

**October 25, 2018**

**ANNUAL DISCLOSURE REPORT  
FOR THE FISCAL YEAR ENDED APRIL 30, 2018**

**OF THE**

**CITY OF HIGHLAND  
MADISON COUNTY, ILLINOIS**

**IN CONNECTION WITH**

**SENIOR LIEN ELECTRIC SYSTEM REVENUE BONDS  
(FIBER-TO-THE-PREMISES PROJECT)  
(BUILD AMERICA BONDS – DIRECT SUBSIDY) TAXABLE SERIES 2010**

**SENIOR LIEN ELECTRIC SYSTEM REVENUE BONDS  
(FIBER-TO-THE-PREMISES PROJECT) SERIES 2012**

**GENERAL OBLIGATION CAPITAL APPRECIATION BONDS  
(ALTERNATE REVENUE SOURCE)  
SERIES 2010**

**GENERAL OBLIGATION BONDS  
(ALTERNATE REVENUE SOURCE) SERIES 2012**

**CITY OF HIGHLAND, ILLINOIS  
GENERAL OBLIGATION SEWERAGE SYSTEM BONDS  
(ALTERNATE REVENUE SOURCE) SERIES 2013**

**CITY OF HIGHLAND, ILLINOIS  
GENERAL OBLIGATION REFUNDING BONDS  
(ALTERNATE REVENUE SOURCE) SERIES 2014A**

**CITY OF HIGHLAND, ILLINOIS  
GENERAL OBLIGATION REFUNDING BONDS  
(ALTERNATE REVENUE SOURCE) SERIES 2014B**

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The information set forth herein has been furnished by the City and from other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Financial Advisor. This Annual Disclosure Report is not to be construed as a contract or agreement between the City and the purchasers or owner of any of the Bonds. The information and expressions of opinion contained herein are subject to change without notice, and the delivery of the Annual Disclosure Report is not under any circumstances, to create any implication that there has been no change in the affairs of the City since the date hereof.

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**THE CITY OF HIGHLAND**

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**MAYOR**

Joseph R. Michaelis

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**COUNCIL MEMBERS**

Peggy Bellm  
Neill Nicolaides

Rick J. Frey  
Aaron Schwarz

**CITY MANAGER**

Mark Latham

**DIRECTOR OF FINANCE**

Kelly Korte

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**FINANCIAL ADVISOR**

WM Financial Strategies  
St. Louis, Missouri

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**INTRODUCTION**

This Annual Disclosure Report is provided by the City of Highland, Illinois (the “City”) to furnish information in connection with its outstanding Senior Lien Electric System Revenue Bonds (Fiber-to-the Premises Project) (Build America Bonds-Direct Subsidy) Taxable Series 2010 (the “Series 2010 Revenue Bonds”), General Obligation Capital Appreciation Bonds (Alternate Revenue Source) Series 2010 (the “Series 2010 Bonds”), Senior Lien Electric System Revenue Bonds (Fiber-to-the-Premises Project) Series 2012 (the “Series 2012 Revenue Bonds”), General Obligation Bonds (Alternate Revenue Source) Series 2012 (the “Series 2012 Bonds”), General Obligation Sewerage System Bonds (Alternate Revenue Source), Series 2013 (the “Series 2013 Bonds”), General Obligation Refunding Bonds (Alternate Revenue Source) Series 2014A (the “Series 2014A Bonds”), and General Obligation Refunding Bonds (Alternate Revenue Source) Series 2014B (the “Series 2014B Bonds”).

## **THE CITY OF HIGHLAND**

### **General**

The City was incorporated in 1884. Located in west central Illinois, the City is approximately 40 miles east of downtown St. Louis and covers an area of approximately 7.4 square miles. The City is a growing community characterized by a strong commercial/industrial base, an abundance of public facilities and a variety of attractive residential developments. Founded in 1831 by Swiss settlers, the City functioned as a service center for the surrounding agricultural areas. Today, Highland not only retains this function, but also serves as an attractive suburban community providing employment opportunities both locally and in other employment centers in the St. Louis Metropolitan Area. The City's proximity to interstate highways and to a major metropolitan area has enhanced the City's growth and development and offers residents the opportunity to enjoy the cultural advantages of a large metropolitan area.

### **Government**

The City is a non-Home Rule Unit and operates under the Managerial Form of municipal government. The legislative body of the City is the City Council. The City Council is comprised of the Mayor and four council members. Council members are elected at large to serve four-year terms, one-half of which expire biennially. The Mayor, elected at large to serve a four-year term, is the presiding officer of the City Council. The Mayor has the right to vote on all questions coming before the City Council, but has no power to veto any ordinance, resolution or motion of the City Council.

The Mayor, with the advice and consent of the City Council, appoints the City Manager. The City Manager is the chief administrative officer of the City and is responsible for implementing council directives and policies, hiring all department heads, managing the administrative and operating functions of the government.

### **Employees**

The City currently has 111 full-time and 212 part-time employees. City paramedics, electric linemen, police officers, telecommunicators, sergeants and operating engineers are members of one of six unions; the Fraternal Order of Police Labor Council ("FOP Patrol"), International Union of Operating Engineers ("IUOE"), International Brotherhood of Electrical Workers ("IBEW"), Fraternal Order of Police Labor Council-Sergeants ("FOP Sergeants"), Fraternal Order of Police Labor Council-Telecommunicators ("FOP Telecommunicators") or International Association of Firefighters ("IAFF"). Union contracts with the IBEW, FOP Patrol, FOP Sergeants and FOP Telecommunicators expire on April 30, 2019, the contract with the IAFF expires on April 30, 2020 and the contract with the IUOE expires on April 30, 2021. The City has no record of a strike or labor dispute.

### **Pension Plan**

See the Annual Financial Report and Audited Financial Statements for the Fiscal Year ended April 30, 2018 that accompanies this Annual Disclosure Report.

### **Community Services**

#### *Utilities*

Natural gas service is provided by Ameren Illinois. The City provides water, sewer, electric, telephone, internet and cable service. The following is a brief description of the waterworks, sewerage and electric systems.

The City's waterworks facilities include a treatment plant, distribution facilities and storage facilities. Storage facilities, with a combined capacity of 2,950,000 gallons, consist of a 1 million gallon ground storage tank, a 1.5 million gallon standpipe tank, a 200,000 gallon elevated storage tank, a 150,000 clear well and a 100,000 gallon clear well. The City's treatment plant was upgraded in 1993 and has a maximum capacity to treat 4,200,000 gallons per day. Average daily demand is 1,221,000 gallons per day and peak demand is 2,100,000 gallons per day.

