

**OCTOBER 26, 2020**

**ANNUAL DISCLOSURE REPORT  
FOR THE FISCAL YEAR ENDED APRIL 30, 2020**

**OF THE**

**CITY OF HIGHLAND  
MADISON COUNTY, ILLINOIS**

**IN CONNECTION WITH**

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

**GENERAL OBLIGATION SEWERAGE SYSTEM BONDS  
(ALTERNATE REVENUE SOURCE) SERIES 2013**

and

**GENERAL OBLIGATION DEBT CERTIFICATES (LIMITED TAX), SERIES 2020**

No dealer, broker, salesman, or other person has been authorized by the City or its Financial Advisor to give any information or to make any representations, other than those contained in this Annual Disclosure Report, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Financial Advisor. This Annual Disclosure Report does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

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  
John Hipskind

Rick J. Frey  
Sarah Sloan

**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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and

**GENERAL OBLIGATION DEBT CERTIFICATES (LIMITED TAX), SERIES 2020**

**INTRODUCTION**

This Annual Disclosure Report is provided by the City of Highland, Illinois (the “City”) to furnish information in connection with its outstanding General Obligation Capital Appreciation Bonds (Alternate Revenue Source) Series 2010 (the “Series 2010 Bonds”), General Obligation Sewerage System Bonds (Alternate Revenue Source), Series 2013 (the “Series 2013 Bonds”) and General Obligation Debt Certificates (Limited Tax), Series 2020.

**Nothing contained in this report is or should be construed as a representation by the City that the information included in this Report constitutes all of the information that may be material to a decision to invest in, hold or dispose of any of the securities listed above, or any other securities of the City. Except as otherwise noted, this document does not report events or data that have transpired since the end of the City’s 2020 Fiscal Year on April 30, 2020 including, in particular, the impact that COVID-19 is having on the City’s businesses, employment and finances.**

**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, the City 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 municipality 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 117 full-time and 194 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”). The union contract with the FOP Patrol expired on April 30, 2019 and is nearing completion to be extended through April 30, 2022. The contract with IAFF expired on April 30, 2020 and is currently being renegotiated to extend through April 30, 2022. The contract with the IUOE expires on April 30, 2021 and the contracts with the Telecommunicators, IBEW and FOP Sergeants expire on April 30, 2022. The City has no record of a strike or labor dispute.

## **Pension Plan**

City employees, except for policemen, are provided retirement benefits by the State of Illinois’ State-administered Illinois Municipal Retirement Fund (“IMRF”), in which the City is required to participate. Pursuant to the Illinois Pension Code, the City is required to establish and maintain actuarial requirements of the fund.

Employees not qualifying for the Illinois Municipal Retirement Fund are considered “non-participating employees” and are covered under Social Security or the Police Pension Fund.

The annual City contribution rate is fixed by the State and provides for funding of prior service costs, including interest, as determined actuarially, over a future period of not more than 40 years. Pursuant to the Illinois Pension Code, the City is required to annually appropriate an amount sufficient to provide for its current contribution, including amounts required for contributions for Social Security purposes for covered employees. The City is authorized to levy a tax without voter approval, in an amount equal to the amount appropriated for such contributions.

Policemen receive pension benefits from the State-mandated, City-administered, Policemen’s Pension Fund. A mandatory tax levy is imposed on cities in Illinois for funding this plan. A detailed description of the funds is included in Note 7 to the Financial Statements that accompany 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 is undergoing an upgrade to be completed in spring 2021. The design capacity will treat an average of 2.0 million gallons of wastewater per day with peak loads up to 4 million gallons per day. The City's average dry weather flow is 1.20 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, 2019, the FTTP System had approximately 2,401 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 approximately 30,000 adult books, 15,500 juvenile books, 3,200 DVDs, and 2,500 audiobooks and CDs.

### *Public Safety*

The City's police department provides police protection throughout the corporate limits of the City. Services are provided by 19 full-time officers and 8 civilian employees. Community programs offered by the department include Shop with a Cop, bicycle engraving and neighborhood watch groups.

The City's fire department (the "Department") provides services from two stations. Twenty-five 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 11 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 the City. 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 meeting rooms.

