510	356,510	434,476	77,966
OTHER FINANCING USES				
Transfers out	(350,000)	(350,000)	(350,000)	-
Total Other Financing Uses	(350,000)	(350,000)	(350,000)	-
Net Change in Fund Balance	\$ 6,510	\$ 6,510	84,476	\$ 77,966
FUND BALANCE - Beginning of Year			309,086	
FUND BALANCE - END OF YEAR			\$ 393,562	

CITY OF HIGHLAND PARK

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL - HIGHLAND PARK THEATER FUND For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Public charges for services	\$ 16,500	\$ 16,500	\$ 16,500	\$ -
Total Revenues	<u>16,500</u>	<u>16,500</u>	<u>16,500</u>	<u>-</u>
EXPENDITURES				
Contractual services	<u>48,000</u>	<u>48,000</u>	<u>16,542</u>	<u>31,458</u>
Total Expenditures	<u>48,000</u>	<u>48,000</u>	<u>16,542</u>	<u>31,458</u>
Net Change in Fund Balance	<u>\$ (31,500)</u>	<u>\$ (31,500)</u>	(42)	<u>\$ 31,458</u>
FUND BALANCE (DEFICIT) - Beginning of Year			<u>(59,557)</u>	
FUND BALANCE (DEFICIT) - END OF YEAR			<u>\$ (59,599)</u>	

CITY OF HIGHLAND PARK

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ENVIRONMENTAL SUSTAINABILITY FUND For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Public charges for services	\$ 145,000	\$ 145,000	\$ 93,227	\$ (51,773)
Investment income	-	-	202	202
Total Revenues	<u>145,000</u>	<u>145,000</u>	<u>93,429</u>	<u>(51,571)</u>
EXPENDITURES				
Personal services	26,251	26,251	25,746	505
Contractual service	<u>118,700</u>	<u>134,811</u>	<u>89,339</u>	<u>45,472</u>
Total Expenditures	<u>144,951</u>	<u>161,062</u>	<u>115,085</u>	<u>45,977</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49</u>	<u>(16,062)</u>	<u>(21,656)</u>	<u>(5,594)</u>
OTHER FINANCING USES				
Transfers out	-	(68,000)	(68,000)	-
Total Other Financing Uses	<u>-</u>	<u>(68,000)</u>	<u>(68,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 49</u>	<u>\$ (84,062)</u>	(89,656)	<u>\$ (5,594)</u>
FUND BALANCE - Beginning of Year			<u>296,020</u>	
FUND BALANCE - END OF YEAR			<u>\$ 206,364</u>	

CITY OF HIGHLAND PARK

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - MULTI-MODAL TRANSPORTATION FUND For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	\$ 1,128,500	\$ 1,128,500	\$ 1,127,060	\$ (1,440)
Other taxes	535,900	535,900	493,110	(42,790)
Licenses and permits	957,000	957,000	924,537	(32,463)
Intergovernmental	-	-	25,000	25,000
Fines, forfeitures and penalties	8,000	8,000	12,490	4,490
Public charges for services	94,500	94,500	64,990	(29,510)
PACE RTA fare reimbursement	1,400,000	1,400,000	1,342,009	(57,991)
Investment income	-	-	591	591
Miscellaneous	57,256	57,256	86,283	29,027
Total Revenues	4,181,156	4,181,156	4,076,070	(105,086)
EXPENDITURES				
PUBLIC WORKS				
Personal services	1,127,947	1,183,234	1,123,071	60,163
Contractual services	1,066,031	1,066,031	1,077,802	(11,771)
Materials and supplies	679,811	679,811	594,368	85,443
Capital outlay	135,000	395,000	237,011	157,989
Total Public works	3,008,789	3,324,076	3,032,252	291,824
TRANSIT				
Personal services	1,240,194	1,215,812	1,172,117	43,695
Contractual services	46,892	46,917	37,075	9,842
Materials and supplies	81,554	81,529	47,553	33,976
Total Transit	1,368,640	1,344,258	1,256,745	87,513
Total Expenditures	4,377,429	4,668,334	4,288,997	379,337
Excess (deficiency) of revenues over (under) expenditures	(196,273)	(487,178)	(212,927)	274,251
OTHER FINANCING SOURCES				
Transfers in	130,000	130,000	130,000	-
Total Other Financing Sources	130,000	130,000	130,000	-
Net Change in Fund Balance	\$ (66,273)	\$ (357,178)	(82,927)	\$ 274,251
FUND BALANCE - Beginning of Year			783,485	
FUND BALANCE - END OF YEAR			\$ 700,558	

CITY OF HIGHLAND PARK

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 2,934,799	\$ 2,934,799	\$ 2,960,340	\$ 25,541
Investment income	15,000	15,000	22,740	7,740
Total Revenues	<u>2,949,799</u>	<u>2,949,799</u>	<u>2,983,080</u>	<u>33,281</u>
EXPENDITURES				
Principal	2,632,150	2,762,150	2,717,150	45,000
Interest and fiscal charges	<u>348,649</u>	<u>304,206</u>	<u>287,465</u>	<u>16,741</u>
Total Expenditures	<u>2,980,799</u>	<u>3,066,356</u>	<u>3,004,615</u>	<u>61,741</u>
Net Change in Fund Balance	<u>\$ (31,000)</u>	<u>\$ (116,557)</u>	(21,535)	<u>\$ 95,022</u>
FUND BALANCE - Beginning of Year			<u>2,150,047</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 2,128,512</u></u>	

CITY OF HIGHLAND PARK

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - TAX INCREMENT FINANCING FUND For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 115,000	\$ 115,000	\$ 215,692	\$ 100,692
Investment income	<u>-</u>	<u>-</u>	<u>1,006</u>	<u>1,006</u>
Total Revenues	<u>115,000</u>	<u>115,000</u>	<u>216,698</u>	<u>101,698</u>
EXPENDITURES				
Contractual services	<u>50,000</u>	<u>130,547</u>	<u>28,524</u>	<u>102,023</u>
Total Expenditures	<u>50,000</u>	<u>130,547</u>	<u>28,524</u>	<u>102,023</u>
Net Change in Fund Balance	<u>\$ 65,000</u>	<u>\$ (15,547)</u>	188,174	<u>\$ 203,721</u>
FUND BALANCE - Beginning of Year			<u>1,046,851</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,235,025</u>	

CITY OF HIGHLAND PARK

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 507,174	\$ 507,174	\$ 500,821	\$ (6,353)
Municipal sales tax	456,100	456,100	450,722	(5,378)
Reimbursements	395,100	395,100	97,260	(297,840)
Investment income	1,100	1,100	30,255	29,155
Total Revenues	<u>1,359,474</u>	<u>1,359,474</u>	<u>1,079,058</u>	<u>(280,416)</u>
EXPENDITURES				
Capital Outlay	4,675,000	5,050,000	4,607,980	442,020
Debt Service				
Interest and fiscal charges	-	-	14,875	(14,875)
Total Expenditures	<u>4,675,000</u>	<u>5,050,000</u>	<u>4,622,855</u>	<u>427,145</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,315,526)</u>	<u>(3,690,526)</u>	<u>(3,543,797)</u>	<u>146,729</u>
OTHER FINANCING SOURCES				
General obligation debt issued	4,675,000	4,675,000	4,650,000	(25,000)
Premium on debt issued	-	-	80,375	80,375
Transfers in	720,000	720,000	720,000	-
Total Other Financing Sources	<u>5,395,000</u>	<u>5,395,000</u>	<u>5,450,375</u>	<u>55,375</u>
Net Change in Fund Balance	<u>\$ 2,079,474</u>	<u>\$ 1,704,474</u>	1,906,578	<u>\$ 202,104</u>
FUND BALANCE - Beginning of Year			<u>585,826</u>	
FUND BALANCE - END OF YEAR			<u>\$ 2,492,404</u>	

CITY OF HIGHLAND PARK

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL WATER FUND - BUDGETARY BASIS For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
OPERATING REVENUES				
Water sales	\$ 7,426,218	\$ 7,426,218	\$ 7,782,487	\$ 356,269
Water/sewer permit fees	40,000	40,000	128,368	88,368
Miscellaneous	<u>50,586</u>	<u>50,586</u>	<u>127,770</u>	<u>77,184</u>
Total Operating Revenues	<u>7,516,804</u>	<u>7,516,804</u>	<u>8,038,625</u>	<u>521,821</u>
OPERATING EXPENSES				
Personal services	2,261,388	2,273,025	2,352,604	(79,579)
Contractual services	1,462,049	1,387,049	1,238,992	148,057
Materials and supplies	438,700	428,700	353,424	75,276
Small tools and equipment	3,080,000	5,765,000	4,027,109	1,737,891
Administrative reimbursements	<u>1,158,600</u>	<u>1,158,600</u>	<u>1,158,600</u>	<u>-</u>
Total Operating Expenses	<u>8,400,737</u>	<u>11,012,374</u>	<u>9,130,729</u>	<u>1,881,645</u>
Operating Income (Loss)	<u>(883,933)</u>	<u>(3,495,570)</u>	<u>(1,092,104)</u>	<u>2,403,466</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	23,300	23,300	30,515	7,215
Intergovernmental	69,000	69,000	70,421	1,421
Principal	(746,767)	(746,767)	(746,767)	-
Interest and fiscal charges	(1,084,996)	(1,130,871)	(1,150,941)	(20,070)
Bond proceeds	9,955,000	8,890,000	5,135,200	(3,754,800)
Premium on bonds sold	-	-	214,398	214,398
IEPA loan proceeds	<u>-</u>	<u>-</u>	<u>1,366,055</u>	<u>1,366,055</u>
Total Non-Operating Revenues (Expenses)	<u>8,215,537</u>	<u>7,104,662</u>	<u>4,918,881</u>	<u>(2,185,781)</u>
Net Income - Budgetary Basis	<u>7,331,604</u>	<u>3,609,092</u>	<u>3,826,777</u>	<u>217,685</u>
ADJUSTMENTS TO GAAP BASIS				
Capital assets capitalized	-	-	1,200,010	1,200,010
Accrual of bond proceeds	-	-	(5,135,200)	(5,135,200)
Accrual of bond premium	-	-	(214,398)	(214,398)
Accrual of IEPA loan proceeds	-	-	(1,366,055)	(1,366,055)
Depreciation	-	-	(1,786,460)	(1,786,460)
Principal paid	<u>-</u>	<u>-</u>	<u>746,767</u>	<u>746,767</u>
Total Adjustments to GAAP Basis	<u>-</u>	<u>-</u>	<u>(6,555,336)</u>	<u>(6,555,336)</u>
Change in net position	<u>\$ 7,331,604</u>	<u>\$ 3,609,092</u>	<u>(2,728,559)</u>	<u>\$ (6,337,651)</u>
NET POSITION - Beginning of Year			<u>21,676,229</u>	
NET POSITION - END OF YEAR			<u>\$ 18,947,670</u>	