The City's sewerage system includes a collection and distribution system and a water reclamation facility. The water reclamation facility was upgraded in 1998 and presently has a design capacity to treat an average of 1.6 million gallons of wastewater per day with peak loads up to 4 million gallons per day. The City's average dry weather flow is 1.24 million gallons per day.

Electric production facilities serving the City are owned by the City or the Illinois Municipal Electric Agency. Residents obtain electrical service through the City-owned distribution system. The City is presently developing a broadband network using a Fiber-To-The-Premises system (the "FTTP System") which is operated as a component of the City's Electric System. Additional phases of the FTTP System have been constructed and, as of April 30, 2018, the FTTP System had approximately 2,078 customers.

#### *Media*

A weekly newspaper is published in the City. The City provides cable television through its FTTP System. Cable television in the City is also available from Charter Communications.

Within the City is the Louis Latzer Memorial Public Library. Encompassing 15,552 square feet, the library has over 60,000 books, newspapers, magazine subscriptions, CDs and videos.

#### *Public Safety*

The City's police department provides police protection throughout the corporate limits of the City. Services are provided by 21 full-time officers and 8 civilian employees. Community programs offered by the department include DARE, bicycle engraving and neighborhood watch groups.

The City's fire department (the "Department") provides services from two stations. Thirty volunteer firefighters serve the City. The Department is rated "4" by the Insurance Services Organization, among ratings ranging from 1 to 10 with 1 as the highest. This rating is based on several factors including the number of firefighters and their training, response time, firefighting equipment, the City's water system, and fire prevention programs of the Department.

#### *Recreation Activities*

There are numerous parks within and immediately adjacent to the City. The City owns and operates 9 parks, the largest of which is the Silver Lake Park which encompasses 460-acres of land surrounding a 740-acre lake. Recreational activities available at this park include fishing, boating, picnicking, archery, hiking and camping.

The other City parks encompass a combined total area of approximately 76-acres. Facilities at these parks include tennis courts, soccer fields, baseball diamonds, nature walks, a skate park, playground equipment and small children playground equipment. The parks offer supervised summer activities through full-time park and recreation leaders. The City also operates a public swimming pool and has a municipal band which offers weekly outdoor band concerts in the summer.

The City also owns a recreation center, the Korte Recreation Center, and a community building, the Weinheimer Memorial Building. The Korte Recreation Center is located on approximately 6.32-acres of a 27-acre site at Glik Park located in Highland, Illinois. The facility was opened in 2002, and

has two gymnasiums, an indoor aquatic center with both a lap and lazy river function, an indoor walking and jogging track, an administrative office, a room for aerobics, and a state-of-the-art fitness center. The Weinheimer Memorial Building has a gymnasium and a senior center.

Privately owned parks include: Lindendale, owned by the Helvetia Sharpshooters Society since 1861; the Veterans of Foreign Wars Park, and; the Pistol and Rifle Club Park, which offers an indoor pistol range, and outdoor rifle and trap shooting ranges.

The Highland Country Club offers a nine-hole golf course, fishing, swimming, and dining facilities.

### *Medical*

Within the City is St. Joseph's Hospital (the "Hospital"), a 25-bed acute care medical facility that provides a wide range of inpatient, outpatient and emergency services. Established more than 135 years ago, in August 2013, the Hospital opened a new campus consisting of a 75,000 square foot hospital and a 125,000 square foot Medical Office Building. Inpatient and outpatient services include surgery, specialty clinics, rehab, digital imaging, laboratory, wound care, cancer care, sleep center, and community health and education outreach programs.

Anderson Hospital recently completed construction of an ExpressCare facility within the City. The ExpressCare's team of healthcare professionals provide treatment for a wide variety of minor illnesses and injuries and offer radiology and a full-service lab.

The City provides ambulance service to an area encompassing approximately 280 square miles which encompasses the corporate limits of the City and five fire protection districts outside the City. The City's ambulance service maintains a fleet of three Advanced Life Support (Paramedic) ambulances, staffing two units 24-hours a day, 7 days a week with the third staffed for 12 hours a day every day.

### *Education*

The public school system within the City is operated under the administration and control of the Highland Community Unit School District #5 (the "School District") and the Southwestern Illinois Community College, a two-year community college district with a campus located in Belleville, Illinois 30 miles from the City. These districts are independent of the City, having their own elected or appointed officials, budgets and administrators. The districts are empowered to levy taxes, separate and distinct from those levied by the City.

The School District owns and operates 1 elementary school, 1 middle school and 1 high school in the City limits. In addition, there is a privately owned elementary and junior high school in the City.

In addition to Southwestern Illinois Community College, higher education is available at Southern Illinois University Edwardsville ("SIUE"), located approximately 23 miles from the City. SIUE provides undergraduate, graduate and professional programs for approximately 14,000 students on a 2,600-acre campus. SIUE has more than 273 areas of study.

Several other institutions of higher education are within a 35-mile radius of the City including McKendree University in Lebanon, Lewis and Clark College in Godfrey, Kaskaskia Community College in Centralia, Washington University in St. Louis, and Saint Louis University in St. Louis.

## Economic and Demographic Data

### *Economy*

The City is a growing community characterized by a strong commercial/industrial base, an abundance of public facilities and a variety of attractive residential developments. Founded in 1831 by Swiss settlers, the City functioned as a service center for the surrounding agricultural areas. Today, Highland not only retains this function, but also serves as an attractive suburban community providing employment opportunities both locally and in other employment centers in the St. Louis Metropolitan Area. The City's proximity to interstate highways and to a major metropolitan area has enhanced the City's growth and development and offers residents the opportunity to enjoy the cultural advantages of a large metropolitan area.

The City currently has approximately 285 business establishments. The City's retail activity is centered in four locations; the historic downtown and three strip shopping centers.

### *Transportation*

There are four interstate highways which run through Madison County, two are within eight miles of the City (Interstate 55, and 270) and one (Interstate 70 running east and west across the United States) is immediately adjacent to the City. U.S. Route 40, running east and west, is the main artery through the City. Two railroads, the Chicago Northwestern and the Norfolk Southern, provide rail transportation and fixed route bus transportation in the City is provided by the Madison County Transit District.

Tri-City Regional Port District, located 40 miles west of the City, operates barge terminal facilities on the Mississippi River. Lambert-St. Louis International Airport, a major international airport located in St. Louis County, Missouri is approximately 45 miles from the City. Commercial air service is provided by St. Louis Regional Airport, a general aviation facility in Bethalto, Illinois approximately 30 miles from the City, and at MidAmerica Airport, located approximately 20 miles from at the City. The City is also served by two private general aviation airports, Highland Winet and Schaefer Metro East in Troy, the latter just 10 miles from the City.