In October 2020, following renovations by the property owner, the City entered lease a 31-year old building encompassing 3,800 square feet for use as a senior center for 10 years. Rental payments will equal \$30,000 annually. The City has an option to renew the lease agreement and an option to purchase the property.

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.

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, the City 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 300 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>
Highland C.U.S.D.	Education	355
Eaton Corporation	Industrial Support Systems	350
Basler Electric	Electrical Equipment Manufacturer	325
City of Highland	Municipal Government	311
Wal-Mart Stores	Department Store	250
St. Joseph's Hospital	General Hospital	205
Faith Countryside Homes	Nursing/Assisted Living	124
Nutreco	Animal Food Provider	110
Apex Therapy	Physical Therapy	65
Joiner Sheet Metal and Roofing	Roofing	50

*Source: City of Highland 2020 survey of employers.*

*Employment*

According to the US Bureau of Census, 2014-2018 American Community Survey, 5-Year Estimates, the total civilian labor force of the City was 5,082 and 26 people were unemployed. This represents a 5.0% 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	\$146,900	21.0%	14.20%
Other Entities:			
Madison County	132,300	13.9	15.4
State of Illinois	187,200	13.2	21.70

*Source: US Bureau of Census, 2014-2018 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	\$29,756	\$74,710	11.4%
Other Entities:			
Madison County	30,802	74,279	13.7
State of Illinois	35,801	81,313	12.1

*Source: US Bureau of Census, 2014-2018 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:

Fiscal Year	<u>Residential</u>		<u>Commercial &amp; Industrial</u>		Total Value
	<u>Number of Permits</u>	<u>Value</u>	<u>Number of Permits</u>	<u>Value</u>	
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
2019	343	9,443,000	58	6,565,000	16,008,000
2020	277	11,399,000	47	4,369,000	15,768,000

*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, 2017 through 2020:

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

	Fiscal Year ended April 30			
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
REVENUES:				
Property Taxes	\$1,362,365	\$1,360,440	\$1,391,295	\$ 1,401,280
Corporate Personal Property				
Replacement Taxes	141,800	104,152	118,146	127,807
Intergovernmental <sup>(1)</sup>	4,099,705	4,408,056	4,400,137	4,461,002
Charges for Services	2,360,332	2,412,005	2,442,958	2,314,016
Licenses and Forfeitures	242,861	251,510	282,042	380,890
Fines and Penalties	18,480	18,345	19,613	16,789
Revenue From Use of Property	92,455	90,883	96,666	96,618
Grants	178,078	345,625	562,792	274,457
Miscellaneous	473,357	285,790	199,111	278,876
Total Cash Revenues	<u>8,969,433</u>	<u>9,276,806</u>	<u>9,512,760</u>	<u>9,351,735</u>
CURRENT EXPENDITURES:				
General Government	1,227,991	1,325,568	1,326,382	1,377,144
Public Safety	3,170,447	3,280,449	3,401,414	3,710,393
Highways and Streets	1,017,382	898,993	934,569	1,031,321
Economic Development	179,261	143,661	431,300	290,606
Culture and Recreation	1,891,961	1,885,398	1,947,297	1,916,215
Capital Expenditures	<u>1,271,857</u>	<u>897,253</u>	<u>1,511,586</u>	<u>1,658,391</u>
Total Expenditures	<u>8,758,899</u>	<u>8,431,322</u>	<u>9,552,548</u>	<u>9,984,070</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	210,534	845,484	(39,788)	(632,335)
DEBT SERVICE EXPENDITURES AND OTHER FINANCING SOURCES (USES)				
Principal Retirement	(403,264)	(452,372)	(458,326)	(464,307)
Interest, Issue Costs and Fixed Charges	(29,356)	(29,253)	(23,088)	(15,528)
Debt Proceeds	221,000	-	-	300,000
Sale of Capital Assets	57,000	1,800	1,940	128,000
Unrealized Depreciation of Investments	-	(8,972)	7,981	20,908
Transfers in <sup>(2)</sup>	415,468	94,808	1,039,232	969,476
Transfers out <sup>(2)</sup>	<u>(560,000)</u>	<u>(280,000)</u>	<u>(115,000)</u>	<u>(953,000)</u>
Total other financing sources (uses)	<u>(299,152)</u>	<u>(673,989)</u>	452,739	(14,451)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(80,118)	171,495	412,951	(646,786)
BALANCE BEGINNING OF YEAR	<u>2,675,477</u>	<u>2,595,359</u>	<u>2,766,854</u>	<u>3,179,805</u>
BALANCE END OF YEAR	<u>\$2,595,359</u>	<u>\$2,766,854</u>	<u>\$3,179,805</u>	<u>\$2,533,019</u>