CITY OF HIGHLAND PARK

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL SEWER FUND - BUDGETARY BASIS For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
OPERATING REVENUES				
Sanitary sewer charges	\$ 2,194,900	\$ 2,194,900	\$ 2,379,668	\$ 184,768
Stormwater management fees	1,955,800	1,955,800	2,179,008	223,208
Water/sewer permit fees	33,500	33,500	47,355	13,855
Miscellaneous	<u>45,000</u>	<u>45,000</u>	<u>33,262</u>	<u>(11,738)</u>
Total Operating Revenues	<u>4,229,200</u>	<u>4,229,200</u>	<u>4,639,293</u>	<u>410,093</u>
OPERATING EXPENSES				
Personal services	1,279,950	1,293,040	1,134,366	158,674
Contractual services	551,553	551,553	537,316	14,237
Materials and supplies	93,250	93,250	78,181	15,069
Small tools and equipment	<u>2,975,000</u>	<u>3,420,000</u>	<u>2,381,647</u>	<u>1,038,353</u>
Total Operating Expenses	<u>4,899,753</u>	<u>5,357,843</u>	<u>4,131,510</u>	<u>1,226,333</u>
Operating Income (Loss)	<u>(670,553)</u>	<u>(1,128,643)</u>	<u>507,783</u>	<u>1,636,426</u>
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	9,000	9,000	8,498	(502)
Investment income	12,100	12,100	19,997	7,897
Principal	(341,083)	(346,093)	(346,083)	10
Interest and fiscal charges	(127,812)	(130,712)	(133,990)	(3,278)
Bond proceeds	100,000	100,000	98,000	(2,000)
Premium on bonds sold	<u>-</u>	<u>-</u>	<u>4,092</u>	<u>4,092</u>
Total Non-Operating Revenues (Expenses)	<u>(347,795)</u>	<u>(355,705)</u>	<u>(349,486)</u>	<u>6,219</u>
Net Income (Loss) - Budgetary Basis	<u>(1,018,348)</u>	<u>(1,484,348)</u>	<u>158,297</u>	<u>1,642,645</u>
ADJUSTMENTS TO GAAP BASIS				
Capital assets capitalized	-	-	1,949,817	1,949,817
Accrual of bond proceeds	-	-	(98,000)	(98,000)
Accrual of bond premium	-	-	(4,092)	(4,092)
Depreciation	-	-	(1,753,431)	(1,753,431)
Principal paid	<u>-</u>	<u>-</u>	<u>346,083</u>	<u>346,083</u>
Total Adjustments to GAAP Basis	<u>-</u>	<u>-</u>	<u>440,377</u>	<u>440,377</u>
Change in net position	\$ <u>(1,018,348)</u>	\$ <u>(1,484,348)</u>	598,674	\$ <u>2,083,022</u>
NET POSITION - Beginning of Year			<u>20,136,378</u>	
NET POSITION - END OF YEAR			<u>\$ 20,735,052</u>	

CITY OF HIGHLAND PARK

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL MOTOR VEHICLE PARKING SYSTEM FUND - BUDGETARY BASIS For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
OPERATING REVENUES				
Charges for services				
Parking lot collections	\$ 563,300	\$ 563,300	\$ 580,879	\$ 17,579
Parking violations	<u>237,000</u>	<u>237,000</u>	<u>214,972</u>	<u>(22,028)</u>
Total Operating Revenues	<u>800,300</u>	<u>800,300</u>	<u>795,851</u>	<u>(4,449)</u>
OPERATING EXPENSES				
Personal services	349,780	349,780	325,439	24,341
Contractual services	315,523	310,523	249,276	61,247
Materials and supplies	17,640	22,640	20,088	2,552
Small tools and equipment	335,000	586,000	582,867	3,133
Administrative reimbursements	<u>99,000</u>	<u>99,000</u>	<u>99,000</u>	<u>-</u>
Total Operating Expenses	<u>1,116,943</u>	<u>1,367,943</u>	<u>1,276,670</u>	<u>91,273</u>
Operating Income (Loss)	<u>(316,643)</u>	<u>(567,643)</u>	<u>(480,819)</u>	<u>86,824</u>
NON-OPERATING REVENUES				
Investment income	<u>(5,900)</u>	<u>5,900</u>	<u>7,230</u>	<u>1,330</u>
Total Non-Operating Revenues	<u>(5,900)</u>	<u>5,900</u>	<u>7,230</u>	<u>1,330</u>
Net Income (Loss) - Budgetary Basis	<u>(322,543)</u>	<u>(561,743)</u>	<u>(473,589)</u>	<u>88,154</u>
TRANSFERS				
Transfers in	<u>-</u>	<u>68,000</u>	<u>68,000</u>	<u>-</u>
Net Transfers	<u>-</u>	<u>68,000</u>	<u>68,000</u>	<u>-</u>
ADJUSTMENT TO GAAP BASIS				
Capital assets capitalized	-	-	576,000	576,000
Depreciation	<u>-</u>	<u>-</u>	<u>(234,455)</u>	<u>(234,455)</u>
Total Adjustment to GAAP Basis	<u>-</u>	<u>-</u>	<u>341,545</u>	<u>341,545</u>
Change in net position	\$ <u>(322,543)</u>	\$ <u>(493,743)</u>	(64,044)	\$ <u>429,699</u>
NET POSITION - Beginning of Year			<u>3,897,711</u>	
NET POSITION - END OF YEAR			<u>\$ 3,833,667</u>	

CITY OF HIGHLAND PARK

COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS As of December 31, 2016

	Equipment Maintenance and Replacement	Insurance	Totals
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 3,161,801	\$ 3,172,042	\$ 6,333,843
Receivables			
Accounts	3,871	14,022	17,893
Prepaid items	361,561	-	361,561
Other	-	363,456	363,456
Total Current Assets	<u>3,527,233</u>	<u>3,549,520</u>	<u>7,076,753</u>
Noncurrent Assets			
Capital assets (net of accumulated depreciation)			
Machinery, equipment and furnishings	10,749,429	-	10,749,429
Accumulated depreciation	<u>(9,102,527)</u>	<u>-</u>	<u>(9,102,527)</u>
Total Noncurrent Assets	<u>1,646,902</u>	<u>-</u>	<u>1,646,902</u>
Total Assets	<u>5,174,135</u>	<u>3,549,520</u>	<u>8,723,655</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>609,281</u>	<u>-</u>	<u>609,281</u>
Total Deferred Outflows of Resources	<u>609,281</u>	<u>-</u>	<u>609,281</u>
LIABILITIES			
Current Liabilities			
Accounts payable	180,827	27,756	208,583
Accrued wages	22,246	-	22,246
Unearned revenues	-	8,423	8,423
Total Current Liabilities	<u>203,073</u>	<u>36,179</u>	<u>239,252</u>
Noncurrent Liabilities			
Due within one year	11,493	1,382	12,875
Due in more than one year	<u>476,646</u>	<u>5,529</u>	<u>482,175</u>
Total Noncurrent Liabilities	<u>488,139</u>	<u>6,911</u>	<u>495,050</u>
Total Liabilities	<u>691,212</u>	<u>43,090</u>	<u>734,302</u>

	Equipment Maintenance and Replacement	Insurance	Totals
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	\$ 11,163	\$ -	\$ 11,163
Total Deferred Inflows of Resources	<u>11,163</u>	<u>-</u>	<u>11,163</u>
NET POSITION			
Net investment in capital assets	1,646,902	-	1,646,902
Unrestricted	<u>3,434,139</u>	<u>3,506,430</u>	<u>6,940,569</u>
TOTAL NET POSITION	<u>\$ 5,081,041</u>	<u>\$ 3,506,430</u>	<u>\$ 8,587,471</u>

CITY OF HIGHLAND PARK

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION INTERNAL SERVICE FUNDS For the Year Ended December 31, 2016

	Equipment Maintenance and Replacement	Insurance	Totals
OPERATING REVENUES			
Charges for goods and services	\$ 3,425,571	\$ 4,695,842	\$ 8,121,413
Miscellaneous	<u>28,146</u>	<u>-</u>	<u>28,146</u>
Total Operating Revenues	<u>3,453,717</u>	<u>4,695,842</u>	<u>8,149,559</u>
OPERATING EXPENSES			
Personal services	1,318,572	979	1,319,551
Contractual services	326,848	4,801,346	5,128,194
Materials and supplies	497,065	1,800	498,865
Repairs and maintenance	439,472	744	440,216
Small tools and equipment	987,648	24,966	1,012,614
Depreciation	<u>515,928</u>	<u>-</u>	<u>515,928</u>
Total Operating Expenses	<u>4,085,533</u>	<u>4,829,835</u>	<u>8,915,368</u>
Operating Income (Loss)	<u>(631,816)</u>	<u>(133,993)</u>	<u>(765,809)</u>
NONOPERATING REVENUES			
Investment income	22,455	2,785	25,240
Gain on sale of capital assets	<u>13,731</u>	<u>-</u>	<u>13,731</u>
Total Nonoperating Revenues	<u>36,186</u>	<u>2,785</u>	<u>38,971</u>
Change in net position	(595,630)	(131,208)	(726,838)
NET POSITION - Beginning of Year	<u>5,676,671</u>	<u>3,637,638</u>	<u>9,314,309</u>
NET POSITION - END OF YEAR	<u>\$ 5,081,041</u>	<u>\$ 3,506,430</u>	<u>\$ 8,587,471</u>

CITY OF HIGHLAND PARK

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended December 31, 2016

	Equipment Maintenance and Replacement	Insurance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 3,457,041	\$ 4,753,099	\$ 8,210,140
Paid to suppliers for goods and services	(2,395,611)	(4,815,217)	(7,210,828)
Paid to employees for services	(1,266,204)	-	(1,266,204)
Net Cash Flows From Operating Activities	<u>(204,774)</u>	<u>(62,118)</u>	<u>(266,892)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>22,455</u>	<u>2,785</u>	<u>25,240</u>
Net Cash Flows From Investing Activities	<u>22,455</u>	<u>2,785</u>	<u>25,240</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash from sale of assets	<u>29,429</u>	-	<u>29,429</u>
Net Cash Flows From Capital and Related Financing Activities	<u>29,429</u>	-	<u>29,429</u>
Net Change in Cash and Cash Equivalents	(152,890)	(59,333)	(212,223)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>3,314,691</u>	<u>3,231,375</u>	<u>6,546,066</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 3,161,801</u></u>	<u><u>\$ 3,172,042</u></u>	<u><u>\$ 6,333,843</u></u>