### *Population*

The following table sets forth population statistics for the City:

<u>Year</u>	<u>Population</u>
1980	7,122
1990	7,546
2000	8,438
2010	9,919

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*Source: United States Department of Commerce, Bureau of Census.*



### Major Employers

The largest employers located within the City are as follows:

<u>Name</u>	<u>Product or Service</u>	<u>Number of Employees</u>
Eaton Corporation	Industrial Support Systems	475
Basler Electric	Electrical Equipment Manufacturer	340
Highland C.U.S.D.	Education	325
City of Highland	Municipal Government	323
St. Joseph's Hospital	General Hospital	276
Wal-Mart Stores	Department Store	252
Faith Countryside Homes	Nursing/Assisted Living	99
Nutreco	Animal Food Provider	95
Highland Machine	Sheet Metal Fabrication	79
Apex Therapy	Physical Therapy	62

*Source: City of Highland 2018 survey of employers.*

### Employment

According to the US Bureau of Census, 2012-2016 American Community Survey, 5-Year Estimates, the total civilian labor force of the City was 5,170 and 184 people were unemployed. This represents a 3.6% unemployment rate.

### Housing

The following table sets forth certain statistics relating to housing for the City and, for comparative purposes, Madison County and the State of Illinois:

	<u>Median Value of Owner Occupied Housing</u>	<u>% Built from 2000 or later</u>	<u>% Built Before 1940</u>
City of Highland	\$151,800	23.6%	13.9%
Other Entities:			
Madison County	129,200	12.6	16.4
State of Illinois	174,800	12.4	22.1

*Source: US Bureau of Census, 2012-2016 American Community Survey 5-Year Estimates.*

### *Income*

The following table sets forth certain income statistics for the City and, for comparative purposes, Madison County and the State of Illinois:

	<u>Per Capita Income</u>	<u>Median Family Income</u>	<u>% Population Below Poverty Level</u>
City of Highland	\$29,276	\$74,244	9.9%
Other Entities:			
Madison County	29,100	70,077	13.2
State of Illinois	31,502	73,714	14.0

*Source: US Bureau of Census, 2012-2016 American Community Survey 5-Year Estimates.*

### *Building and Construction Data*

The following table sets forth the number of units and value of building permits issued by the City for new construction and improvements for the past five Fiscal Years:

<u>Fiscal Year</u>	<u>Residential</u>		<u>Commercial &amp; Industrial</u>		<u>Total Value</u>
	<u>Number of Permits</u>	<u>Value</u>	<u>Number of Permits</u>	<u>Value</u>	
2014	167	\$5,712,000	49	\$7,476,000	\$13,188,000
2015	181	3,078,000	50	3,439,000	6,517,000
2016	255	5,400,000	40	4,272,000	9,672,000
2017	243	7,222,000	38	1,369,000	8,591,000
2018	184	5,787,000	32	5,476,000	11,263,000

*Source: City Development Department.*

## **THE CITY'S FINANCES**

### **The General Fund**

In accordance with established accounting procedures for governmental units, the City records its financial transactions under various funds. The largest is the General Corporate Fund, from which all general operating expenses are paid and to which taxes and all other revenues not specifically allocated by law or contractual agreement to other funds are deposited.

The following table indicates the City's General Corporate Fund revenues, expenditures and changes in fund balance for the fiscal years ended April 30, 2015 through 2018:

**SUMMARY OF OPERATIONS**  
**GENERAL CORPORATE FUND**  
**Revenues, Expenditures and Changes in Fund Balances**

	Fiscal Year ended April 30			
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>REVENUES:</b>				
Property Taxes	\$1,348,831	\$1,318,701	\$1,362,365	\$1,360,440
Corporate Personal Property				
Replacement Taxes	124,977	99,821	141,800	104,152
Intergovernmental <sup>(1)</sup>	4,000,735	4,440,011	4,099,705	4,408,056
Charges for Services	2,235,416	2,356,641	2,360,332	2,412,005
Licenses and Permits	273,768	249,133	242,861	251,510
Fines and Penalties	26,048	29,817	18,480	18,345
Revenue From Use of Property	89,559	89,184	92,455	90,883
Grants	-	-	178,078	345,625
Miscellaneous	<u>235,999</u>	<u>395,058</u>	<u>473,357</u>	<u>285,790</u>
Total Cash Revenues	8,335,333	8,978,366	8,969,433	9,276,806
<b>CURRENT EXPENDITURES:</b>				
General Government	1,151,686	1,335,459	1,227,991	1,325,568
Public Safety	3,119,360	3,096,418	3,170,447	3,280,449
Highways and Streets	884,904	927,059	1,017,382	898,993
Economic Development	160,405	310,318	179,261	143,661
Culture and Recreation	1,819,554	1,946,620	1,891,961	1,885,398
Capital Expenditures	<u>1,398,307</u>	<u>2,255,357</u>	<u>1,271,857</u>	<u>897,253</u>
Total Expenditures	8,534,216	9,871,231	8,758,899	8,431,322
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(198,883)	(892,865)	210,534	845,484
<b>DEBT SERVICE EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>				
Principal Retirement	(290,000)	(400,000)	(403,264)	(452,372)
Interest, Issue Costs and Fixed Charges	(134,948)	(31,319)	(29,356)	(29,253)
Note Payable Proceeds	-	-	221,000	-
Sale of Capital Assets	4,950	6,500	57,000	1,800
Unrealized Depreciation of Investments	-	-	-	(8,972)
Transfers in <sup>(2)</sup>	788,629	1,534,530	415,468	94,808
Transfers out <sup>(2)</sup>	<u>(206,000)</u>	<u>(104,000)</u>	<u>(560,000)</u>	<u>(280,000)</u>
Total other financing sources (uses)	162,631	1,005,711	(299,152)	(673,989)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(36,252)	112,846	(80,118)	171,495
<b>BALANCE BEGINNING OF YEAR</b>	<u>2,598,883</u>	<u>2,562,631</u>	<u>2,675,477</u>	<u>2,595,359</u>
<b>BALANCE END OF YEAR</b>	<u>\$2,562,631</u>	<u>\$2,675,477</u>	<u>\$2,595,359</u>	<u>\$2,766,854</u>

Footnotes to Prior Page

- (1) Intergovernmental revenue includes Revenue Sharing Receipts, personal property replacement tax, and various Federal and State grants.
- (2) Information regarding “Transfers In” and “Transfers Out” is included in the notes to the financial statements that accompany the City’s Annual Disclosure Reports under “INTERFUND ACTIVITY.”