Footnotes to Prior Page

- (1) Intergovernmental revenue includes Revenue Sharing Receipts, local sales tax and simplified municipal telecommunications tax.
- (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 2020 Fiscal Year:

	<u>Revenue</u>	<u>Percentage of Total Revenue</u>
Intergovernmental:		
Sales Tax:		
General Sales Tax	\$ 2,795,003	16.52%
Non-Home Rule Sales Tax	1,459,030	8.63
Business District Sales Tax	685,585	4.05
State Income Tax <sup>(1)</sup>	1,322,714	7.82
Other Intergovernmental	<u>674,649</u>	<u>3.99</u>
Total	<u>6,936,981</u>	<u>41.01</u>
Property Taxes	3,948,993	23.35
Corporate Personal Property Taxes	190,513	1.13
Motor Fuel Taxes	368,521	2.18
Charges for Services	4,177,021	24.69
Licenses, Permits and Other Taxes	380,890	2.25
Revenue from the Use of Property	96,618	0.57
Grants and Contributions	335,565	1.98
Other	<u>479,822</u>	<u>2.84</u>
	<u>\$16,914,924</u>	<u>100.00%</u>

(1) Revenue Sharing Receipts.

Source: *Fiscal Year 2020 audited financial statements.*

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>
2016	\$2,624,354
2017	2,687,754
2018	2,692,857
2019	2,718,178
2020	2,795,003

*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 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>
2016	\$1,397,348
2017	1,409,810
2018	1,402,969
2019	1,458,085
2020	1,459,030

*Source: City’s audited financial statements.*

Business District Development and Business District Sales Taxes. In July 2018, the City imposed business district sales taxes pursuant to the Business District Development and Redevelopment Law of the Illinois Municipal Code (“Business District Sales Taxes”) in three districts. Two of the districts, known as Business District A and Business District B, encompassed substantially all of the City’s commercial businesses. In July 2019, Business District B was combined with Business District A. The Business District Sales Tax is imposed at the rate of ½%. The Business District Sales Tax was imposed on Business District A and Business District B beginning in July 2018 and distributed to the City beginning in October 2018. The tax will expire in 23 years from that date. Additional information regarding the Business District and the Business District Sales Taxes is included under the caption “THE BUSINESS DISTRICT” in the Official Statement for the General Obligation Debt Certificates (Limited Tax), Series 2020 (the “Certificates”) that is available at <https://emma.msrb.org/IssueView/Details/ES399391>.

#### *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>
2016	\$1,421,357
2017	1,046,684
2018	1,359,263
2019	1,327,101
2020	1,322,714

*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>
2015	\$177,612,345	—
2016	180,405,083	1.57%
2017	184,021,018	2.00
2018	189,946,306	3.22
2019	198,620,508	4.57

*Source: Office of the County Clerk.*

The following table sets forth the composition of equalized assessed valuation for 2019 tax year and the estimated market value:

<u>Assessment Category</u>	<u>Assessed Value</u>	<u>Estimated Market Value</u>
Residential	\$143,255,177	\$429,765,531
Commercial	50,462,400	151,387,200
Industrial	4,538,480	13,615,440
Railroads	120,261	360,783
Farmland	244,190	244,190
Total Taxable Properties	<u>198,620,508</u>	<u>595,373,144</u>
Exemptions (Sr. Citizens Homestead, Sr. Citizens Tax Freeze, General Homestead and Others)	27,208,560	81,625,680
Tax Increment Financing	7,265,517	21,796,551
Total	<u>\$233,094,585</u>	<u>\$698,795,375</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, 2020 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>
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	3,828,718	99.68
2018	3,908,144	3,898,784	99.76
2019	4,048,083	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 2019 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	\$3,687,850	1.86 %
Walmart Stores	Department Store	2,930,790	1.48
Frey Properties	Developer	1,680,180	0.85
CBL Acquisition Corp. (formerly Cooper B-Line Systems)	Industrial Support Systems	1,380,400	0.69
Willowbrooke LTD	Rental Property	1,341,330	0.68
Cedarhurst of Highland Real Estate LLC	Real Estate Development	1,294,520	0.65
Glik Development Co.	Real Estate Development	1,014,100	0.51
Dow Jones	Wall Street Journal-MidWest Edition	980,390	0.50
Trouw Nutrition	Feed Additive	980,190	0.49
Crest Realty Highland LLC	Real Estate Development	970,180	0.49