CITY OF HIGHLAND PARK

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended December 31, 2016

	Equipment Maintenance and Replacement	Insurance	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (631,816)	\$ (133,993)	\$ (765,809)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities			
Depreciation	515,928	-	515,928
Changes in assets and liabilities			
Accounts receivable	3,324	55,971	59,295
Prepaid expense	(179,535)	-	(179,535)
Accounts payable	34,957	13,639	48,596
Accrued salaries	4,184	-	4,184
Net pension liability	294,005	-	294,005
Deferred outflows related to pensions	(267,092)	-	(267,092)
Deferred inflows related to pensions	11,163	-	11,163
Unearned revenue	-	1,286	1,286
Compensated absences	10,108	979	11,087
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ (204,774)</u></u>	<u><u>\$ (62,118)</u></u>	<u><u>\$ (266,892)</u></u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

None

CITY OF HIGHLAND PARK

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL EQUIPMENT MAINTENANCE AND REPLACEMENT FUND - BUDGETARY BASIS For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
OPERATING REVENUES				
Charges for goods and services	\$ 3,425,571	\$ 3,425,571	\$ 3,425,571	\$ -
Miscellaneous	<u>30,300</u>	<u>30,300</u>	<u>28,146</u>	<u>(2,154)</u>
Total Operating Revenues	<u>3,455,871</u>	<u>3,455,871</u>	<u>3,453,717</u>	<u>(2,154)</u>
OPERATING EXPENSES				
Personal services	1,339,419	1,339,418	1,318,572	20,846
Contractual services	351,099	351,099	326,848	24,251
Materials and supplies	809,923	817,923	497,065	320,858
Repairs and maintenance	456,410	456,410	439,472	16,938
Small tools and equipment	<u>702,825</u>	<u>1,046,825</u>	<u>987,648</u>	<u>59,177</u>
Total Operating Expenses	<u>3,659,676</u>	<u>4,011,675</u>	<u>3,569,605</u>	<u>442,070</u>
Operating Income (Loss)	<u>(203,805)</u>	<u>(555,804)</u>	<u>(115,888)</u>	<u>439,916</u>
NON-OPERATING REVENUES				
Investment income	17,500	17,500	22,455	4,955
Gain on sale of capital assets	<u>-</u>	<u>-</u>	<u>13,731</u>	<u>13,731</u>
Total Non-Operating Revenues	<u>17,500</u>	<u>17,500</u>	<u>36,186</u>	<u>18,686</u>
Net Income (Loss) - Budgetary Basis	<u>(186,305)</u>	<u>(538,304)</u>	<u>(79,702)</u>	<u>458,602</u>
ADJUSTMENTS TO GAAP BASIS				
Depreciation	<u>-</u>	<u>-</u>	<u>(515,928)</u>	<u>(515,928)</u>
Total Adjustments to GAAP Basis	<u>-</u>	<u>-</u>	<u>(515,928)</u>	<u>(515,928)</u>
Change in net position	\$ <u>(186,305)</u>	\$ <u>(538,304)</u>	(595,630)	\$ <u>(57,326)</u>
NET POSITION - Beginning of Year			<u>5,676,671</u>	
NET POSITION - END OF YEAR			<u>\$ 5,081,041</u>	

CITY OF HIGHLAND PARK

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL INSURANCE FUND

For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
OPERATING REVENUES				
Charges for services				
Charges for goods and services	\$ <u>4,927,500</u>	\$ <u>4,603,500</u>	\$ <u>4,695,842</u>	\$ <u>92,342</u>
Total Operating Revenues	<u>4,927,500</u>	<u>4,603,500</u>	<u>4,695,842</u>	<u>92,342</u>
OPERATING EXPENSES				
Personal services	-	-	979	(979)
Contractual services	4,488,305	4,848,305	4,801,346	46,959
Materials and supplies	5,050	5,050	1,800	3,250
Repairs and maintenance	2,700	2,700	744	1,956
Small tools and equipment	<u>29,500</u>	<u>29,500</u>	<u>24,966</u>	<u>4,534</u>
Total Operating Expenses	<u>4,525,555</u>	<u>4,885,555</u>	<u>4,829,835</u>	<u>55,720</u>
Operating Income (Loss)	<u>401,945</u>	<u>(282,055)</u>	<u>(133,993)</u>	<u>36,622</u>
NON-OPERATING REVENUES				
Investment income	<u>-</u>	<u>-</u>	<u>2,785</u>	<u>(2,785)</u>
Total Non-Operating Revenues	<u>-</u>	<u>-</u>	<u>2,785</u>	<u>(2,785)</u>
Change in net position	<u>401,945</u>	<u>(282,055)</u>	<u>(131,208)</u>	<u>33,837</u>
NET POSITION - Beginning of Year			<u>3,637,638</u>	
NET POSITION - END OF YEAR			<u>\$ <u>3,506,430</u></u>	

CITY OF HIGHLAND PARK

COMBINING STATEMENT OF FIDUCIARY NET POSITION PENSION TRUST FUNDS As of December 31, 2016

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,307,433	\$ 635,684	\$ 1,943,117
Investments			
U.S. Government and agency obligations	8,565,796	9,045,943	17,611,739
Corporate bonds	3,541,537	3,904,993	7,446,530
Mutual funds	20,354,056	2,889,377	23,243,433
Stocks	2,199,768	20,335,312	22,535,080
Receivables			
Accrued interest	102,920	109,910	212,830
Other	80	80	160
Prepaid items	<u>1,500</u>	<u>795</u>	<u>2,295</u>
Total Assets	<u>36,073,090</u>	<u>36,922,094</u>	<u>72,995,184</u>
LIABILITIES			
Accounts payable	<u>8,921</u>	<u>38,234</u>	<u>47,155</u>
Total Liabilities	<u>8,921</u>	<u>38,234</u>	<u>47,155</u>
NET POSITION			
Restricted for pension benefits	<u>\$ 36,064,169</u>	<u>\$ 36,883,860</u>	<u>\$ 72,948,029</u>

CITY OF HIGHLAND PARK

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION TRUST FUNDS

For the Year Ended December 31, 2016

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer	\$ 3,611,980	\$ 3,412,844	\$ 7,024,824
Plan members	<u>515,835</u>	<u>456,800</u>	<u>972,635</u>
Total Contributions	<u>4,127,815</u>	<u>3,869,644</u>	<u>7,997,459</u>
Investment income			
Investment income	758,030	701,305	1,459,335
Net appreciation in fair value of investments	<u>1,382,126</u>	<u>669,817</u>	<u>2,051,943</u>
Total Investment Income	2,140,156	1,371,122	3,511,278
Less Investment expenses	<u>57,279</u>	<u>148,101</u>	<u>205,380</u>
Net Investment Income	<u>2,082,877</u>	<u>1,223,021</u>	<u>3,305,898</u>
Total Additions	<u>6,210,692</u>	<u>5,092,665</u>	<u>11,303,357</u>
DEDUCTIONS			
Benefits	3,914,056	3,635,051	7,549,107
Administration	<u>47,772</u>	<u>33,155</u>	<u>80,927</u>
Total Deductions	<u>3,961,828</u>	<u>3,668,206</u>	<u>7,630,034</u>
Change in Net Position	2,248,864	1,424,459	3,673,323
NET POSITION - Beginning of Year	<u>33,815,305</u>	<u>35,459,401</u>	<u>69,274,706</u>
NET POSITION - END OF YEAR	<u><u>\$ 36,064,169</u></u>	<u><u>\$ 36,883,860</u></u>	<u><u>\$ 72,948,029</u></u>

CITY OF HIGHLAND PARK

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS

For the Year Ended December 31, 2016

	Balances January 1	Additions	Deductions	Balances December 31
ALL FUNDS				
ASSETS				
Cash and cash equivalents	\$ 3,222,690	\$ 3,832,791	\$ 3,883,635	\$ 3,171,846
Accounts receivable	19,659	2,650,929	2,389,223	281,365
TOTAL ASSETS	<u><u>\$ 3,242,349</u></u>	<u><u>\$ 6,483,720</u></u>	<u><u>\$ 6,272,858</u></u>	<u><u>\$ 3,453,211</u></u>
LIABILITIES				
Accrued payroll	\$ 627	\$ 382	\$ -	\$ 1,009
Due to others	747,173	622,272	485,796	883,649
Deposits payable	2,494,549	2,095,804	2,021,800	2,568,553
TOTAL LIABILITIES	<u><u>\$ 3,242,349</u></u>	<u><u>\$ 2,718,458</u></u>	<u><u>\$ 2,507,596</u></u>	<u><u>\$ 3,453,211</u></u>
GENERAL DEPOSIT FUND				
ASSETS				
Cash and cash equivalents	\$ 2,413,890	\$ 3,037,725	\$ 2,914,427	\$ 2,537,188
Accounts receivable	19,659	2,400,929	2,389,223	31,365
TOTAL ASSETS	<u><u>\$ 2,433,549</u></u>	<u><u>\$ 5,438,654</u></u>	<u><u>\$ 5,303,650</u></u>	<u><u>\$ 2,568,553</u></u>
LIABILITIES				
Deposits payable	\$ 2,433,549	\$ 2,095,804	\$ 1,960,800	\$ 2,568,553
TOTAL LIABILITIES	<u><u>\$ 2,433,549</u></u>	<u><u>\$ 2,095,804</u></u>	<u><u>\$ 1,960,800</u></u>	<u><u>\$ 2,568,553</u></u>
HOUSING TRUST FUND				
ASSETS				
Cash and cash equivalents	\$ 808,800	\$ 795,066	\$ 969,208	\$ 634,658
Accounts receivable	-	250,000	-	250,000
TOTAL ASSETS	<u><u>\$ 808,800</u></u>	<u><u>\$ 1,045,066</u></u>	<u><u>\$ 969,208</u></u>	<u><u>\$ 884,658</u></u>
LIABILITIES				
Accrued payroll	\$ 627	\$ 382	\$ -	\$ 1,009
Deposits payable	61,000	-	61,000	-
Due to others	747,173	622,272	485,796	883,649
TOTAL LIABILITIES	<u><u>\$ 808,800</u></u>	<u><u>\$ 622,654</u></u>	<u><u>\$ 546,796</u></u>	<u><u>\$ 884,658</u></u>



CITY OF HIGHLAND PARK, ILLINOIS
Statistical Section
(Unaudited)

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	135 - 141
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	142 - 147
Debt Capacity These schedules present information to help the reader assess the affordability of the Government's current levels of outstanding debt and the City's ability to issue additional debt in the future.	148 - 151
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within the City's financial activities take place.	152 - 153
Operating Information These schedules contain information about the City's service and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	154 - 156