Source: *Derived from audited financial statements of the City and City’s Director of Finance.*

**Governmental Funds - Revenue Sources**

The City derives its revenues from a variety of sources. The following list sets forth the primary sources of City revenues for its governmental funds based on audited results for the 2018 Fiscal Year:

	<u>Revenue</u>	<u>Percentage of Total Revenue</u>
Intergovernmental:		
Sales Tax:		
General Sales Tax	\$ 2,692,857	17.50%
Non-Home Rule Sales Tax	1,402,969	9.11
State Income Tax <sup>(1)</sup>	1,359,263	8.83
Other Intergovernmental	<u>908,696</u>	<u>5.90</u>
Total	<u>6,363,785</u>	<u>41.34</u>
Property Taxes	3,794,954	24.65
Corporate Personal Property Taxes	158,068	1.03
Charges for Services	3,819,310	24.81
Licenses, Permits and Fees	251,510	1.63
Revenue from the Use of Property	90,883	0.59
Grants	469,374	3.05
Other	<u>446,196</u>	<u>2.90</u>
	<u>\$15,394,080</u>	<u>100.00%</u>

(1) Revenue Sharing Receipts.

Source: *Fiscal Year 2018 audited financial statements and office of the Director of Finance.*

The following is a summary of some of the more significant revenue sources of the City:

*Sales Taxes*

Prior to 1990 a 6% State sales tax was charged by the State of Illinois of which 1% was distributed to cities as a local sales tax (the “General Sales Tax”). The sales tax rate in the City is currently 7.85% of which the State receives 5%, the County receives .25%, the Madison County Transit District receives .25%, the Metroeast Park District receives .1%, the County Flood Prevention District receives .25%, and the City receives 1% from the General Sales Tax and 1% from the Non-Home Rule Sales Tax. The sales taxes are collected by the Illinois Department of Revenue and distributed to the City monthly.

General Sales Tax. The following table sets forth the City’s 1% General Sales Tax receipts for the past five Fiscal Years:

<u>Fiscal Year</u>	<u>General Sales Tax</u>
2014	\$2,406,532
2015	2,473,224
2016	2,624,354
2017	2,687,754
2018	2,692,857

*Source: City’s audited financial statements.*

Non-Home Rule Sales Tax. In March 2006 voters approved a 1% Non-Home Rule Sales Tax. The 2008 Fiscal Year was the first full year of receipts from the tax. The Non-Home Rule Sales Tax is pledged to the payment of the Series 2014B Bonds and the Series 2010 Bonds. Funds remaining after payment of such bonds will be used for the maintenance of existing streets and sidewalks.

The following table sets forth the City’s Non-Home Rule Sales Tax receipts for the past five Fiscal Years:

<u>Fiscal Year</u>	<u>Non-Home Rule Sales Tax</u>
2014	\$1,350,631
2015	1,356,778
2016	1,397,348
2017	1,409,810
2018	1,402,969

*Source: City’s audited financial statements.*

In July 2018 the City implemented Business District Development and Redevelopment Sales Taxes pursuant to the Business District Development and Redevelopment Law of the Illinois Municipal Code (“Business District Sales Taxes”) in three districts comprising substantially all of the City’s commercial businesses. The tax is at the rate of ½% that was imposed beginning in July 2018 and distributed to the City beginning in October 2018. The tax will expire in 23 years. The City expects to collect approximately \$700,000 annually from this tax.

*Revenue Sharing Receipts*

Illinois municipalities and counties receive a portion of the Illinois State income tax as a form of revenue sharing. A portion of the Illinois State income taxes are deposited into the Local Government Distributive Fund and are then distributed to municipalities and counties monthly. The amount of such funds allocable to each such municipality and county is the proportion of the number of individual residents of such municipality or county to the total population of the State, determined in each case on the basis of the latest census of the State, municipality or county conducted by the Federal government and certified by the Secretary of State. During the past two years, distribution has been delayed due to financial constraints experienced by the State of Illinois.

The following table sets forth the City's distributive share of income tax receipts for the past five Fiscal Years.

<u>Fiscal Year</u>	<u>Income Tax Receipts</u>
2014	\$1,140,257
2015	1,171,822
2016	1,421,357
2017	1,046,684
2018	1,359,263

*Source: City's audited financial statements.*

### *Charges for Services*

Charges for services are for business licenses, building permits, and parks and recreation. Fees from recreation activities represent the majority of funds classified as "Charges for Services."

## **PROPERTY TAXATION**

### **Property Assessment**

The following table indicates the equalized assessed valuation for the City for the past five tax years:

<u>Tax Year</u>	<u>Equalized Assessed Valuation</u>	<u>Change from Prior Year</u>
2013	\$176,336,953	—
2014	177,827,085	0.85%
2015	177,612,345	-0.12
2016	180,405,083	1.57
2017	184,021,018	2.00

*Source: Office of the County Clerk.*

The following table sets forth the composition of equalized assessed valuation for 2017 tax year and the estimated market value:

<u>Assessment Category</u>	<u>Assessed Value</u>	<u>Market Value</u>
Residential	\$133,235,441	\$399,706,323
Commercial	45,939,060	137,817,180
Industrial	4,572,680	13,718,040
Railroads	82,677	248,031
Farmland	191,160	191,160
Total Taxable Properties	<u>184,021,018</u>	<u>551,680,734</u>
Exemptions (Sr. Citizens Homestead, Sr. Citizens Tax Freeze, General Homestead and Others)	26,255,412	78,766,236
Tax Increment Financing	5,955,757	17,867,271
Total	<u>\$216,232,187</u>	<u>\$648,314,241</u>

*Source: Equalized assessed values were provided by the County Clerk.*

## Tax Rates

See Table 4 to the Audited Financial Statements for the Fiscal Year ended April 30, 2018 that accompanies this Annual Disclosure Report.

## Tax Levies and Collections

Due to the procedures used in the collection and distribution of taxes, Madison County does not make a distinction in record keeping between total current taxes collected and back taxes collected (See the caption "PROPERTY TAXATION-Tax Procedures"). A final annual settlement of taxes is made by the County approximately 6 to 10 months following the due date on the last installment of taxes. The following table sets forth the total taxes distributed to the City by the final tax settlement date:

<u>Tax Year</u>	<u>Taxes Extended</u>	<u>Taxes Distributed</u>	<u>% Distributed</u>
2012	\$3,465,700	\$3,450,538	99.57%
2013	3,446,329	3,421,827	99.29
2014	3,541,960	3,523,231	99.47
2015	3,606,064	3,590,386	99.57
2016	3,729,694	3,734,016	100.12
2017	3,841,070	n/a	n/a

*Source: City's Finance Department.*

## Major Taxpayers

The following table sets forth information regarding the top ten taxpayers in the City based on 2017 property tax assessment.