(1) Based on the ratio of the assessed valuation of the taxpayer to the City’s assessed valuation of \$198,620,508.

*Source: Madison County Clerk.*

## DEBT OF THE CITY

### Outstanding General Obligation Bonds

The following table sets forth a list of the City's outstanding general obligation alternate revenue source bonds as of the end of the 2020 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	\$2,817,580
General Obligation Bonds (Alternate Revenue Source) Series 2012 <sup>(1)</sup>	General Obligation Bonds and Incremental Revenues	2,830,000
General Obligation Sewerage System Bonds (Alternate Revenue Source) Series 2013	Sewerage System	2,110,000
General Obligation Refunding Bonds (Alternate Revenue Source) Series 2014A <sup>(2)</sup>	General Sales Tax	<u>430,000</u>
Total		<u>\$8,187,580</u>

The following table sets forth the debt service on the City's outstanding general obligation alternate revenue bonds, as of the date of the end of the 2020 Fiscal Year, including the source of revenue from which debt service is to be paid:

<u>Fiscal Year</u>	<u>Incremental Revenues and Other Funds<sup>(1)</sup></u>	<u>General Sales Tax</u>	<u>Non-Home Rule Sales Tax</u>	<u>Sewer System</u>	<u>Total Debt Service</u>
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>\$3,484,453</u>	<u>\$434,515</u>	<u>\$5,355,000</u>	<u>\$2,719,665</u>	<u>\$11,993,633</u>

Footnotes to Prior Page

- (1) On August 24, 2020 the City issued \$2,680,000 aggregate principal amount of General Obligation Refunding Bonds (Alternate Revenue Source), Series 2020 (the “Series 2020 Bonds”), that were privately placed with a bank, for the purpose of providing funds to (a) refund all of the City’s outstanding General Obligation Bonds (Alternate Revenue Source), Series 2012, and (b) pay costs of issuing the Series 2020 Bonds. As a result debt service payments will be lower than reflected in the table above.
- (2) The Series 2014A Bonds matured on October 1, 2020.

Note: Certain totals in the table above may vary from the City’s audited financial statements due to rounding.

**Promissory Note**

On October 20, 2018 the City issued Promissory Notes, Series 2018 (the “Promissory Notes”) in the principal amount of \$1,665,000 of which \$1,450,000 were outstanding as of April 30, 2020. Proceeds from the Promissory Notes were used to make improvements to the City’s waterworks system. The Promissory Notes are a general obligation of the City; however, the City expects to make payments solely from the City’s waterworks system.

**Installment Purchase Agreement**

During the 2020 Fiscal Year, the City entered into an installment purchase agreement in the amount of \$300,000 (\$30,000 annual rental payments over a term of 10 years) in connection with a senior center.

**Debt Certificates**

On February 10, 2020 the City issued the “Certificates”. The following table sets forth the debt service requirements on the Certificates as of April 30, 2020.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2021	\$ 305,000	\$ 256,157	\$ 561,157
2022	320,000	250,525	570,525
2023	330,000	237,725	567,725
2024	345,000	224,525	569,525
2025	355,000	210,725	565,725
2026	370,000	196,525	566,525
2027	385,000	181,725	566,725
2028	400,000	166,325	566,325
2029	410,000	158,325	568,325
2030	420,000	150,125	570,125
2031	425,000	141,200	566,200
2032	435,000	131,638	566,638
2033	445,000	121,850	566,850
2034	460,000	108,500	568,500
2035	475,000	94,700	569,700
2036	490,000	80,450	570,450
2037	500,000	65,750	565,750
2038	520,000	50,750	570,750
2039	535,000	32,550	567,550
2040	550,000	16,500	566,500
Total	<u>\$8,475,000</u>	<u>\$2,876,570</u>	<u>\$11,351,570</u>

Note: Certain totals in the table above may vary from the City’s audited financial statements due to rounding.