FINANCIAL TRENDS

CITY OF HIGHLAND PARK

STATEMENT OF NET POSITION BY COMPONENT

Last Ten Fiscal Years

	2007 ¹	2008	2009	2010	2011	2012	2013	2014	2015	2016
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 96,339,097	\$ 96,490,406	\$ 97,194,831	\$ 95,361,548	\$ 71,825,055	\$ 73,059,813	\$ 74,393,563	\$ 74,583,376	\$ 85,027,909	\$ 85,567,313
Restricted	9,225,744	7,107,210	5,139,201	5,746,288	1,676,953	1,778,085	1,930,549	2,402,234	2,265,529	2,654,529
Unrestricted	21,208,977	26,827,748	18,739,402	19,638,083	26,354,712	30,962,266	31,302,403	34,469,095	(46,072,103)	(48,998,593)
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	\$ 126,773,818	\$ 130,425,364	\$ 121,073,434	\$ 120,745,919	\$ 99,856,720	\$ 105,800,164	\$ 107,626,515	\$ 111,454,705	\$ 41,221,335	\$ 39,223,249
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	\$ 22,598,750	\$ 30,126,135	\$ 29,453,502	\$ 29,534,781	\$ 54,109,919	\$ 48,582,193	\$ 60,756,229	\$ 59,065,125	\$ 43,217,124	\$ 40,152,956
Unrestricted	12,187,698	4,679,172	4,846,405	5,625,549	5,066,721	10,286,671	(2,483,918)	(2,094,006)	2,493,194	3,363,433
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION	\$ 34,786,448	\$ 34,805,307	\$ 34,299,907	\$ 35,160,330	\$ 59,176,640	\$ 58,868,864	\$ 58,272,311	\$ 56,971,119	\$ 45,710,318	\$ 43,516,389
PRIMARY GOVERNMENT										
Net investment in capital assets	\$ 118,937,847	\$ 126,616,541	\$ 126,648,333	\$ 124,896,329	\$ 125,934,974	\$ 121,642,006	\$ 135,149,792	\$ 133,648,501	\$ 128,245,033	\$ 125,720,269
Restricted	9,225,744	7,107,210	5,139,201	5,746,288	1,676,953	1,778,085	1,930,549	2,402,234	2,265,529	2,654,529
Unrestricted	33,396,675	31,506,920	23,585,807	25,263,632	31,421,433	41,248,937	28,818,485	32,375,089	(43,578,909)	(45,635,160)
TOTAL PRIMARY GOVERNMENT	\$ 161,560,266	\$ 165,230,671	\$ 155,373,341	\$ 155,906,249	\$ 159,033,360	\$ 164,669,028	\$ 165,898,826	\$ 168,425,824	\$ 86,931,653	\$ 82,739,638

Notes:

(1) Eight months ended December 31, 2007

(2) An enterprise fund was created in CY 2011 to account for activities relating to sewer facilities and maintenance, creating a substantial change in fund balance totals between Governmental and Business Type activities.

(3) Beginning in 2015, the City implemented GASB 68 which resulted in the inclusion of a net pension liability.

CITY OF HIGHLAND PARK

FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

Fiscal Year	2007 ¹	2008	2009	2010	2011	2012	2013	2014	2015	2016
GENERAL FUND										
Reserved	\$ 17,128,260	\$ 22,309,500	\$ 16,212,900	\$ 16,831,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	17,062,183	18,485,787	17,263,332	17,529,356	-	-	-	-	-	-
Unrestricted										
Committed	-	-	-	-	17,582,800	22,809,678	18,234,000	18,150,000	-	-
Assigned	-	-	-	-	4,375,495	4,775,495	5,175,495	5,575,495	6,120,495	6,831,695
Unassigned	-	-	-	-	15,762,287	14,111,753	19,032,489	19,744,246	20,322,846	18,054,780
Subtotal general fund	34,190,443	40,795,287	33,476,232	34,360,456	37,720,582	41,696,926	42,441,984	43,469,741	26,443,341	24,886,475
% Change from prior year	10.3%	19.3%	-17.9%	2.6%	9.8%	10.5%	1.8%	2.4%	-39.2%	-5.9%
ALL OTHER GOVERNMENTAL FUNDS										
Reserved	9,225,744	7,107,210	5,139,201	5,825,875	-	-	-	-	-	-
Unreserved, reported in										
Capital Projects Fund	176,894	320,059	-	-	-	-	-	-	-	-
Special Revenue Funds	-	-	(44,272)	(8,497)	-	-	-	-	-	-
Debt Service Funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	349,985	106,738	6,408	6,408	6,408	6,408
Restricted	-	-	-	-	1,676,953	1,778,085	1,930,549	2,402,234	2,265,529	3,343,630
Unrestricted										
Committed	-	-	-	-	570,002	1,115,109	1,191,451	1,221,503	1,079,505	906,922
Assigned	-	-	-	-	2,852,016	2,822,330	2,973,522	3,186,138	2,731,073	3,719,803
Unassigned										
Special Revenue Funds (deficit)	-	-	-	-	(53,493)	(65,787)	(53,194)	(52,514)	(61,165)	(61,207)
Subtotal all other funds	9,402,638	7,427,269	5,094,929	5,817,378	5,395,463	5,756,475	6,048,736	6,763,769	6,021,350	7,915,556
TOTAL GOVERNMENTAL FUNDS	\$ 43,593,081	\$ 48,222,556	\$ 38,571,161	\$ 40,177,834	\$ 43,116,045	\$ 47,453,401	\$ 48,490,720	\$ 50,233,510	\$ 32,464,691	\$ 32,802,031
% Change from prior year	13.9%	10.6%	-20.0%	4.2%	7.3%	10.1%	2.2%	3.6%	-35.4%	1.0%

Notes:

(1) Eight months ended December 31, 2007

CITY OF HIGHLAND PARK

CHANGE IN NET POSITION
Last Ten Fiscal Years

	2007 ¹	2008	2009	2010	2011	2012	2013	2014	2015	2016
GOVERNMENTAL ACTIVITIES										
Program Revenues										
Charges for services										
General government	\$ 1,240,959	\$ 1,394,081	\$ 1,181,576	\$ 1,343,270	\$ 1,558,688	\$ 3,560,882	\$ 2,682,498	\$ 2,771,791	\$ 2,665,330	\$ 2,348,267
Public safety	1,050,636	1,678,097	1,788,480	2,587,093	2,714,368	2,775,737	3,082,011	2,869,862	2,737,190	2,789,821
Public works	2,786,680	3,099,321	2,832,744	3,012,443	1,009,252	1,031,414	1,081,656	1,248,525	1,182,321	1,220,394
Economic/physical development	942,267	2,240,709	757,302	1,490,589	1,868,519	1,394,696	1,236,569	1,516,752	1,935,153	1,707,560
Transit	778,569	1,077,078	1,137,630	1,130,398	1,223,684	1,312,028	1,367,708	1,416,630	1,312,436	1,342,009
Operating grants	652,180	796,375	1,020,613	938,199	1,007,110	900,045	1,012,404	1,123,140	762,804	795,560
Capital grants	408,052	780,469	658,069	95,485	565,452	-	-	-	245,365	84,464
General Revenues										
Property taxes	9,952,745	10,628,574	11,047,744	11,209,516	11,478,560	11,480,575	11,723,266	12,300,826	12,319,262	12,412,788
Sales taxes	9,397,328	12,451,204	11,077,115	11,471,636	11,785,806	12,393,678	12,904,569	13,674,254	13,173,534	13,230,707
Other taxes	8,011,821	11,959,642	10,459,051	11,107,857	8,576,032	9,055,860	9,706,318	9,970,403	10,004,019	11,915,256
Payment in lieu of taxes	-	-	496,932	530,676	546,459	559,173	804,573	796,308	762,038	822,131
Other	2,609,554	6,470,264	(5,838,409)	1,873,021	3,107,990	5,286,685	1,461,767	2,434,222	(686,784)	269,876
Total revenues	37,830,791	52,575,814	36,618,847	46,790,183	45,441,920	49,750,773	47,063,339	50,122,713	46,412,668	48,938,833
Expenses										
General government	3,291,348	5,682,525	4,835,221	6,022,181	5,362,741	8,965,963	8,449,022	7,543,013	7,648,490	7,136,341
Public safety	13,931,034	20,358,646	20,411,508	20,825,900	20,181,540	20,175,202	21,797,867	22,784,673	27,060,284	27,094,758
Public works	9,309,655	15,695,342	14,075,727	12,159,891	8,377,575	6,361,328	6,297,452	7,147,559	7,377,966	7,491,480
Economic/physical development	2,929,461	3,765,001	3,695,884	5,002,364	3,612,168	5,106,635	5,689,964	6,249,818	7,249,956	7,155,683
Transit	967,852	1,325,557	1,276,898	1,301,811	1,379,050	1,292,090	1,359,599	1,288,343	1,230,364	1,265,741
Commissions	354,650	432,611	432,148	413,921	331,347	407,388	327,835	394,871	467,014	448,794
Interest	1,161,404	1,764,586	1,658,678	1,491,630	1,409,557	1,252,423	1,070,849	886,246	287,932	276,122
Total expenses	31,945,404	49,024,268	46,386,064	47,217,698	40,653,978	43,561,029	44,992,588	46,294,523	51,322,006	50,868,919
INCREASE (DECREASE) IN NET POSITION BEFORE TRANSFERS AND SPECIAL ITEM	\$ 5,885,387	\$ 3,551,546	\$ (9,767,217)	\$ (427,515)	\$ 4,787,942	\$ 6,189,744	\$ 2,070,751	\$ 3,828,190	\$ (4,909,338)	\$ (1,930,086)
Transfers	100,000	100,000	100,000	100,000	(25,677,141)	(246,300)	(244,400)	-	8,523,384	(68,000)
Special item	1,306,489	-	-	-	-	-	-	-	-	-
INCREASE (DECREASE) IN NET POSITION	\$ 7,291,876	\$ 3,651,546	\$ (9,667,217)	\$ (327,515)	\$ (20,889,199)	\$ 5,943,444	\$ 1,826,351	\$ 3,828,190	\$ 3,614,046	\$ (1,998,086)