<u>Taxpayer</u>	<u>Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation<sup>(1)</sup></u>
St. Joseph's Hospital	Healthcare	\$3,500,000	1.90 %
Walmart Stores	Department Store	2,781,500	1.51
Frey Properties	Developer	1,637,510	0.89
Cooper B-Line Systems	Industrial Support Systems	1,302,320	0.71
Retko Group	Rental Property	1,289,830	0.70
Highland Development Group LLC	Developer	1,228,590	0.67
Glik Development Co.	Real Estate Development	962,440	0.52
Trouw Nutrition	Feed Additive	928,230	0.50
Dow Jones	Wall Street Journal-MidWest Edition	924,930	0.50
Highland Leasehold/ Health	Health Care	915,310	0.50

(1) Based on the ratio of the assessed valuation of the taxpayer to the City's assessed valuation of \$184,021,018.

*Source: Madison County Clerk.*

## DEBT OF THE CITY

### Outstanding General Obligation Debt

The following table sets forth a list of the City's outstanding general obligation alternate revenue source bonds as of the end of the 2018 Fiscal Year. The table includes the source of revenue from which debt service payments are made or expected to be made.

<u>Issue</u>	<u>Source of Repayment</u>	<u>Principal Outstanding</u>
General Obligation Capital Appreciation Bonds (Alternate Revenue Source) Series 2010	Non-Home Rule Sales Tax	\$ 3,199,367
General Obligation Bonds (Alternate Revenue Source) Series 2012	General Obligation Bonds and Incremental Revenues	3,210,000
General Obligation Sewerage System Bonds (Alternate Revenue Source) Series 2013	Sewerage System	2,345,000
General Obligation Refunding Bonds (Alternate Revenue Source) Series 2014A	General Sales Tax	1,265,000
General Obligation Refunding Bonds (Alternate Revenue Source) Series 2014B	Non-Home Rule Sales Tax	<u>735,000</u>
Total		<u>\$10,754,367</u>

The following table sets forth the debt service on the City's outstanding general obligation alternate revenue bonds, as of the date of this Disclosure Report, including the source of revenue from which debt service is to be paid:

<u>Fiscal Year</u>	<u>Incremental Revenues and Other Funds</u>	<u>General Sales Tax</u>	<u>Non-Home Rule Sales Tax</u>	<u>Sewer System</u>	<u>Total Debt Service</u>
2019	\$ 292,063	\$ 434,285	\$ 746,760	\$ 195,040	\$ 1,668,148
2020	288,263	432,705	535,000	196,985	1,452,953
2021	292,563	434,515	535,000	198,800	1,460,878
2022	291,563	—	535,000	195,613	1,022,176
2023	290,413	—	535,000	197,263	1,022,676
2024	289,113	—	535,000	198,450	1,022,563
2025	292,663	—	535,000	199,220	1,026,883
2026	290,350	—	535,000	199,623	1,024,973
2027	287,875	—	535,000	199,643	1,022,518
2028	290,238	—	535,000	199,265	1,024,503
2029	292,275	—	535,000	198,275	1,025,550
2030	288,350	—	540,000	196,775	1,025,125
2031	289,250	—	—	195,075	484,325
2032	289,800	—	—	197,850	487,650
2033	—	—	—	180,413	180,413
2034	—	—	—	163,400	163,400
Total	<u>\$4,064,779</u>	<u>\$1,301,505</u>	<u>\$6,636,760</u>	<u>\$3,111,690</u>	<u>\$15,114,734</u>



## Legal Debt Limit and Debt Margin

The City may enter into installment purchase contracts, and, subject to a vote, may issue general obligation bonds in an amount not exceeding 8.625% of its assessed valuation. The following table sets forth the City's legal debt limit and debt margin.

2017 Assessed Value	<u>\$184,021,018</u>
Debt Limit - 8.625% of Assessed Value	\$15,871,813
Less: Debt Counting Against Limit <sup>(1)</sup>	—
Legal Debt Margin	<u>\$15,871,813</u>

(1) As long as the City's pays the alternate bonds from the Pledged Revenues, the alternate revenue source bonds will not count against any constitutional or statutory debt limit. Accordingly, the City's alternate bonds are not included in the table above.

Without voter approval, the City may issue bonds pursuant to the Illinois Municipal Code (bonds authorized under Section 8-5-16 of the Illinois Municipal Code) in an amount equal to .50% of assessed valuation. The following table sets forth the City's non-referendum debt limit:

2017 Assessed Value	<u>\$184,021,018</u>
Debt Limit - .50% of Assessed Value	\$920,105
Less: Debt Counting Against Limit	—
Legal Debt Margin	<u>\$920,105</u>

## Direct and Overlapping Debt

The following table sets forth information relating to the direct and overlapping general obligation debt of the City as of April 31, 2018:

	<u>Outstanding Bonds</u>	<u>Percent Applicable to The City<sup>(1)</sup></u>	<u>City's Direct and Overlapping Debt</u>
City of Highland <sup>(2)</sup>	\$ —	100.00%	\$ —
Southwestern Illinois College #522	12,865,000	2.71	348,642
Community Unit School Dist. No. 5	<u>24,399,217</u>	48.68	<u>11,877,539</u>
	<u>\$37,264,217</u>		<u>\$12,226,181</u>

(1) Based on 2017 assessed valuation including the value of property in tax increment financing areas.

(2) The table excludes the City's alternate bonds since the alternate bonds are not considered debt unless property taxes are extended for payment of such bonds.

Source: Bond amounts were derived from records available through the Municipal Securities Rulemaking Board's Electric Municipal Market Access system ("EMMA"). Assessments were provided by records of the County Clerk.

## Additional and Future Debt

During the 2019 Fiscal Year, the City issued a \$1,665,000 Promissory Note (the "Note") for financing improvements to the City's water system. The City intends to pay for the Note with revenues from the water system; however, the Note constitutes a direct general obligation of the City payable as to principal and interest from the general funds and such other sources of revenue as are otherwise

lawfully available. In addition, during the 2019 Fiscal Year the City is planning to issue bonds to finance a new Public Safety Facility that will be paid from the Business District Sales Taxes.

## **THE ELECTRIC SYSTEM**

### **Facilities and Source of Power**

Prior to 1977, the Electric System was self-sustaining, in that all demand was met by the City's own generators. Beginning in 1977, the City purchased power wholesale, primarily from Illinois Power. The City generators were used for peak shaving and emergency back-up.