The Certificates are valid and legally binding direct and general obligations of the City payable from any funds of the City legally available and annually appropriated for such purpose. The full faith and credit of the City has been irrevocably pledged to the punctual payment of principal of and interest on the Certificates, except that the rights of the owners of the Certificates and the enforceability of the Certificates may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion. There is no statutory authority for the levy of a separate tax in addition to other City taxes or for the levy of a special tax unlimited as to rate or amount to pay the principal and interest due on the Certificates.

The Certificates were issued to finance facilities within a Business District. Although the intent of the City is to pay for the Certificates from the Business District Sales Taxes (See "THE CITY'S FINANCES – Governmental Funds – Revenue Sources – Sales Taxes – Business District Sales Taxes"), the payment of the principal of and the interest on the Certificates is payable from any funds lawfully available to the City for the payment of such obligations and debt and annually appropriated for that purpose. The City agrees to appropriate funds annually and in a timely manner so as to provide for the making of all payments when due under the terms of the Agreement.

**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.

2019 Assessed Value	<u>\$198,620,508</u>
Debt Limit - 8.625% of Assessed Value	\$17,131,019
Less: Debt Counting Against Limit <sup>(1)</sup>	<u>10,225,000</u>
Legal Debt Margin	<u>\$ 6,906,019</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:

2019 Assessed Value	<u>\$198,620,508</u>
Debt Limit - .50% of Assessed Value	\$993,103
Less: Debt Counting Against Limit	—
Legal Debt Margin	<u>\$993,103</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 30, 2020:

	Outstanding Bonds	Percent Applicable to The City <sup>(1)</sup>	City's Direct and Overlapping Debt
City of Highland <sup>(2)</sup>	\$10,225,000	100.00%	\$10,225,000
Southwestern Illinois College #522	8,865,000	2.74	242,901
Community Unit School Dist. No. 5	<u>18,167,429</u>	48.17	<u>8,751,251</u>
	<u>\$37,257,429</u>		<u>\$19,219,152</u>

(1) Based on 2019 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

The City is evaluating the feasibility of constructing a new swimming pool. The estimated cost of the pool is \$5,000,000 and the City expects to commence the project during the 2024 Fiscal Year.

## 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 and is currently undergoing additional renovations, uses an oxidation ditch and aerobic digester for treatment. The Water Reclamation Facility has a capacity to treat approximately 2.0 million gallons per day with a peak load of up to 4 million gallons per day. The City's average dry weather flow is 1.20 million gallons per day. The treatment plant presently has excess capacity of approximately 800,000 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 August 2018, 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 2020 Fiscal Year.

	Residential Within City <u>Limits</u>	Commercial Within City <u>Limits</u>	Outside City <u>Limits</u>
Minimum Charge	\$9.600	\$9.600	\$13.400
Per 100 Gallons of Water Used	.662	.812	.758

### 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:

Fiscal <u>Year</u>	Number of <u>Customers</u>	Gallons of <u>Water Sold</u>
2016	4,338	250,721,600
2017	4,323	258,514,500
2018	4,368	253,540,600
2019	4,443	242,658,200
2020	4,439	243,834,300

*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 2020 Fiscal Year.

<u>Customer</u>	Gallons <u>Purchased</u>	% of Total <u>Gallons Billed</u>	Amount Paid <u>for Sewer</u>	% of Total <u>for Sewer</u>
Aramark	11,530,900	4.73%	\$80,534.86	3.67%
Clean Uniform	11,419,000	4.68	79,709.35	3.63
City of Highland	7,187,400	2.95	54,572.19	2.49
Faith Care	3,876,000	1.59	31,309.52	1.43
Highland Select	3,855,000	1.58	31,269.44	1.43
Splish Splash Auto Bath	2,435,000	1.00	19,931.83	0.91
Highland Health Care Center	2,354,300	0.97	19,197.30	0.88
Highland Community Schools	2,292,700	0.94	20,826.19	0.95
Cooper Industries	2,002,400	0.82	14,488.34	0.66
St. Joseph Hospital	1,516,300	0.62	12,592.43	0.57

*Source: Public Works Department.*

### Billing

Customers are billed for services monthly. Customers that also receive water service, electric 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.