CITY OF HIGHLAND PARK

CHANGE IN NET POSITION (Continued)
Last Ten Fiscal Years

	2007 ¹	2008	2009	2010	2011	2012	2013	2014	2015	2016
BUSINESS-TYPE ACTIVITIES										
Program Revenues										
Charges for services										
Parking system	\$ 599,376	\$ 1,070,944	\$ 916,139	\$ 902,896	\$ 805,363	\$ 804,608	\$ 751,331	\$ 782,300	\$ 816,753	\$ 795,851
Water	5,361,021	6,756,248	6,557,023	6,935,697	7,033,638	7,756,992	7,595,773	7,193,756	7,286,222	8,038,625
Sewer	-	-	-	-	2,477,341	2,984,243	3,225,609	3,517,779	4,066,211	4,639,293
Country Club	2,636,911	2,945,849	2,566,482	2,564,650	2,536,071	2,755,685	2,415,774	2,220,787	5,381	-
Operating grants	-	-	-	74,800	137,100	156,940	70,533	118,280	70,270	78,919
Capital grants	297,608	289,084	150,000	-	167,331	-	121,000	-	-	-
Other	127,500	393,686	294,151	192,935	41,652	14,649	19,717	17,520	9,112	57,742
Total revenues	9,022,416	11,455,811	10,483,795	10,670,978	13,198,496	14,473,117	14,199,737	13,850,422	12,253,949	13,610,430
Expenses										
Parking	568,121	1,160,791	974,973	995,796	1,156,266	1,006,413	922,176	988,547	1,031,108	935,125
Water	4,387,664	6,993,813	6,843,685	7,232,335	6,407,020	6,645,213	6,977,513	7,101,394	10,128,640	10,868,120
Sewer	-	-	-	-	4,518,395	4,385,887	4,182,723	4,224,626	4,872,731	4,069,114
Country Club	2,414,382	3,182,348	3,070,537	2,814,729	2,777,646	2,989,680	2,958,278	2,837,047	10,047	-
Total expenses	7,370,167	11,336,952	10,889,195	11,042,860	14,859,327	15,027,193	15,040,690	15,151,614	16,042,526	15,872,359
INCREASE IN NET POSITION BEFORE TRANSFERS AND CONTRIBUTIONS	1,652,249	118,859	(405,400)	(371,882)	(1,660,831)	(554,076)	(840,953)	(1,301,192)	(3,788,577)	(2,261,929)
Transfers	(100,000)	(100,000)	(100,000)	(100,000)	25,677,141	246,300	244,400	-	(8,523,384)	68,000
Contributions	409,327	-	-	-	-	-	-	-	-	-
INCREASE IN NET POSITION	\$ 1,961,576	\$ 18,859	\$ (505,400)	\$ (471,882)	\$ 24,016,310	\$ (307,776)	\$ (596,553)	\$ (1,301,192)	\$ (12,311,961)	\$ (2,193,929)

CITY OF HIGHLAND PARK

CHANGE IN NET POSITION (Continued)
Last Ten Fiscal Years

	2007 ¹	2008	2009	2010	2011	2012	2013	2014	2015	2016
TOTAL NET POSITION										
Program Revenues										
Charges for services	\$ 15,396,419	\$ 20,262,327	\$ 17,737,376	\$ 19,967,036	\$ 21,226,924	\$ 24,376,285	\$ 23,438,929	\$ 23,538,182	\$ 22,006,997	\$ 22,881,820
Operating grants	652,180	796,375	1,020,613	1,012,999	1,144,210	1,056,985	1,082,937	1,241,420	833,074	874,479
Capital grants	705,660	1,069,553	808,069	95,485	732,783	-	121,000	-	245,365	84,464
General Revenues										
Property taxes	9,952,745	10,628,574	11,047,744	11,209,516	11,478,560	11,480,575	11,723,266	12,300,826	12,319,262	12,412,788
Sales taxes	9,397,328	12,451,204	11,077,115	11,471,636	11,785,806	12,393,678	12,904,569	13,674,254	13,173,534	13,230,707
Other taxes	8,011,821	11,959,642	10,459,051	11,107,857	8,576,032	9,055,860	9,706,318	9,970,403	10,004,019	11,915,256
Payment in lieu of taxes	-	-	496,932	530,676	546,459	559,173	804,573	796,308	762,038	822,131
Other	2,737,054	6,863,950	(5,544,258)	2,065,956	3,149,642	5,301,334	1,481,484	2,451,742	(677,672)	327,618
Total revenues	46,853,207	64,031,625	47,102,642	57,461,161	58,640,416	64,223,890	61,263,076	63,973,135	58,666,617	62,549,263
Expenses										
General government	3,291,348	5,682,525	4,835,221	6,022,181	5,362,741	8,965,963	8,449,022	7,543,013	7,648,490	7,136,341
Public safety	13,931,034	20,358,646	20,411,508	20,825,900	20,181,540	20,175,202	21,797,867	22,784,673	27,060,284	27,094,758
Public works	9,309,655	15,695,342	14,075,727	12,159,891	8,377,575	6,361,328	6,297,452	7,147,559	7,377,966	7,491,480
Economic/physical development	2,929,461	3,765,001	3,695,884	5,002,364	3,612,168	5,106,635	5,689,964	6,249,818	7,249,956	7,155,683
Transit	967,852	1,325,557	1,276,898	1,301,811	1,379,050	1,292,090	1,359,599	1,288,343	1,230,364	1,265,741
Commissions	354,650	432,611	432,148	413,921	331,347	407,388	327,835	394,871	467,014	448,794
Interest	1,161,404	1,764,586	1,658,678	1,491,630	1,409,557	1,252,423	1,070,849	886,246	287,932	276,122
Parking	568,121	1,160,791	974,973	995,796	1,156,266	1,006,413	922,176	988,547	1,031,108	935,125
Water	4,387,664	6,993,813	6,843,685	7,232,335	6,407,020	6,645,213	6,977,513	7,101,394	10,128,640	10,868,120
Sewer	-	-	-	-	4,518,395	4,385,887	4,182,723	4,224,626	4,872,731	4,069,114
Country Club	2,414,382	3,182,348	3,070,537	2,814,729	2,777,646	2,989,680	2,958,278	2,837,047	10,047	-
Total expenses	39,315,571	60,361,220	57,275,259	58,260,558	55,513,305	58,588,222	60,033,278	61,446,137	67,364,532	66,741,278
INCREASE (DECREASE) IN NET POSITION	\$ 9,253,452	\$ 3,670,405	\$ (10,172,617)	\$ (799,397)	\$ 3,127,111	\$ 5,635,668	\$ 1,229,798	\$ 2,526,998	\$ (8,697,915)	\$ (4,192,015)
NET (EXPENSE) REVENUE										
Governmental Activities	7,291,876	3,651,546	(9,667,217)	(327,515)	(20,889,199)	6,189,744	2,070,751	3,828,190	(4,909,338)	(1,930,086)
Business Type Activities	1,961,576	18,859	(505,400)	(471,882)	24,016,310	(554,076)	(840,953)	(1,301,192)	(3,788,577)	(2,261,929)
TOTAL NET (EXPENSE) REVENUE	9,253,452	3,670,405	(10,172,617)	(799,397)	3,127,111	5,635,668	1,229,798	2,526,998	(8,697,915)	(4,192,015)

Notes:

(1) Eight months ended December 31, 2007

(2) An enterprise fund was created in CY 2011 to account for activities relating to sewer facilities and maintenance, creating a substantial change in fund balance totals between Governmental and Business Type activities.

CITY OF HIGHLAND PARK

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	2007 ¹	2008	2009	2010	2011	2012	2013	2014	2015	2016
REVENUES										
Property taxes	\$ 9,952,746	\$ 10,628,575	\$ 11,047,743	\$ 11,209,517	\$ 11,478,560	\$ 11,480,575	\$ 11,723,266	\$ 12,300,826	\$ 12,319,262	\$ 12,412,788
Personal property replacement taxes	250,779	345,105	291,142	313,917	276,627	277,134	307,228	316,285	337,267	298,849
Licenses and permits	1,999,361	2,156,328	1,839,326	2,076,892	2,224,164	2,337,334	2,301,094	2,774,721	3,170,971	2,877,456
Public charges for services	2,208,303	3,422,291	3,699,703	4,268,149	2,810,348	1,206,575	2,400,261	2,383,476	2,408,953	2,944,657
Municipal sales tax	9,397,327	12,451,204	11,077,114	11,471,636	11,785,806	12,393,678	12,904,569	13,674,254	13,173,534	13,230,707
Utility tax	1,684,513	3,106,464	2,595,912	2,495,100	2,422,569	2,254,875	2,448,175	2,863,573	2,603,391	2,365,250
Real estate transfer tax	1,267,630	1,202,395	812,399	1,133,803	1,136,595	1,458,037	1,778,247	1,786,963	1,695,540	1,843,768
Intergovernmental	486,513	196,075	345,474	141,036	245,769	143,993	263,124	236,260	154,025	159,333
State income tax	1,787,461	2,864,722	2,447,710	2,393,639	2,354,555	2,615,197	2,835,830	2,849,624	3,166,878	2,897,250
Franchise tax	1,789,494	2,612,081	2,542,276	2,370,616	2,385,686	2,450,617	2,336,838	2,153,958	2,200,943	2,158,947
Payment in lieu of taxes		-	496,932	530,676	546,459	559,173	804,573	796,308	762,038	822,131
Other taxes	913,627	1,723,064	1,670,735	1,840,111	1,833,144	1,835,512	2,210,845	2,221,094	2,266,204	2,229,634
Regional Transportation Authority reimbursement	778,569	1,077,078	1,137,630	1,130,398	1,222,434	1,312,028	1,367,708	1,416,630	1,317,436	1,342,009
Reimbursements-other agencies	1,436,917	781,517	151,022	839,051	952,477	1,724,366	299,243	171,621	406,514	317,187
Fines, forfeitures, and penalties	214,996	411,633	381,141	832,175	874,396	965,723	1,188,128	1,078,662	867,656	514,271
Motor fuel tax	571,450	794,755	775,017	899,821	883,360	857,238	859,650	1,000,150	727,628	757,785
Interest income	2,609,552	1,153,313	793,992	748,755	715,602	757,419	714,584	735,415	72,025	244,636
Net change in fair value of investments	-	5,571,520	(5,863,860)	868,839	964,461	2,591,200	(1,575,000)	(636,166)	(3,150,000)	-
Miscellaneous	481,553	2,332,267	954,326	963,825	826,413	529,170	509,537	587,444	681,039	691,671
Total revenues	37,830,791	52,830,387	37,195,734	46,527,956	45,939,425	47,749,844	45,677,900	48,711,098	45,181,304	48,108,329
EXPENDITURES										
Current										
General government	3,087,130	5,456,559	4,821,067	5,738,520	5,084,358	6,997,163	6,869,099	6,309,182	7,192,989	8,975,291
Public safety	13,635,023	19,222,999	19,378,342	19,192,935	19,733,861	19,409,913	20,661,440	23,094,151	23,195,210	24,467,111
Public works	5,482,463	8,469,091	7,792,379	7,255,882	4,973,124	4,918,865	5,131,940	5,566,327	6,148,424	5,994,720
Transit	962,584	1,340,683	1,269,275	1,303,843	1,403,907	1,303,013	1,360,622	1,301,161	1,251,772	1,258,440
Commissions	190,504	179,815	181,066	157,802	94,225	158,314	143,580	145,798	217,940	186,720
Economic and physical development	2,538,460	3,885,286	3,344,248	3,664,925	3,610,662	3,485,321	3,299,488	3,662,506	4,037,270	3,941,297
Capital outlay	4,678,095	5,028,153	5,833,163	3,087,474	2,778,501	2,104,881	2,460,469	2,765,778	3,100,533	4,607,980
Debt service										
Principal	2,769,094	2,959,531	2,989,988	3,265,468	3,355,970	3,576,497	3,401,848	3,147,657	17,319,486	2,717,150
Interest and fiscal charges	1,760,555	1,758,795	1,652,888	1,528,452	1,452,715	1,265,413	1,088,749	979,411	325,655	302,340
Total expenditures	35,103,908	48,300,912	47,262,416	45,195,301	42,487,323	43,219,380	44,417,235	46,971,971	62,789,279	52,451,049
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,726,883	4,529,475	(10,066,682)	1,332,655	3,452,102	4,530,464	1,260,665	1,739,127	(17,607,975)	(4,342,720)