Starting in 1990, the City became a member utility of the IMEA, the Illinois Municipal Electric Agency ("IMEA"). The IMEA is a consortium made up of 31 municipal electric utilities located throughout Illinois. The main purpose of the IMEA is to purchase and provide electricity to its members at a wholesale rate. Member utilities then re-sell the electricity to their customers at retail rates. The bulk of the purchased power is supplied by Central Illinois Power, Commonwealth Edison and the Trimble County Kentucky power plant, 12% of which is owned by the IMEA. Additional power needs are met by member generation or spot market purchases. (Additional information concerning IMEA including its annual report and audited financial statements are available at <http://www.imea.org>.)

In late 1998, the IMEA began construction on a new 138,000 volt transmission line running from Collinsville to Highland. The line serves as an interconnection between the City and the transmission grid via Ameren-IP. The line was commissioned in June of 1999, resulting in a far more reliable electric supply for the City. The City assumed ownership of the \$8 million dollar line in 2002.

Total electrical load for the 2018 Fiscal Year amount to 134.9 megawatt-hours, with a peak load of 35.0 megawatts.

The City's distribution system consists of approximately 6,918 poles, 1,569 pole mounted transformers, 858 padmount transformers and 7 substations. There are 257 miles of overhead circuits and 121 miles of underground circuits.

In addition, the Electric System also owns a 138 kV interconnect line constructed by the IMEA. This line, which is the main electric supply into the City, runs from Collinsville to the power plant yard. It consists of 176 poles spaced along a route that is 14.7 miles in length, connecting an Illinois Power transmission line to the 138 kV sub-station.

### **Contract with IMEA**

The City receives power from IMEA pursuant to a Power Sales Contract dated June 1, 1990, as amended from time to time (the "Contract"). The Contract specifies, among other matters, the amount of electricity to be delivered to the City by IMEA, charges and billing procedures. The Contract extends to September 30, 2035.

### **Management and Organization**

The City Council is responsible for all basic policy decisions relating to the Electric System, including budgetary matters, bidding, construction, rates and fees for services, and engagement of consulting engineers.

The Director of the Light and Power Department, an electrical engineer, is responsible for supervising the Electric System's 16 employees and the activities of the Electric System in compliance with procedures established by the City Council.

Daily operations and maintenance of the Electric System are performed by 6 linemen. Three operators maintain and operate the generators. Consulting engineers are engaged from time to time as required for activities which are beyond the scope of the Electric System's staff.

**Service Area, Customers and Usage**

The City has a firmly delineated service area, which encompasses approximately a 64 square mile radius. The City has agreed to service boundaries with Southwest Electric Co-Op, Clinton County Co-Op, and Illinois Power. The City has the right to serve any new customer within its service area, while continuing to serve existing customers outside its service area. The following table sets forth information regarding the number of customers served by the Electric System for the past five Fiscal Years:

<u>Fiscal Year</u>	<u>Customers In City Limits</u>	<u>Customers Outside City Limits</u>	<u>Total</u>
2014	4,914	1,661	6,575
2015	4,940	1,667	6,604
2016	4,962	1,677	6,639
2017	4,933	1,673	6,606
2018	5,009	1,683	6,692

*Source: Finance Department of the City.*

The City is the largest user of electric services and for the 2018 Fiscal Year paid \$388,380 or 2.7% of electric revenues. Excluding the City, the Electric System revenues by customer class are comprised of approximately 58% residential, 35% industrial and 7% commercial. The following table sets forth information regarding the ten largest customers of the Electric System, excluding the City, based on the total amount billed during the 2018 Fiscal Year:

<u>Customers</u>	<u>Revenues</u>	<u>Percent of Revenue Billed</u>
Walmart	\$279,638.16	2.00%
Highland Community Schools	261,804.42	1.87
Faith Care	255,154.64	1.82
Basler	232,513.72	1.66
St Joseph's Hospital	230,827.93	1.65
Nutreco	132,076.15	0.94
Medical Art Building	106,283.01	0.76
Dow Jones	79,111.30	0.57
Rock Tenn	78,078.96	0.56
C-Mac McDonalds	57,413.96	0.41

*Source: Electric and Fiber Department.*

The following table sets forth information regarding kilowatt hours billed for the past five Fiscal Years:

<u>Year</u>	<u>KWH Billed</u>
2014	133,870,628
2015	127,601,292
2016	125,656,444
2017	128,225,118
2018	126,713,979

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*Source: Electric and Fiber Department.*

### **Billing**

Customers are billed for services monthly. Customers that also receive water service, sewer service or trash collection from the City receive one bill for all services received. Bills are due 20 days after the billing date. Any bill remaining unpaid by the due date is considered delinquent and accrues a delayed payment charge equal to 1.5% percent of the amount billed.

In the event the bill remains unpaid 15 days following the due date, the City is authorized to discontinue service. Service to disconnected premises is not restored until the delinquent amount and reconnection fees have been paid.

Approximately 13% of customers do not pay their bills by the due date; however only approximately 0.3% do not pay following receipt of a delinquent notice and have their electric service discontinued. Virtually all customers pay their bills immediately following the discontinuation of service.

## Rates and Charges

Rates and charges are established by the City Council and are not subject to regulation by any other jurisdiction. The current rates became effective on January 2017. The following table sets forth the current rates established by ordinance:

### Residential Service:

<u>Description</u>	<u>Minimum Monthly Charge</u>	<u>Plus Rate/kwh</u>
Energy Charge	\$9.00	.0774

### Commercial Service:

<u>Description</u>	<u>Minimum Monthly Charge</u>	<u>Plus Rate/kwh</u>
Energy Charge	\$18.00	.0640

### Industrial Service:

<u>Description</u>	<u>Monthly Charge</u>	<u>Usage</u>	<u>Rate/kwh</u>
Energy Charge	\$37.50	First 365 X kW Demand	..0439
Energy Charge		Over 365 X kW Demand	.0373

In addition, for Industrial Service, there is a demand charge equal to \$6.76 per KW.

The City has a power cost adjustment (“PCA”) that is a rate applied to each kilowatt-hour usage of energy billed. The PCA is designed to change as the Electric System’s wholesale power costs fluctuate based on a three month moving average. The City has had a PCA for over twenty-five years. The PCA is reviewed annually and is periodically adjusted. The most recent PCA rate revision was in January 2007.

## Summary of Electric System Operations

The following table sets forth certain financial information for the Electric System for the fiscal years ended April 30, 2016 through 2018. The information included herein was derived from the City’s audited financial statements.