#### 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	
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>\$2,110,000</u>	<u>\$609,665</u>	<u>\$2,719,665</u>

Note Principal and interest on the Bonds is also included in the table “DEBT OF THE CITY – Outstanding General Obligation Debt.” Interest in the table above may differ from the total shown in the City’s audited financial statements due to rounding.

During the 2019 Fiscal Year the City entered into a loan for sewerage system improvements with the Illinois Environmental Protection Agency (the “IEPA Loan”). The IEPA Loan was authorized in the amount of \$11,000,000 and \$1,650,000 will be forgiven by the State of Illinois pursuant to principal forgiveness provisions contained in the loan rules. The loan repayment schedule was not available as of the date of this Annual Disclosure Report. The payments on the IEPA Loan are subordinate to the Series 2013 Bonds.

## Summary of Sewerage System Operations

The following table sets forth certain financial information for the Sewerage System for the 2017 through 2020 Fiscal Years.

	<b>Sewer Fund</b>			
	<b>Revenues, Expenses and Changes in Net Position</b>			
	Fiscal Year Ended April 30			
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Operating Revenue				
User Charges	\$2,207,148	\$2,141,759	\$2,201,032	\$2,193,770
Connection Fees	<u>74,189</u>	<u>38,265</u>	<u>76,530</u>	<u>110,446</u>
Total	<u>2,281,337</u>	<u>2,180,024</u>	<u>2,277,562</u>	<u>2,304,216</u>
Operating Expenses (Excluding Depreciation)				
Personnel Services	727,521	681,154	673,496	703,190
Contractual Services	442,710	493,499	472,526	373,401
Supplies and Materials	92,540	85,016	97,673	92,166
Utilities	<u>3,851</u>	<u>3,556</u>	<u>408</u>	<u>151,536</u>
Total	<u>1,266,622</u>	<u>1,263,225</u>	<u>1,244,103</u>	<u>1,320,293</u>
Operating Income Prior to Depreciation and Non-Operating Revenues (Expenses)	1,014,715	916,799	1,033,459	983,923
Depreciation, Bond Issue Costs and Non-Operating Revenues (Expenses)				
Depreciation	(769,494)	(826,445)	(442,086)	(404,334)
Interest Income	30,302	30,206	35,398	48,539
Miscellaneous	5,235	23,828	18,205	38,155
Interest Expense and Service Charges	<u>(104,609)</u>	<u>(89,125)</u>	<u>(78,623)</u>	<u>(75,557)</u>
Total	<u>(838,566)</u>	<u>(861,536)</u>	<u>(467,106)</u>	<u>(393,197)</u>
Income (Loss)	176,149	55,263	566,353	590,726
Transfers Out	—	—	(23,400)	(14,648)
Net Position				
Beginning of Year	4,482,589	4,658,738	4,714,001	5,188,980
Prior Period Adjustment	<u>—</u>	<u>—</u>	<u>(67,974)</u>	<u>—</u>
Net Position				
End of Year	<u>\$4,658,738</u>	<u>\$4,714,001</u>	<u>\$5,188,980</u>	<u>\$5,765,058</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, 2017 through April 30, 2020.

	Fiscal Year Ended April 30			
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenue:				
Charges for Services	\$2,207,148	\$2,141,759	\$2,201,032	\$2,193,770
Connection Fees	74,189	38,265	76,530	110,446
Interest Income	<u>30,302</u>	<u>30,206</u>	<u>18,205</u>	<u>48,539</u>
Total	<u>2,311,639</u>	<u>2,210,230</u>	<u>2,295,767</u>	<u>2,352,755</u>
Operating Expenses (Excluding Depreciation, Amortization and Bond Issue Costs)	1,266,622	1,263,225	1,244,103	1,320,293
IEPA Loan Repayment <sup>(1)</sup>	<u>451,108</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Revenues	<u>593,909</u>	<u>\$ 947,005</u>	<u>\$1,051,664</u>	<u>\$1,032,462</u>

(1) Represents an Illinois Environmental Protection Agency loan that was retired during the 2017 Fiscal Year.

## 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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