CITY OF HIGHLAND PARK

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Continued)
Last Ten Fiscal Years

	2007 ¹	2008	2009	2010	2011	2012	2013	2014	2015	2016
OTHER FINANCING SOURCES (USES)										
General obligation debt issued	\$ 2,500,000	\$ -	\$ -	\$ 2,510,000	\$ 3,705,000	\$ 3,410,000	\$ -	\$ -	\$ 646,800	\$ 4,650,000
Premium on debt Issued	-	-	-	137,757	115,335	256,780	-	-	27,004	80,375
Payments to escrow agent	-	-	-	(2,473,739)	(3,785,543)	(3,628,143)	-	-	-	-
Transfers in	2,978,550	3,606,660	3,257,774	2,777,568	1,910,040	1,866,880	2,143,240	2,514,360	16,540,175	1,200,000
Transfers (out)	(2,878,550)	(3,506,660)	(3,157,774)	(2,677,568)	(2,593,917)	(2,113,180)	(2,387,640)	(2,514,360)	(17,381,823)	(1,268,000)
Sale of capital assets	-	-	-	-	135,194	14,555	21,054	3,663	7,000	17,655
Total other financing sources (uses)	2,600,000	100,000	100,000	274,018	(513,891)	(193,108)	(223,346)	3,663	(160,844)	4,680,030
NET CHANGES IN FUND BALANCES	5,326,883	4,629,475	(9,966,682)	1,606,673	2,938,211	4,337,356	1,037,319	1,742,790	(17,768,819)	337,310
FUND BALANCES, BEGINNING OF YEAR	38,266,198	43,593,081	48,222,556	38,571,161	40,177,834	43,116,045	47,453,401	48,490,720	50,233,510	32,464,691
Prior period adjustment	-	-	315,287	-	-	-	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR, RESTATED	38,266,198	43,593,081	48,537,843	38,571,161	40,177,834	43,116,045	47,453,401	48,490,720	50,233,510	32,464,691
FUND BALANCES, END OF YEAR	\$ 43,593,081	\$ 48,222,556	\$ 38,571,161	\$ 40,177,834	\$ 43,116,045	\$ 47,453,401	\$ 48,490,720	\$ 50,233,510	\$ 32,464,691	\$ 32,802,001
DEBT SERVICE AS A % OF NONCAPITAL EXPENDITURES²	14.2%	10.1%	10.5%	10.7%	11.4%	11.8%	10.3%	8.9%	29.1%	6.5%

Notes:

(1) Eight months ended December 31, 2007

(2) Calculated based on capitalized expenditures reflected in Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Governmental Activities in the Statement of Activities schedule.



REVENUE CAPACITY

CITY OF HIGHLAND PARK

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Levy Years

(Cents per hundred dollars)

Levy Year	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Railroad Property	Less Tax Exempt Property	Total Taxable Assessed Value	Tax Rate	Estimated Actual Value	Annual % Change	Ratio of Total Assessed Valuation to Estimated Actual Value of Real Property
2007	2,441,739,607	232,316,880	430,159	343	1,007,223	n/a	2,675,494,212	0.517	8,026,482,636	6.6%	33%
2008	2,541,673,622	237,246,008	470,017	7,820	1,082,378	n/a	2,780,479,845	0.515	8,341,439,535	3.9%	33%
2009	2,476,244,375	226,335,788	567,093	413	1,262,442	n/a	2,704,410,111	0.536	8,113,230,333	-2.7%	33%
2010	2,336,636,829	213,064,426	545,760	454	1,527,986	n/a	2,551,775,455	0.586	7,655,326,365	-5.6%	33%
2011	2,115,645,944	205,558,934	476,191	499	1,417,358	n/a	2,323,098,926	0.643	6,969,296,778	-9.0%	33%
2012	1,967,614,286	193,428,436	464,616	549	1,796,021	n/a	2,163,303,908	0.709	6,489,911,724	-6.9%	33%
2013	1,874,011,718	186,978,939	447,194	603	2,171,296	n/a	2,063,609,750	0.785	6,190,829,250	-4.6%	33%
2014	1,863,622,335	187,084,550	444,603	665	2,255,482	n/a	2,053,407,635	0.795	6,160,222,905	-0.5%	33%
2015	1,972,901,914	202,847,928	439,359	772	2,667,731	n/a	2,178,857,704	0.749	6,536,573,112	6.1%	33%
2016	2,098,472,765	212,302,541	472,885	1,257	2,710,878	n/a	2,313,960,326	0.737	6,941,880,978	6.2%	33%

Notes:

(1) Source: Lake County

CITY OF HIGHLAND PARK

PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Levy Years
(Cents per hundred dollars)

Tax Levy Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>CITY DIRECT RATE</u>										
Bond	0.125	0.123	0.127	0.140	0.156	0.170	0.183	0.145	0.136	0.129
Corporate	0.051	0.051	0.055	0.107	0.121	0.141	0.099	0.119	0.084	0.085
Firefighters Pension	0.040	0.041	0.046	0.060	0.064	0.077	0.116	0.116	0.113	0.121
Library	0.140	0.139	0.144	0.160	0.175	0.192	0.218	0.226	0.213	0.209
Police Pension	0.046	0.047	0.053	0.065	0.064	0.078	0.115	0.115	0.128	0.128
Street and Bridge	0.073	0.073	0.068	0.054	0.063	0.051	0.054	0.074	0.075	0.065
Street Construction	0.042	0.041	0.043	-	-	-	-	-	-	-
IMRF	-	-	-	-	-	-	-	-	-	-
School Crossing Guard	-	-	-	-	-	-	-	-	-	-
Public Benefit	-	-	-	-	-	-	-	-	-	-
Audit	-	-	-	-	-	-	-	-	-	-
Total Direct Rate	0.517	0.515	0.536	0.586	0.643	0.709	0.785	0.795	0.749	0.737
<u>OVERLAPPING RATES</u>										
County	0.444	0.453	0.464	0.505	0.554	0.608	0.663	0.682	0.663	0.632
Forest Preserve	0.201	0.199	0.200	0.198	0.201	0.212	0.218	0.210	0.208	0.193
Township	0.044	0.045	0.047	0.052	0.059	0.066	0.070	0.066	0.063	0.056
Sanitary	0.120	0.121	0.124	0.136	0.150	0.150	0.164	0.169	0.166	0.157
College of Lake County	0.192	0.196	0.200	0.218	0.240	0.272	0.296	0.306	0.299	0.285
High School	1.619	1.660	1.748	1.921	2.167	2.178	2.364	2.421	2.309	2.187
Elementary School	2.186	2.215	2.313	2.437	2.818	2.957	3.076	3.152	3.006	2.862
Mosquito Abatement	0.011	0.011	0.012	0.013	0.014	0.015	0.007	0.013	0.012	0.012
Park District	0.377	0.380	0.394	0.379	0.410	0.445	0.497	0.508	0.520	0.529
Total Overlapping Rate	5.194	5.280	5.502	5.859	6.613	6.903	7.355	7.527	7.246	6.913
Total Rate	5.711	5.795	6.038	6.445	7.256	7.612	8.140	8.322	7.995	7.650

Notes:

(1) Source: Lake County

CITY OF HIGHLAND PARK

PRINCIPAL TAXPAYERS
Current Year and Nine Years Prior

December 31, 2016				December 31, 2007 ³			
Taxpayer ¹	Business/Service	Equalized Assessed Valuation ²	as a % of Total EAV	Taxpayer ¹	Business/Service	Equalized Assessed Valuation	as a % of Total EAV
Metzler I Renaissance Place LP	Retail Property	\$ 12,436,842	0.54%	Renaissance Place, LLC	Business/Retail Center	\$ 16,566,010	0.62%
Federal Realty Investment Trust	Business/Retail Center	6,906,411	0.30%	Federal Realty Investment Trust	Business/Retail Center	8,063,177	0.30%
Midwest Family Housing LLC	Real Property	6,866,612	0.30%	Solo Cup Company	Business	5,630,284	0.21%
Americana Apartments	Apartments	5,035,806	0.22%	Klairmont Enterprises, Inc.	Business/Retail Center	5,226,915	0.20%
Highland Park Associates II LLC	Real Property	4,586,851	0.20%	Sunset Food Mart, Inc.	Retail Store	5,061,218	0.19%
Klairmont Family Associates	Business/Retail Center	4,573,431	0.20%	Highland Park Associates II LLC	Business	4,639,122	0.17%
Elston Avenue Real Estate Company LLC	Real Property	3,969,002	0.17%	Americana Apartments	Real Property	4,474,385	0.17%
Ameritech-Illinois	Utility	3,860,136	0.17%	Target Corporation	Retail Store	3,980,310	0.15%
Sunset Food Mart, Inc.	Retail Property - Grocery Store	3,845,373	0.17%	Leonardi Enterprises	Real Property	3,669,190	0.14%
LB&M Real Estate Management, Inc.	Real Property	3,131,208	0.14%	American Stores Company	Business/Retail Center	3,320,586	0.12%
		<u>\$ 55,211,672</u>	<u>2.39%</u>			<u>\$ 60,631,197</u>	<u>2.27%</u>
	2016 Total EAV	\$ 2,313,960,326			2007 Total EAV	\$ 2,675,494,212	
	Percentage of Total		2.39%		Percentage of Total		2.27%

Notes:

(1) Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers listed contain multiple parcels and it is possible that some parcels and their valuations have been overlooked. The 2016 EAV is the most current available for all taxpayers.

(2) Source: Lake County Clerk

(3) Eight months ended December 31, 2007

CITY OF HIGHLAND PARK

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Levy Years

Tax Levy Year	Tax Levy as Abated ¹	Current Taxes Collected		Percent of Levy Collected	Delinquent Taxes Collected in Current Year ²	Total Collections	Percent of Total Collections to Tax Levy
		Fiscal Year Collected	Amount				
2006	13,355,343	2007 ³	13,284,616	99.47%	1,543	13,286,159	99.48%
2007	13,832,305	2008	13,733,907	99.29%	-	13,733,907	99.29%
2008	14,319,471	2009	14,257,416	99.57%	-	14,257,416	99.57%
2009	14,495,638	2010	14,406,632	99.39%	-	14,406,632	99.39%
2010	14,953,404	2011	14,217,063	95.08%	-	14,217,063	95.08%
2011	14,937,526	2012	14,871,344	99.56%	-	14,871,344	99.56%
2012	15,337,825	2013	15,235,177	99.33%	-	15,235,177	99.33%
2013	16,199,337	2014	16,085,461	99.30%	-	16,085,461	99.30%
2014	16,316,623	2015	16,254,541	99.62%	-	16,254,126	99.62%
2015	16,316,594	2016	16,294,280	99.86%	-	16,294,280	99.86%

Notes:

(1) Tax levy as abated represents total assessments extended by the City tax rate and excludes levies on the special service areas and the tax increment financing area.