**Electric System (Light and Power)**  
**Revenues, Expenses and Changes in Net Position**

	Fiscal Year Ended April 30		
	2016	2017	2018
OPERATING REVENUE			
Charges for Services	\$15,465,809	\$16,024,579	\$16,523,976
Connection Fees	<u>17,375</u>	<u>13,746</u>	<u>24,860</u>
Total Revenue	<u>15,483,184</u>	<u>16,038,325</u>	<u>16,548,836</u>
OPERATING EXPENSES EXCLUDING DEPRECIATION			
Personnel Services	1,810,837	1,831,614	1,778,422
Contractual Services	2,442,665	2,661,797	2,681,246
Purchase Power	8,981,405	9,208,999	9,227,281
Utilities	106,518	106,134	111,716
Supplies and Materials	<u>314,293</u>	<u>228,840</u>	<u>386,521</u>
Total Operating Expenses	<u>13,655,718</u>	<u>14,037,384</u>	<u>14,185,186</u>
OPERATING INCOME BEFORE DEPRECIATION	<u>1,827,466</u>	<u>2,000,941</u>	<u>2,363,650</u>
DEPRECIATION AND NON-OPERATING REVENUE (EXPENSES)			
Depreciation	(1,688,178)	(1,894,590)	(1,903,636)
Interest Income	42,646	35,035	36,770
Interest Expense and Service Charges	(593,902)	(568,252)	(549,004)
Miscellaneous	<u>199,580</u>	<u>306,157</u>	<u>121,018</u>
Total Depreciation and Non-Operating Revenue (Expense)	(2,039,854)	(2,121,650)	(2,294,852)
NET INCOME (LOSS) BEFORE TRANSFERS	(212,388)	(120,709)	68,798
Operating Transfers From (to) Other Funds	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>
Increase (Decrease) in Net Assets	(362,388)	(270,709)	(81,202)
NET POSITION BEGINNING OF YEAR	15,348,299	14,782,294	19,304,921
Prior Period Adjustment <sup>(1)</sup>	<u>(203,617)</u>	<u>4,522,627</u>	<u>—</u>
NET POSITION END OF YEAR	<u>\$14,782,294</u>	<u>\$19,304,921</u>	<u>\$19,223,719</u>

(1) The prior period adjustment in the 2017 Fiscal Year is due to the inclusion of the net book value of a 138kv line constructed with the assistance of IMEA.

Note: Each year the audit includes the schedule of Revenues, Expenses and Changes in Net Position for the current Fiscal Year and the prior Fiscal Year. When there is a prior period adjustment the changes are reflected in the schedule for the prior Fiscal Year in the audit for the current Fiscal Year. The numbers in the table above are from the original audit.

## Outstanding Revenue Bonds

The following is a list of the City's outstanding bonds, as of the date of this Disclosure Report, that have a lien on the revenues of the electric system:

<u>Issue</u>	<u>Amount Outstanding</u>
Senior Lien Electric System Revenue Bonds (Fiber-To-The-Premises Project), Taxable Series 2010	\$ 7,205,000
Senior Lien Electric System Revenue Bonds (Fiber-To-The-Premises Project), Series 2012	<u>3,800,000</u>
	<u>\$11,005,000</u>

## Debt Service Requirements

The following table sets forth the debt service on the City's Electric System Senior Lien Revenue Bonds as of April 30, 2018:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>US Treasury Interest Subsidy<sup>(1)</sup></u>	<u>Total Debt Service</u>
2019	\$ 630,000	\$ 534,853	\$ (134,328)	\$ 1,030,525
2020	650,000	511,503	(132,742)	1,028,761
2021	665,000	485,540	(125,899)	1,024,641
2022	685,000	457,210	(118,439)	1,023,771
2023	710,000	426,623	(110,407)	1,026,216
2024	735,000	393,880	(101,862)	1,027,018
2025	760,000	358,908	(92,790)	1,026,118
2026	785,000	321,918	(83,165)	1,023,753
2027	815,000	282,818	(73,071)	1,024,747
2028	845,000	241,275	(62,304)	1,023,971
2029	880,000	198,053	(51,135)	1,026,918
2030	910,000	151,505	(39,060)	1,022,445
2031	950,000	103,205	(26,565)	1,026,640
2032	<u>985,000</u>	<u>52,640</u>	<u>(13,545)</u>	<u>1,024,095</u>
Total	<u>\$11,005,000</u>	<u>\$4,519,931</u>	<u>\$(1,165,312)</u>	<u>\$14,359,619</u>

(1) Represents a 35% U.S. Treasury Interest Subsidy in conjunction with the Series 2010 Bonds. Under the budget sequestration provisions of the Budget Control Act of 2011 the subsidy is being reduced and absent Congressional action, the sequester will continue through September 2024; however, the percentage of reduction is not known at this time.

## THE SEWERAGE SYSTEM

### Description of System

The City's Sewerage System facilities include a wastewater treatment plant (the "Water Reclamation Facility") and a collection and distribution system. The distribution system includes approximately 42 miles of collection lines ranging in size from 6 to 24 inches. The Water Reclamation Facility, which was built in 1977 and upgraded in 1998, uses an oxidation ditch and aerobic digester for treatment. The Water Reclamation Facility has a capacity to treat approximately 1.6 million gallons per day with a peak load of up to 4 million gallons per day. The City's average dry weather flow is 1.24 million gallons per day. The treatment plant presently has excess capacity of approximately 360,000 gallons per day.

### Management of the System

The City Council is responsible for all basic policy decisions relating to the System including budgetary matters, bidding, construction, and rates and fees for services. The Director of Public Works manages the System under the direction of the City Manager. Responsibilities of the Director of Public Works include management of water and sewer operations and maintenance staff, budget development, negotiation contracts, developing bid specification, and otherwise planning and directing all activities of the public works department. Daily operations and maintenance of the Sewerage System are performed by 10 operators and maintenance personnel. All operators are certified and licensed as required by the State of Illinois.

### Rates and Charges

Rates and charges are established by the City Council and are not subject to regulation by any other jurisdiction. Sewer bills are based on a minimum monthly charge and, for customers of both the waterworks system and Sewerage System, water usage. In July 2013, the City passed an ordinance (the "Rate Ordinance") establishing multi-year user rate increases for all customers except for nonresidents.

The City imposes rates based on several classifications of customers as follows: (i) residential in-city, (ii) commercial in-city, (iii) industrial in-city, (iv) nonresidents receiving both water and sewer service, and (v) nonresidents receiving only sewer service. The following table sets forth the charges for sewer service for most customer classifications as of the date of this Disclosure Report. The following rates were in effect at the end of the 2018 Fiscal Year.

	Residential Within City	Commercial Within City	Outside City
	<u>Limits</u>	<u>Limits</u>	<u>Limits</u>
Minimum Charge	\$9.400	\$9.400	\$13.300
Per 100 Gallons of Water Used	.630	.773	.721



## Service Area and Customers

The Sewerage System serves all City residents and one customer located outside the City limits. The following table sets forth the number of customers for the Sewerage System and total water usage for the last five fiscal years:

<u>Fiscal Year</u>	<u>Number of Customers</u>	<u>Gallons of Water Sold</u>
2014	4,277	270,722,000
2015	4,314	257,186,000
2016	4,338	250,721,600
2017	4,323	258,514,500
2018	4,368	253,540,600

*Source: Public Works Department.*

The following table sets forth information regarding the ten largest customers of the Sewerage System based on water usage and amounts billed for the 2018 Fiscal Year.