(2) Lake County does not furnish information relating to delinquent taxes collected for the applicable levy year. Amounts shown in this column are collections in the year indicated of delinquent taxes applicable to prior years' tax levies.

(3) Eight months ended December 31, 2007

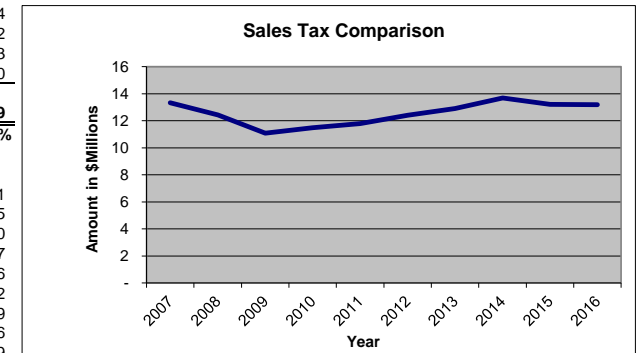
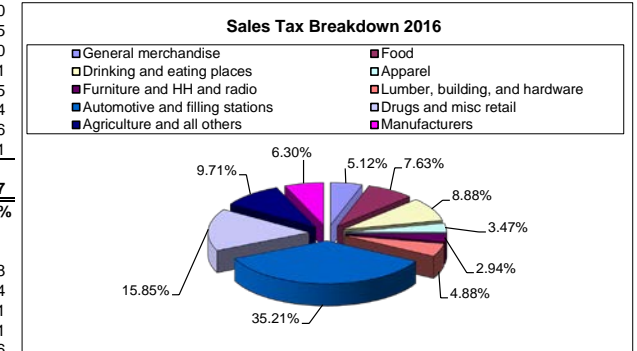
CITY OF HIGHLAND PARK

SALES TAX ANALYSIS BY SIC CODE
Last Ten Calendar Years

Municipal Sales Tax	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General merchandise	578,851	519,739	493,422	449,602	476,610	487,633	468,255	450,805	424,722	376,713
Food	975,243	998,425	939,234	868,116	844,137	825,884	833,519	892,527	848,504	785,021
Drinking and eating places	536,749	539,964	508,437	505,918	530,179	567,295	568,131	580,827	588,112	589,970
Apparel	427,184	367,146	316,748	403,224	409,753	386,460	270,411	266,663	260,993	231,345
Furniture and HH and radio	306,445	265,038	219,493	180,446	183,420	178,688	200,024	194,996	187,393	194,400
Lumber, building, and hardware	457,644	419,233	324,784	282,815	287,753	265,696	288,983	307,275	324,682	321,871
Automotive and filling stations	3,345,997	2,897,032	2,592,226	2,935,635	3,146,580	3,524,876	3,944,283	4,256,268	4,051,315	3,925,825
Drugs and misc retail	1,192,348	1,204,089	1,129,186	1,040,667	1,107,907	1,196,527	1,247,724	1,310,854	1,109,919	1,278,384
Agriculture and all others	582,260	523,773	447,584	631,631	602,865	583,516	629,981	700,733	842,241	725,046
Manufacturers	209,487	212,643	170,936	183,264	85,390	101,612	115,723	309,187	403,709	684,361
TOTAL	8,612,208	7,947,082	7,142,048	7,481,317	7,674,594	8,118,187	8,567,033	9,270,135	9,041,588	9,112,937
% Inc./Dec. from prev. year	-1.38%	-7.72%	-10.13%	4.75%	2.58%	5.78%	5.53%	8.21%	-2.47%	0.79%
Home Rule Sales Tax	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General merchandise	514,612	457,734	433,899	377,378	378,808	386,288	366,787	339,988	321,670	298,828
Food	286,502	275,568	250,607	219,535	208,931	202,292	238,547	259,062	261,177	221,744
Drinking and eating places	519,602	529,680	500,033	497,699	521,369	557,106	558,559	570,766	578,180	580,581
Apparel	426,900	367,145	316,273	402,726	406,167	380,597	264,977	260,367	254,457	226,511
Furniture and HH and radio	305,965	265,028	219,498	180,449	183,251	178,506	199,652	194,496	186,823	193,796
Lumber, building, and hardware	457,617	418,345	324,686	282,767	287,713	265,638	288,923	307,228	324,651	321,370
Automotive and filling stations	596,429	626,501	540,179	621,418	803,846	949,692	979,596	944,921	783,633	716,884
Drugs and misc retail	833,105	837,883	755,269	743,933	757,971	791,280	818,131	844,357	680,829	811,952
Agriculture and all others	555,993	500,027	421,181	479,828	471,318	461,354	505,781	550,876	663,022	555,023
Manufacturers	209,332	210,914	170,207	182,984	85,176	101,320	115,437	130,667	118,371	146,910
TOTAL	4,706,058	4,488,824	3,931,832	3,988,716	4,104,550	4,274,073	4,336,391	4,402,727	4,172,814	4,073,599
% Inc./Dec. from prev. year	0.06%	-4.62%	-12.41%	1.45%	2.90%	4.13%	1.46%	1.53%	-5.22%	-2.38%
Total Sales Tax	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General merchandise	1,093,463	977,472	927,321	826,980	855,418	873,921	835,042	790,793	746,392	675,541
Food	1,261,746	1,273,994	1,189,841	1,087,650	1,053,067	1,028,177	1,072,066	1,151,589	1,109,681	1,006,765
Drinking and eating places	1,056,351	1,069,644	1,008,469	1,003,616	1,051,548	1,124,401	1,126,690	1,151,593	1,166,292	1,170,550
Apparel	854,084	734,292	633,020	805,950	815,920	767,056	535,388	527,030	515,449	457,857
Furniture and HH and radio	612,410	530,066	438,990	360,895	366,672	357,194	399,676	389,492	374,216	388,196
Lumber, building, and hardware	915,261	837,579	649,470	565,582	575,467	531,334	577,906	614,503	649,333	643,242
Automotive and filling stations	3,942,425	3,523,532	3,132,404	3,557,053	3,950,426	4,474,568	4,923,879	5,201,189	4,834,947	4,642,709
Drugs and misc retail	2,025,454	2,041,972	1,884,454	1,784,600	1,865,878	1,987,808	2,065,855	2,155,211	1,790,749	2,090,336
Agriculture and all others	1,138,254	1,023,800	868,766	1,111,459	1,074,183	1,044,870	1,135,762	1,251,609	1,505,263	1,280,069
Manufacturers	418,819	423,556	341,144	366,248	170,566	202,932	231,160	439,854	522,080	831,271
TOTAL	13,318,266	12,435,907	11,073,880	11,470,033	11,779,144	12,392,261	12,903,424	13,672,863	13,214,402	13,186,536
% Inc./Dec. from prev. year	-0.88%	-6.63%	-10.95%	3.58%	2.69%	5.21%	4.12%	5.96%	-3.35%	-0.21%

Notes:

(1) Source: Illinois Department of Revenue



CITY OF HIGHLAND PARK

SALES TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS Last Ten Fiscal Years (Rates shown in %)

Fiscal Year	Direct			Overlapping			Total Tax
	City Home Rule	City	Total Direct	State of Illinois	Lake County	Regional Transit Authority	
2007 ¹	1.00	1.00	2.00	5.00	0.25	0.25	7.50
2008	1.00	1.00	2.00	5.00	0.25	0.75	8.00
2009	1.00	1.00	2.00	5.00	0.25	0.75	8.00
2010	1.00	1.00	2.00	5.00	0.25	0.75	8.00
2011	1.00	1.00	2.00	5.00	0.25	0.75	8.00
2012	1.00	1.00	2.00	5.00	0.25	0.75	8.00
2013	1.00	1.00	2.00	5.00	0.25	0.75	8.00
2014	1.00	1.00	2.00	5.00	0.25	0.75	8.00
2015	1.00	1.00	2.00	5.00	0.25	0.75	8.00
2016	1.00	1.00	2.00	5.00	0.25	0.75	8.00

Notes:

(1) Eight months ended December 31, 2007

(2) Source: City Records



DEBT CAPACITY

CITY OF HIGHLAND PARK

RATIO OF GENERAL BONDED DEBT TO EQUALIZED ASSESSED VALUATION AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA Last Ten Fiscal Years

Fiscal Year	Estimated Population ¹	Equalized Assessed Valuation ²	General Bonded Debt ³	Ratio of General Bonded Debt to Equalized Assessed Valuation	General Bonded Debt Per Capita
2007 ⁴	30,262	2,675,494,212	57,410,847	0.0215	1,897.13
2008	31,457	2,780,479,845	53,732,162	0.0193	1,708.11
2009	31,457	2,704,410,111	49,979,248	0.0185	1,588.81
2010	31,457	2,551,775,455	49,237,395	0.0193	1,565.23
2011	29,763	2,323,098,926	49,815,488	0.0214	1,673.74
2012	29,763	2,163,303,908	45,323,991	0.0210	1,522.83
2013	29,763	2,063,609,750	50,647,143	0.0245	1,701.68
2014	29,763	2,053,407,635	56,604,486	0.0276	1,901.84
2015	29,871	2,178,857,704	45,651,055	0.0210	1,528.27
2016	29,743	2,313,960,326	52,207,839	0.0226	1,755.30

Notes:

(1) Source: U.S. Census Bureau

(2) Source: Lake County Clerk

(3) Source: City records

(4) Eight months ended December 31, 2007

CITY OF HIGHLAND PARK

OUTSTANDING DEBT BY TYPE AND RATIO OF TOTAL DEBT
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities	Total Debt	Total Personal Income	Debt as a % of Total Personal Income	EAV	Debt to EAV Ratio	Estimated Population	Per Capita
	General Obligation Bonds	Other Payable	Capital Leases	General Obligation Bonds ¹							
2007 ³	43,466,444	-	18,689	13,944,403	57,429,536	1,674,426,722	3.43%	2,675,494,212	0.0215	30,262	1,898
2008	40,506,914	-	-	13,225,248	53,732,162	1,740,547,267	3.09%	2,780,479,845	0.0193	31,457	1,708
2009	37,516,926	-	-	12,462,322	49,979,248	1,740,547,267	2.87%	2,704,410,111	0.0185	31,457	1,589
2010	34,326,458	-	-	14,910,937	49,237,395	1,740,547,267	2.83%	2,551,775,455	0.0193	31,457	1,565
2011	30,920,488	-	-	18,895,000	49,815,488	1,824,084,981	2.73%	2,323,098,926	0.0214	29,763	1,674
2012	27,228,991	-	-	18,095,000	45,323,991	2,024,003,052	2.24%	2,163,303,908	0.0210	29,763	1,523
2013	23,827,143	-	-	26,820,000	50,647,143	2,002,067,721	2.53%	2,063,609,750	0.0245	29,763	1,702
2014	20,679,486	-	-	35,925,000	56,604,486	1,951,113,465	2.90%	2,053,407,635	0.0276	29,763	1,902
2015	4,006,800	-	-	41,644,255	45,651,055	2,051,779,248	2.22%	2,178,857,704	0.0210	29,871	1,528
2016	5,939,650	-	-	46,268,189 ⁴	52,207,839	2,172,904,608	2.40%	2,313,960,326	0.0226	29,743	1,755

Notes:

(1) Includes unamortized bond premium/discount and unamortized loss on refunding.

(2) Note payable

(3) Eight months ended December 31, 2007

(4) Includes IEPA loan

(5) Details of the City's debt can be found in the notes to the financial statements.

CITY OF HIGHLAND PARK

SCHEDULE OF DIRECT AND OVERLAPPING DEBT

December 31, 2016

Governmental Unit	General Bonded Debt	Percentage Debt Applicable to the City of Highland Park ¹	City of Highland Park Share of Debt
City of Highland Park	\$ 5,939,650	100.00%	\$ 5,939,650
Lake County	186,350,000	9.15%	17,051,025
Lake County Forest Preserve District	270,760,000	9.15%	24,774,540
North Shore Sanitary District	-	0.00%	-
Deerfield Park District	2,275,000	0.004%	91
Park District of Highland Park	2,245,000	97.15%	2,181,018
School Districts			
District No. 106	-	0.00%	-
District No. 109	19,075,000	3.04%	579,880
District No. 112	-	0.00%	-
District No. 113	91,730,000	53.75%	49,304,875
College of Lake County	67,415,000	9.64%	6,498,806
	<u>639,850,000</u>		<u>100,390,235</u>
	<u>\$ 645,789,650</u>		<u>\$ 106,329,885</u>

Notes:

(1) Determined by ratio of assessed valuation of property subject to taxation in the City to valuation of property subject to taxation in overlapping unit.

(2) Source: Lake County Clerk

CITY OF HIGHLAND PARK

SCHEDULE OF LEGAL DEBT MARGIN

December 31, 2016

Under the 1970 Illinois Constitution, there is no legal limit for home rule municipalities except as set by the General Assembly.



DEMOGRAPHIC AND ECONOMIC INFORMATION

CITY OF HIGHLAND PARK

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	Population ¹	Per Capita Income ¹	School Enrollment ²	Unemployment Rate ³	Total Personal Income ⁴	Median Age ¹	College Degree ¹
2007	30,262	55,331	6,256	2.9%	1,674,426,722	40.6	61.6%
2007 ⁵	30,262	55,331	6,212	3.3%	1,674,426,722	40.6	61.6%
2008	31,457	55,331	6,259	4.4%	1,740,547,267	40.6	61.6%
2009	31,457	55,331	6,091	6.9%	1,740,547,267	40.6	61.6%
2010	31,457	55,331	6,134	5.6%	1,740,547,267	40.6	61.6%
2011	29,763	61,287	5,850	6.0%	1,824,084,981	40.6	61.6%
2012	29,763	68,004	6,526	5.7%	2,024,003,052	45.4	66.9%
2013	29,763	67,267	6,351	6.3%	2,002,067,721	45.4	68.2%
2014	29,763	65,555	6,236	5.0%	1,951,113,465	45.2	67.6%
2015	29,871	68,688	6,475	5.1%	2,051,779,248	45.4	69.5%
2016	29,743	73,056	6,133	3.9%	2,172,904,608	45.8	71.1%

Notes:

(1) Source: U.S. Census Bureau

(2) Source: Highland Park School Districts

(3) Source: Illinois Department of Employment Security

(4) Source: Population times Per Capita Income

(5) Eight months ended December 31, 2007

CITY OF HIGHLAND PARK

PRINCIPAL EMPLOYERS Current Year and Nine Years Prior

2016			2007 ¹		
Employer	Approximate Employees	Percentage of Total Municipal Employment	Employer	Approximate Employees	Percentage of Total Municipal Employment
Highland Park Hospital	1,200	8.30%	Highland Park Hospital	1,200	7.65%
School District No. 112	750	5.19%	Solo Cup Co	844	5.38%
Ravinia Festival	690 ²	4.77%	School District 112	740 ²	4.72%
North Suburban Special Education District	595	4.12%	Ravinia Festival	690	4.40%
Township High School District No. 113	400	2.77%	Northern Suburban Special Education District	506	3.23%
City of Highland Park	237	1.64%	School District 113	398 ²	2.54%
Dick Blick Holdings	100	0.69%	City of Highland Park	317	2.02%
Highland Park Public Library	98 ²	0.68%	Manor Care of Highland Park	120	0.77%
Highland Park Post Office	85	0.59%	Guy Scapolleti Landscaping	90 ²	0.57%
First Bank of Highland Park	84	0.58%	Highland Park Post Office	85	0.54%
	<u>4,239</u>	<u>29.33%</u>		<u>4,990</u>	<u>31.83%</u>

Notes:

(1) Eight months ended December 31, 2007

(2) Includes full-time and part-time employees

(3) Source: 2016/2007 IL Manufacturers Directory, 2016/2007 IL Services Directory and City records



OPERATING INFORMATION

CITY OF HIGHLAND PARK

OPERATING INFORMATION AND INDICATORS Last Ten Fiscal Years

	2007 ¹	2008	2009	2010	2011	2012	2013	2014	2015	2016
FIRE PROTECTION										
Emergency responses	1,764	4,673	4,542	4,480	4,777	4,832	4,657	5,220	4,859	5,146
Fires extinguished	29	34	25	31	47	46	43	28	31	18
PUBLIC WORKS										
Asphalt placed (square yards)	2,608	1,963	3,438	7,608	3,033	2,035	2,154	3,120	3,644	3,450
Crack sealing (street miles)	7	5	-	7	3	3	3	5	4	4
Street-sweeping (hours) ²	1,650	2,109	1,802	-	39	79	57	93	312	36
Number of mainbreaks repaired	39	64	59	102	92	101	104	106	44	49
POLICE PROTECTION										
Parking violations	8,403	12,643	12,173	11,032	6,192	8,730	8,060	6,673	6,502	6,082
Number of arrests	509	1,139	1,470	1,189	227	1,648	1,696	1,611	1,424	1,200
Number of traffic citations	2,589	9,442	5,430	4,348	3,980	4,725	4,626	3,439	2,837	2,317
FINANCE										
Number of water bills	25,973	41,267	41,634	41,788	42,244	42,248	42,324	42,320	42,424	42,380
Number of vendor checks	5,087	6,809	6,256	7,229	6,000	5,741	5,578	5,873	5,724	5,895
MUNICIPAL WATER SYSTEM										
Number of customers	10,254	10,300	10,300	10,300	10,434	10,436	10,445	10,443	10,422	10,422
Average daily consumption (million gallons)	11.9	9.6	9.2	9.8	9.6	9.0	8.6	7.9	7.7	8.6
Plant capacity (rated) - per day (million gallons)	21	21	21	21	21	21	21	21	30	30
Miles of water mains (approximate)	168	168	168	168	168	168	168	168	172	171
Number of fire hydrants (approximate)	1,680	1,680	1,680	1,680	1,680	1,680	1,680	1,680	1,700	1,773

Notes:

(1) Eight months ended December 31, 2007

(2) Beginning in 2010, street sweeping provided by contractor.

(3) Source: U.S. Census Bureau and City Records

CITY OF HIGHLAND PARK

CAPITAL ASSET STATISTICS Last Ten Fiscal Years

	2007 ¹	2008	2009	2010	2011	2012	2013	2014	2015	2016
AREA - SQUARE MILES	12	12	12	12	12	12	12	12	12	12
FIRE PROTECTION										
Number of stations	3	3	3	3	3	3	3	3	3	3
Fire engines	3	3	3	3	3	3	3	3	3	3
Squad/Engine	0	0	0	0	0	0	0	0	0	1
Ambulances	3	3	3	3	3	3	3	3	3	4
POLICE PROTECTION										
Number of stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	14	14	14	13	13	14	14	14	14
PUBLIC WORKS										
Miles of water mains (approximate)	168	168	168	168	168	168	168	168	172.3	171
Number of fire hydrants (approximate)	1680	1680	1680	1680	1680	1680	1680	1680	1700	1773
Miles of storm sewer (approximate)	178	178	178	178	178	178	178	178	178	182
Number of street lights (approximate)	1420	1420	1420	1420	1420	1420	1420	1420	1473	1473
Miles of sanitary sewer (approximate)	130	130	130	130	130	130	130	130	130	131
MILES OF STREET										
Paved	154	154	154	154	154	154	154	154	154	154
Graded	2	2	2	2	2	2	2	2	2	2
TOTAL	156	156	156	156	156	156	156	156	156	156

Notes:

(1) Eight months ended December 31, 2007

(2) Source: U.S. Census Bureau and City Records

CITY OF HIGHLAND PARK

FULL-TIME EQUIVALENT EMPLOYEES Last Ten Fiscal Years

	2007 ¹	2008	2009	2010	2011	2012	2013	2014	2015	2016
GENERAL GOVERNMENT	23.3	23.3	24.3	23.3	23.3	20.1	20.4	20.4	20.7	20.7
COMMUNITY DEVELOPMENT	29.5	29.5	28.8	23.8	20.8	20.8	21.1	22.1	22.6	23.6
FINANCE	13.5	13.5	13.5	13.5	13.3	13.3	13.3	13.3	13.3	13.0
FIRE										
Firefighters and officers	53.0	53.0	53.0	51.0	49.0	48.0	48.0	48.0	48.0	48.0
Civilians	5.0	5.0	5.0	5.0	5.0	5.5	6.5	6.7	6.7	6.7
POLICE										
Sworn personnel	60.0	60.0	60.0	58.0	55.0	55.0	57.0	57.0	57.0	57.0
Civilians	30.3	30.3	28.7	28.7	25.7	26.7	27.2	27.2	20.2	20.2
PUBLIC WORKS										
Maintenance workers	66.3	66.3	66.0	64.5	60.0	58.5	58.8	57.5	58.9	58.9
Engineering	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Administration	28.0	28.0	28.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Total Employees	312.8	312.8	311.3	295.8	280.1	275.9	280.2	280.2	275.3	276.1

Notes:

(1) Eight months ended December 31, 2007

(2) Source: U.S. Census Bureau and City Records