<u>Customer</u>	<u>Gallons Purchased</u>	<u>% of Total Gallons Billed</u>	<u>Amount Paid for Sewer</u>	<u>% of Total for Sewer</u>
Aramark	14,431,900	5.69%	\$102,601.47	5.37%
Clean Uniform	13,224,600	5.22	105,954.02	5.69
City of Highland	9,567,000	3.77	74,174.15	3.88
Faith Care	4,519,000	1.78	34,779.77	1.82
Cooper Industries	3,670,000	1.45	18,807.40	1.45
Highland Select	3,304,000	1.30	23,188.42	1.21
Highland Community Schools	2,710,100	1.07	20,723.68	1.08
Splish Splash Auto Bath	1,614,000	0.64	12,380.64	0.65
Highland Health Care Center	1,476,000	0.58	11,445.38	0.60
Central Rubber extrusion	1,464,200	0.58	9,837.45	0.51

*Source: Public Works Department.*

## Billing

See the section “Billing” under the caption “THE ELECTIC SYSTEM.”

## Obligations Secured by Revenues of the Sewerage System

The City has pledged the Net Revenues of the Sewerage System to the payment of the Series 2013 Bonds. The following table sets forth the debt service on the Series 2013 Bonds:

Fiscal Year	The Series 2013 Bonds		Total Debt Service
	Principal	Interest	
2019	\$ 115,000	\$ 80,040	\$ 195,040
2020	120,000	76,985	196,985
2021	125,000	73,800	198,800
2022	125,000	70,613	195,613
2023	130,000	67,263	197,263
2024	135,000	63,450	198,450
2025	140,000	59,220	199,220
2026	145,000	54,623	199,623
2027	150,000	49,643	199,643
2028	155,000	44,265	199,265
2029	160,000	38,275	198,275
2030	165,000	31,775	196,775
2031	170,000	25,075	195,075
2032	180,000	17,850	197,850
2033	170,000	10,413	180,413
2034	160,000	3,400	163,400
Total	<u>\$2,345,000</u>	<u>\$766,690</u>	<u>\$3,111,690</u>

Note Principal and interest on the Bonds is also included in the table “DEBT OF THE CITY – Outstanding General Obligation Debt.”

The City is planning to enter into a loan for sewerage system improvements with the Illinois Environmental Protection Agency (the “IEPA Loan”). The IEPA Loan is expected to be in the amount of \$11,000,000 and the loan documents are expected to be approved during the 2019 Fiscal Year.

## Summary of Sewerage System Operations

The following table sets forth certain financial information for the Sewerage System for the 2015 through 2018 Fiscal Years.

	<b>Sewer Fund</b>			
	<b>Revenues, Expenses and Changes in Net Position</b>			
	Fiscal Year Ended April 30			
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Operating Revenue				
User Charges	\$2,067,118	\$2,094,223	\$2,207,148	\$2,141,759
Connection Fees	15,516	43,787	74,189	38,265
Total	<u>2,082,634</u>	<u>2,138,010</u>	<u>2,281,337</u>	<u>2,180,024</u>
Operating Expenses (Excluding Depreciation)				
Personnel Services	614,308	755,458	727,521	681,154
Contractual Services	484,992	460,991	442,710	493,499
Supplies and Materials	121,313	100,208	92,540	85,016
Utilities	4,696	4,286	3,851	3,556
Total	<u>1,225,309</u>	<u>1,320,943</u>	<u>1,266,622</u>	<u>1,263,225</u>
Operating Income Prior to Depreciation and Non-Operating Revenues (Expenses)	857,325	817,067	1,014,715	916,799
Depreciation, Bond Issue Costs and Non-Operating Revenues (Expenses)				
Bond Issue Costs	—	—	—	
Depreciation	(722,511)	(687,986)	(769,494)	(826,445)
Interest Income	21,932	22,794	30,302	30,206
Miscellaneous	19,396	1,478	5,235	23,828
Interest Expense and Service Charges	<u>(130,654)</u>	<u>(119,652)</u>	<u>(104,609)</u>	<u>(89,125)</u>
Total	<u>(811,837)</u>	<u>(783,366)</u>	<u>(838,566)</u>	<u>(861,536)</u>
Income (Loss)	45,488	33,701	176,149	55,263
Net Position				
Beginning of Year	4,453,328	4,498,816	4,482,589	4,658,738
Prior Period Adjustment	<u>—</u>	<u>(49,928)</u>	<u>—</u>	<u>—</u>
Net Position				
End of Year	<u>\$4,498,816</u>	<u>\$4,482,589</u>	<u>\$4,658,738</u>	<u>\$4,714,001</u>

Source: Derived from the City's annual financial statements.

Note: Each year the audit includes the schedule of Revenues, Expenses and Changes in Net Position for the current Fiscal Year and the prior Fiscal Year. When there is a prior period adjustment the changes are reflected in the schedule for the prior Fiscal Year in the audit for the current Fiscal Year. The numbers in the table above are from the original audit.

## Calculation of Historical Net Revenues

The following table sets forth the Net Revenues of the Sewerage System for the Fiscal Years ended April 30, 2015 through April 30, 2018.

	Fiscal Year Ended April 30			
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenue:				
Charges for Services	\$2,067,118	\$2,094,223	\$2,207,148	\$2,141,759
Connection Fees	15,516	43,787	74,189	38,265
Interest Income	<u>21,932</u>	<u>22,794</u>	<u>30,302</u>	<u>30,206</u>
Total	<u>2,104,566</u>	<u>2,160,804</u>	<u>2,311,639</u>	<u>2,210,230</u>
Operating Expenses (Excluding Depreciation, Amortization and Bond Issue Costs)	1,225,309	1,320,943	1,266,622	1,263,225
IEPA Loan Repayment	<u>451,108</u>	<u>451,108</u>	<u>451,108</u>	<u>—</u>
Net Revenues	<u>\$ 428,149</u>	<u>\$ 388,753</u>	<u>\$ 593,909</u>	<u>\$ 947,005</u>

### FINANCIAL ADVISOR

WM Financial Strategies, St. Louis, Missouri, is employed as Financial Advisor to the City to assist the City in the preparation of this Annual Disclosure Report.

### ADDITIONAL INFORMATION

For clarification of information contained in this Annual Disclosure Report contact the following:

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